

USFB/CS/SE/2021-22/44

Date: September 03, 2021

To,

National Stock Exchange of India Limited

Listing Department
Exchange Plaza, C-1, Block G, Bandra Kurla Complex,
Bandra (E)
Mumbai – 400 051

BSE Limited

Listing Compliance
P.J. Tower,
Dalal Street, Fort,
Mumbai – 400 001

Symbol: UJJIVANSFB

Scrip Code: 542904

Dear Sir/Madam,

Sub: Submission of Annual Report for the Financial Year 2020-21 along with Notice of 5th Annual General Meeting of the Bank

Further to our Letter bearing reference number USFB/CS/SE/2021-22/39 dated August 25, 2021 and pursuant to Regulation 33 (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit the copy of Annual Report for the Financial Year 2020-21 along with the Notice of 5th Annual General Meeting of members of the Bank.

The dispatch, by electronic means, of the Annual Report for the Financial Year 2020-21 and Notice of the 5th AGM of the Bank to the members of the Bank, commenced and was completed today i.e. September 03, 2021.

The copy of the Annual Report and Notice of the 5th AGM shall be available on the website of the Bank at www.ujjivansfb.in.

This intimation shall be available on the Bank's website at www.ujjivansfb.in.

We request you to take note of the above.

Thanking You,

Yours faithfully,

For UJJIVAN SMALL FINANCE BANK LIMITED

Chanchal Kumar

Company Secretary and Compliance Officer

Resolve. Resilience. Readiness.



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Key Highlights of FY 2020-21

₹3,117 Crore

Revenue

₹809 Crore

Pre-Provision Operating Profit (PPOP)

₹8 Crore

Profit After Tax (PAT)

₹0.05

Earnings Per Share (EPS)

Resolve. Resilience. Readiness.

Resolve, Readiness and Resilience were the three key anchors of our overall approach to ensure business continuity in the backdrop of an extremely challenging FY 2020-21.

As the crisis began to unfold, we put together a Quick Response Team (QRT) to ensure the safety and security of our teams. We also regularly engaged with our customers to identify their pain points and offer quick and hassle-free resolutions.

We ramped up our digital ecosystem to reassure customers of our preparedness. As the pandemic continued to cause widespread disruptions across the length and the breadth of the economy, we stayed resilient owing to the determined efforts of our teams, who delivered beyond the call of duty. Although the first half of the year presented huge hardships for us, our business revived in the second half of the year, with a strong bounce back in both assets and deposit businesses. Customer acquisitions, disbursements and collections also picked up good momentum, and we ended the year on a positive note.

As we move on, we will continue to roll out more digital initiatives to enhance our processes, improve the quality, further diversify our portfolio and walk the extra mile with our customers as their most reliable banking partner.

Resolve shines in testing times

➔ Read more on PG 18



Enhancing our resilience in a tough year

➔ Read more on PG 48



Digital readiness is our biggest competitive advantage

➔ Read more on PG 26



Report Card, FY 2020-21

Steadfast commitment to value creation

Financial

Balance Sheet Size

₹20,380 Cr

11% ▲

(₹18,411 Crores in FY 2019-20)

Disbursements

₹8,397 Cr

36% ▼

(₹13,221 Crores in FY 2019-20)

Total Gross Advances

₹15,140 Cr

7% ▲

(₹14,153 Crores in FY 2019-20)

Net Interest Margin (NIM)

9.5%

130 bps ▼

(10.8% in FY 2019-20)

Capital Adequacy Ratio (CAR)

26.4%

240 bps ▼

(28.8% in FY 2019-20)

Total Deposits

₹13,136 Cr

22% ▲

(₹10,780 Crores in FY 2019-20)

Retail Deposits

₹6,242 Cr

32% ▲

(₹4,724 Crores in FY 2019-20)

Net Interest Income

₹1,729 Cr

6% ▲

(₹1,634 Crores in FY 2019-20)

Gross NPA

7.1%

610 bps ▲

(1.0% in FY 2019-20)

Net NPA

2.9%

270 bps ▲

(0.2% in FY 2019-20)

Provision Coverage Ratio

60%

2,000 bps ▼

(80% in FY 2019-20)

Cost Income Ratio

60%

710 bps ▼

(67% in FY 2019-20)

Return on Average Assets (ROAA)

0.04%

215 bps ▼

(2.2% in FY 2019-20)

Return on Average Networth (ROAE)

0.3%

1,360 bps ▼

(13.9% in FY 2019-20)

Operational

Asset

- Asset book saw growth of 7% y-o-y, despite nationwide lockdown and economic headwinds
- Continued our efforts towards 'Sampoorna Family banking' - offering our customers a holistic suite of offerings including group loans, individual loans, savings/deposit products, two-wheeler loans, insurance, payment solutions, remittances and others

- Affordable housing business book grew by 35% y-o-y, with total number of customers crossing 24,000 during the year
- MSE book grew by 31% y-o-y
- Ventured into the area of supply chain finance through fintech partnership
- Financial Institutions Lending book grew by 18% y-o-y
- Forayed into small commercial vehicle finance segment, addressing the requirements of

the mass market segment in Tier II markets and beyond

Deposits

- Deposit book recorded 22% y-o-y growth driven by new to bank retail customers
- CASA grew by 85% y-o-y, closing at 21% of the total deposit book as of March 31, 2021
- Retail deposits witnessed significant growth, closing at ₹6,242 Crore, constituting 48% of the total deposit as of March 31, 2021

- Institutional business comprising deposits from financial Institutions, along with Trusts, Associations, Societies and Corporates (TASC) grew by 14% y-o-y

Digital

- Partnered with Airtel Payments Bank, PayNearBy, and API based digital repayment via Bharat Bill Payment System for rolling out transaction or payment outlets as an alternative to repayment at centre meetings, and drove API
- Digital penetration increased to 5.5 Lakh MicroBanking

customers now registered on Mobile Banking & UPI platform

- UPI QR is showing steady adoption and gaining momentum month on month
- Introduced Money Mitra, offering basic banking services, accessible to customers in their neighbourhood, facilitating entrepreneurs running local businesses such as kirana/medical stores or insurance agencies to offer retail banking solutions to our customers exclusively

People

- Quick Response Team (QRT) was formed to monitor the pandemic situation and act as a task force
- Ranked 5th among 'Best Large Workplaces in Asia 2020' by the Great Place To Work® Institute:
- Launched campaign on COVID-19 safety guidelines around festive season
- Launched a Savings Account specially for women (Garima Savings Account)



Corporate Identity

A reliable bank for aspirational India

We have emerged as India's leading new-age small finance bank, committed to serve our country's aspiring citizens through our diverse financial products and services.

We are expanding our presence across India by using technology as a great facilitator. With continued focus on strengthening our digital interface, we are empowering the unserved and underserved customers.

We are further deepening our customer connect through financial and digital inclusion initiatives. As a responsible banking institution, we stay invested in creating a sustainable social impact through community development and financial literacy programmes.

ABOUT UJJIVAN FINANCIAL SERVICES LIMITED (UFSL)

UFSL is the promoter for Ujjivan Small Finance Bank. It had commenced operations in 2005 as a Non-Banking Financial Company (NBFC). UFSL functions with the mission to provide a full range of financial services to the 'economically active poor' who are not adequately served by financial institutions.

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

UFSL, after obtaining the RBI's final approval in November, 2016, transferred its business undertaking comprising its lending and financing business to Ujjivan Small Finance Bank, which commenced operations in February, 2017.



Mission

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



Values

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



Customer's choice institution



Integrity in all dealings



Provide responsible finance



Fair with suppliers and service partners



Professionalism and teamwork



Respected in the community



Compliance with laws, regulations and code of conduct



Best place to work



575
Banking outlets
(575 in FY 2019-20)



491
ATMs
(475 in FY 2019-20)



59.2 LAKHS
Customer base
(52.5 Lakhs in FY 2019-20)



248 LAKHS
District present across
24 states and UTs
(244 in FY 2019-20)



16,571
Workforce
(17,841 in FY 2019-20)

OUR DIFFERENTIATORS

Growing reach

Pages 06-07

Diversified product mix

Pages 08-09

Strong digital backbone

Pages 26-29

Well-equipped and energised team

Pages 48-51

Strong positioning as a bank that positively impacts society

Pages 52-55

Sound risk management

Pages 56-61

Experienced leadership team

Pages 62-65

Good governance

Pages 170-204

Geographic Spread

Well-diversified pan-India presence

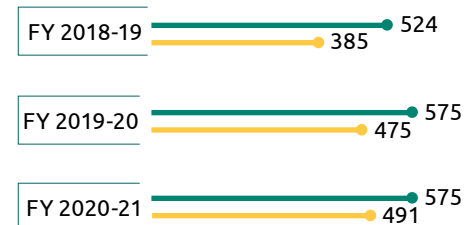
We have deepened and widened our reach across India with focus on digital means.

Physical presence

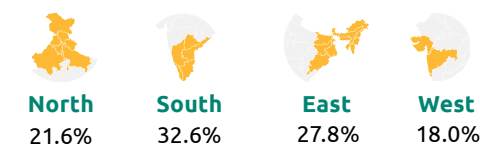
 Banking outlets  States within branch network

Branch and ATM network

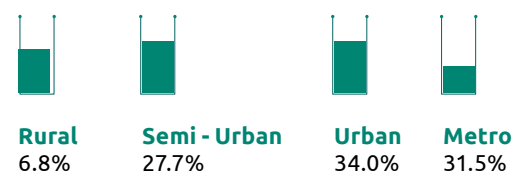
 Banking outlets  ATMs



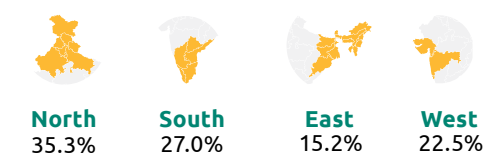
Gross advance Region-wise



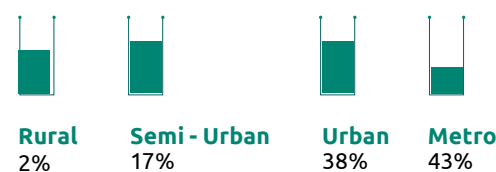
Branch-wise



Deposits Region-wise



Branch-wise



Digital presence



PERSONAL AND BUSINESS INTERNET BANKING

Web-based platform(s) that can be accessed from any system

Offers high-volume bulk upload facility

Facilitates customisable client-centric approval matrix

2,108*

Personal internet banking customers^

80,028*

Business internet banking customers^



MOBILE BANKING APPLICATION

Available on Android and iOS operating systems

Available in nine languages – English, Hindi, Kannada, Tamil, Bengali, Marathi, Gujarati, Punjabi and Odia

Working on voice- and video-enabled customer interfaces

7.74 Lakhs

Mobile banking application users^

4.4/5*

Rating on Google Playstore – Highest among SFBs



PHONE BANKING

24x7 assisted banking services to customers

Servicing customers in 9 languages in IVR (English, Hindi, Kannada, Tamil, Bengali, Malayalam, Marathi, Gujarati, and Punjabi) and additional 5 Languages through human interaction (Telugu, Odia, Assamese, Nepali, Bhojpuri)

Service and Sales Campaign Management for business enhancements

Introduction of straight through process

Digitisation through IVR self-service option for customers

24 x 7

Customer service even during pandemic situation

10.81 Lakhs

Customer calls answered during FY 2020-21 (13% increase compared to FY 2019-20)

60%

Increase in lead generation y-o-y



WEB/ TABLET/ DIGITAL CHANNEL BASED ORIGATION

Liability customer acquisition from anywhere using our website

Tablet-based customer acquisition for loan products

Chatbot Aria to improve user experience

Door-step service; faster, easier, better TAT

~63%

Retail customer liability accounts acquired on tablet and digital workflows in FY 2020-21

100%

MicroBanking customers and 17% retail banking customers acquired for loan on tablet and digital workflows in FY 2020-21

*As of March 31, 2021 | ^ Inception till date

Products and Services

Dedicated to serve varied customer requirements

Our customers have diverse and evolving requirements, which need to be understood and addressed with speed. We have put in place a strong asset-liability franchise and offer third-party products across multiple delivery channels.



Asset products



MICRO BANKING

Products

- Group Loans
- Individual Loans
- Agri Group Loan
- Kisan Suvidha Loan
- Kisan Pragathi Card
- Gold Loan
- Street vendor Loan

₹10,868 cr

Asset book

49.27 Lakhs

Customer base



AFFORDABLE HOUSING

Products

- Construction and Purchase
- Home Improvement
- Composite Home
- Home Equity Loan
- Commercial Purchase Loan

₹2,050 cr

Asset book

24,080

Customer base



MICRO AND SMALL ENTERPRISES (MSE)

Products

- Business EDGE Loan and Overdraft Facility
- Secured Enterprise and Business Loan
- OD against property
- Loan against property
- Loan against Rent Receivables
- Overdraft with Fintech partnership

₹1,286 cr

Asset book

13,583

Customer base



VEHICLE LOANS

Products

- Two-wheeler loan
- Mini & Micro Commercial Vehicle (MMCV) Loan-Electric and ICE Engine
- Used Car loan

₹73 cr

Asset book

10,301

Customer base



PERSONAL LOAN

Products

- Loan to salaried customers
- Self-employed professional loans

₹138 cr

Asset book

8,332

Customer base



FINANCIAL INSTITUTIONS GROUP

Products

- Term loan to NBFCs and MFIs
- Working Capital Products (CC/OD/WCDL)

₹648 cr

Asset book

37

Customer base



Liability products



RETAIL

Products

- Current Account
- Savings Account
- Term Deposit
- Goal Based Deposits
- Digital Savings and Fixed Deposits

₹6,242 cr

Liabilities book

55 Lakhs+

Customer base



INSTITUTIONAL

Products

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

₹6,893 cr

Liabilities book

600

Customer base



Third-party products



LIFE INSURANCE

Partners

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

Offerings

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

28 Lakhs+

Lives insured



GENERAL INSURANCE

Partners

- ICICI Lombard General Insurance
- Bajaj Allianz General Insurance

Offerings

- Motor, Property, Home Content
- Personal Accident

83,524

Asset/Life secured



HEALTH INSURANCE

Partners

- ICICI Lombard General Insurance
- Bajaj Allianz General Insurance
- HDFC Ergo Health Insurance

Offerings

- Hospital Daily Cash
- Health Indemnity/ Family floater

33,008

Lives secured through health insurance

Marketing Engagements

Amplifying our brand visibility

Despite pandemic-induced challenges, we decided to engage more with our customers, identify their pain points and address their concerns as a caring and compassionate brand.

On these lines, we developed various audio and video content for creating awareness about the pandemic and how to safeguard ourselves against it. These pandemic messages were created in vernacular languages and released across Ujjivan Small Finance Bank branch catchments and social media handles. We further collaborated with local municipalities by co-branding their messages, to educate people on these precautionary measures and distributed safety kits to our customers.

LAUNCHED FIRST PAN-INDIA SOCIAL MEDIA CAMPAIGN

As the lockdown stretched during the first quarter of the year, TV and OTT viewership and social media engagement surged. Amid this new normal, we unveiled our first-ever pan-India social media campaign on the occasion of Mother's Day, wherein we encouraged our customers to share their mothers' unique talent. The campaign generated 3,000+ entries in only five days.

Based on the positive response, we also designed digital campaigns around World No Tobacco Day, World Earth Day and others, which received similar responses as well.



DUAL MEDIA CAMPAIGNS

With lockdown restrictions easing in August, 2020, we combined our ongoing digital activities with on-ground initiatives to create more brand visibility. During this phase, we acknowledged the critical role healthcare professionals have been playing during the pandemic. The programme was organised on Doctor's Day and our branch teams thanked all doctors and healthcare professionals in their catchment areas, felicitated them with certificates of appreciation and Doctor's Day greeting card.



STRENGTHENING BRAND RECALL IN VEHICLE FINANCE SEGMENT

During the year, we forayed into vehicle finance with Raftaar Loans across our branches. We promoted the product on-ground by taking part in local events and fairs. We also collaborated with Indore Traffic Police to support the city's 32nd Road Safety Month, wherein we supported the event with various co-branded hoardings and auto-branding displays with road safety tips across the city.

Our Indore branch team was felicitated with a 'Certificate of Appreciation' for this participation at an event hosted by Indore Traffic Police.



FESTIVE CAMPAIGNS

Dussehra with Dasara Gombe

In this initiative, a special demo-van was rolled out with the Dussehra Dolls and Ujjivan Small Finance Bank branding. The van displayed figurines of birds, animals and mythological characters and went to various neighbourhoods in Karnataka. Wherever the van went, people gathered to get themselves photographed with the Dussehra van. We managed the entire campaign by adhering to appropriate COVID-19 norms.

Mythology quiz on Durga Puja

Durga Puja is the most widely celebrated festival in eastern India. During Puja 2020, we launched a special mythological quiz that received a phenomenal response, generating 1,800+ entries within a week.

We also initiated a series of festive campaigns—both digital and on-ground—to celebrate major festivals such as Navratri, Dussehra, Durga Puja, Diwali, Christmas, New Year and Makar Sankranti.

OUTLOOK

Although it may seem, apparently, that the pandemic has radically changed customer behaviour, but deep down their emotions remain unchanged. That is what we found out in these campaigns. We will continue to reach out to our target audiences through a judicious mix of new-age and traditional media, by adopting personalised and mass communications techniques.



Diwali-special alliances

For Diwali, we entered into various alliances with the popular online retailers and service providers, offering our customers special solutions.



BANK GHAR AAYE, JEEVAN AASAAN BANAAYE CAMPAIGN

This campaign was launched specially in Assam, which faced terrible floods during the winters of 2020. The initiative continued from mid-November to the end of the Calendar Year and provided doorstep banking services in the state.

The campaign was appreciated by our customers and associates in the state.

Customer Service

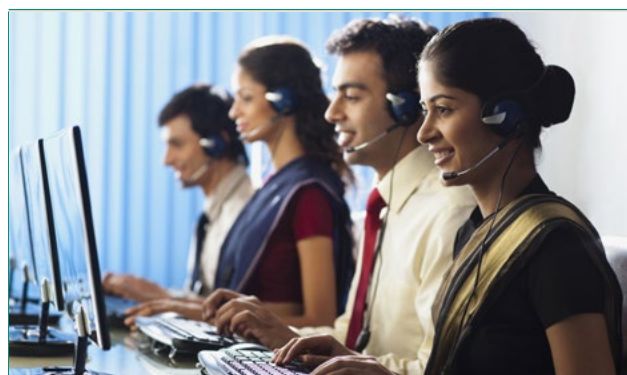
Enriching our offerings

At Ujjivan Small Finance Bank, providing exceptional services is important for us. In fact, it is among our key differentiators to remain a competitive player in the market and continue to attract and retain customers. We are constantly elevating our technology prowess and adding to the breadth and depth of our portfolio.

SUPERIOR CUSTOMER EXPERIENCE AND FEEDBACK MECHANISMS

We are improving our customer experience through a strong feedback mechanism whereby our Service Quality Department consistently engages with them to gather their opinions on how to improve customer services. We use programmes such as C-SAT surveys, NPS, depositors satisfaction survey, monthly customer service meeting (Let's Connect).

These programmes help improve services and customer satisfaction by proactively identifying service gaps, root causes and providing prompt resolutions.



LET'S CONNECT

Let's Connect is a unique customer engagement programme where ~6,000-8,000 customers are contacted every month to collect their feedback and concerns, if any. Apart from this, customers were also educated on various topics such as the importance of nomination, how to submit Form 15G/H through our digital channels and other services and benefits.

GRIEVANCE REDRESSAL MECHANISM

Complaint Management is one of the key aspects of a reliable customer service. Therefore, our service quality department has developed a comprehensive management process for handling end-to-end concerns. Grievance management manages all customer complaints received through various channels, including email, social media posts, phone calls at our toll-free line or walk-in complaints at our branch, handles all presidential complaints received from the Banking Ombudsman or other authorities, and ensures the quality of complaints resolved through calls to customers for whom the grievances are addressed.

Post resolution of complaints, over 60% complainants are called back to ensure completeness of resolution and to seek feedback on grievance redressal mechanism.

DELIVERING LIFE EVENTS-BASED SERVICES

We launched Aajeevan—a life events-based services programme—that provides complete banking solutions for every stage of the customer's life, enabling them to navigate life with ease. The programme further helps us to support our customers in an efficient and meaningful way. It was launched on YouTube with a series of quizzes for our employees to enhance their understanding of the programme.

Post its introduction, there was an uptick in the number of service requests related to life events-based banking services with a reduced resolution turn-around-time. We also made high-quality awareness videos on the programme, which are made available in local languages. We expect Aajeevan to become a clear differentiator for us in the coming days.

LISTENING TO CUSTOMERS

We initiated a new customer-connect programme, Listening to Customers, under the guidance of Board Committee on customer service. Under this programme, we virtually communicate with customers and seek their feedback/suggestions on our products, process, service and delivery channels. We conducted our first session in March, 2020 for all regions. The first session was attended by 100+ customers and our senior management. Our customers appreciated the concept and our services; and their feedback and suggestions were evaluated for implementation. Going forward, we will conduct these sessions regularly across all customer segments.

SPECIAL CARE FOR SENIOR CITIZEN CUSTOMERS

With the launch of celebration for 'Senior Citizen's Week' in September, 2020, we conducted special sessions for senior citizen customers at our branches to inform them on services such as doorstep services, nomination facility, adding/deleting a joint account holder, appointing a mandate holder, deceased claim settlement etc. The number of service requests related to life events has doubled between the pre- and post-campaign weeks, reflecting the impact of our campaign.

We have set up dedicated desks for attending senior citizens for both financial and non-financial transactions.

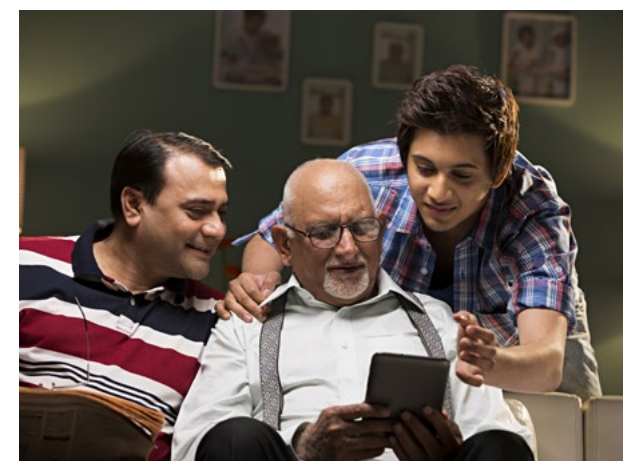
DEFINING SERVICE STANDARDS WITH QUALITY ASSURANCE

Our Quality Assurance team has defined service standards for each business segment based on customer expectations and industry standards. The improving trend of bank-level service index is an evidence of successful implementation of service indexes across functions.

The team sets new benchmarks every six months with highest level of service delivery expectations and ensures that it reaches most of the customer service parameters within predefined timelines.

OUTLOOK

Our Service Quality department has developed a roadmap to adopt digital platforms for seeking customer feedback across lifecycle, covering all products, services and delivery touchpoints.



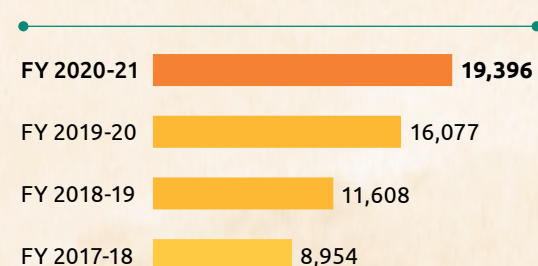
Key Performance Indicators

Fundamentally sound franchise



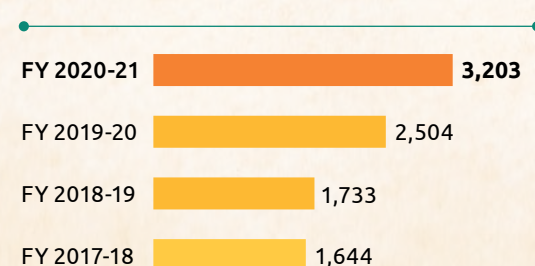
Balance sheet parameters

Average Total Assets (₹ in Cr)



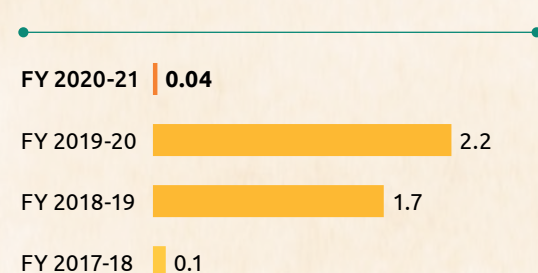
21%
y-o-y growth ▲

Average Net Worth (₹ in Cr)



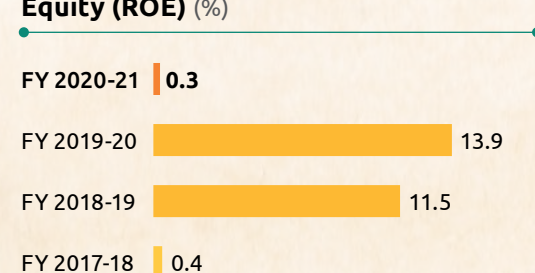
28%
y-o-y growth ▲

Return on Average Assets (ROA) (%)



215 bps
y-o-y de-growth ▼

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



1,360 bps
y-o-y de-growth ▼

11%

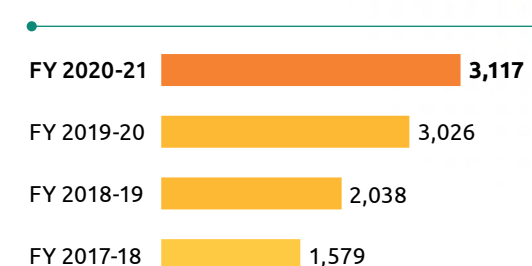
Growth in Balance Sheet size

(Stood at ₹20,511 Crore as on March 31, 2021
vis à vis ₹18,411 Crore as on March 31, 2020)



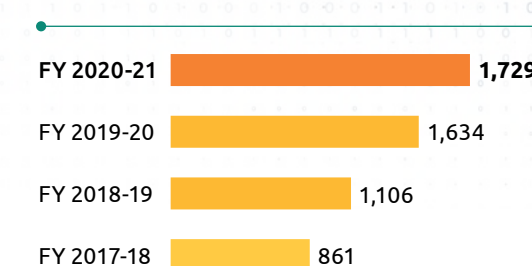
Profit and loss parameters

Total Income (₹ in Cr)



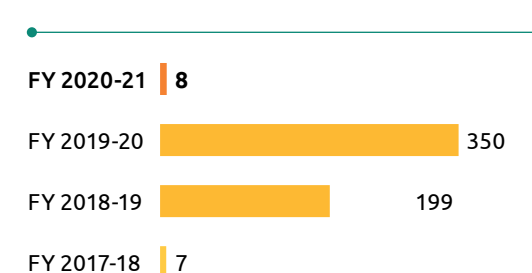
3%
y-o-y growth ▲

Net Interest Income (NII) (₹ in Cr)



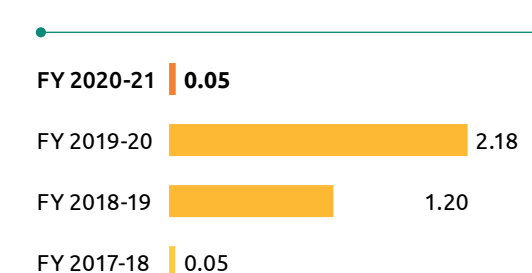
6%
y-o-y growth ▲

Profit After Tax (PAT) (₹ in Cr)



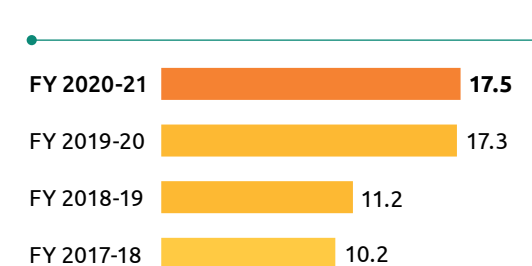
98%
y-o-y de-growth ▼

Earnings Per Share (EPS) (₹)



98%
y-o-y de-growth ▼

Book Value Per Share (₹)



1%
Y-o-Y growth ▲

9.5%

Net Interest Margin (NIM)

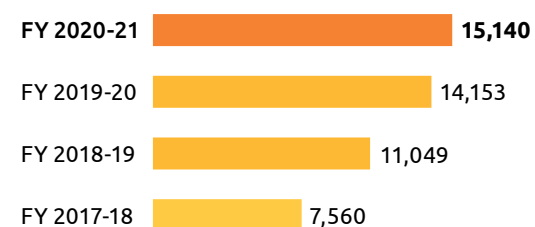
in FY 2020-21 compared to 10.8%
FY 2019-20

Key Performance Indicators



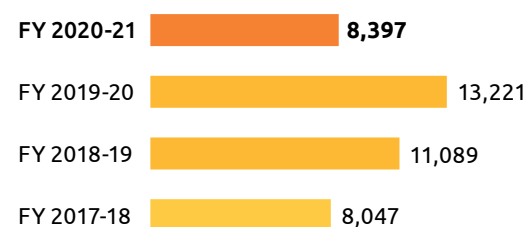
Business parameters

Assets Under Management (AUM) (₹ in Cr)



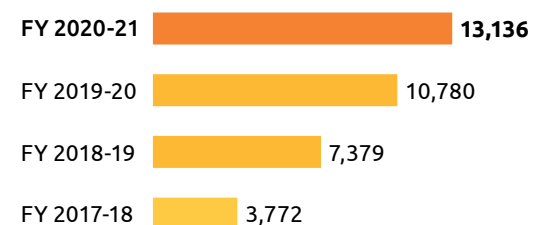
7%
y-o-y growth ▲

Disbursements (₹ in Cr)



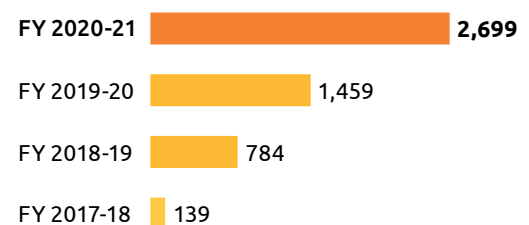
36%
y-o-y de-growth ▼

Deposits (₹ in Cr)



22%
y-o-y growth ▲

Current Account and Savings Account (CASA) (₹ in Cr)



85%
y-o-y growth ▲

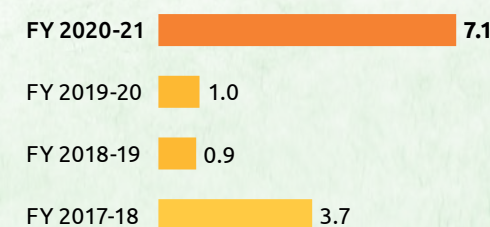
18.5%

Asset Yields
in FY 2020-21 compared to 20.1% in FY 2019-20



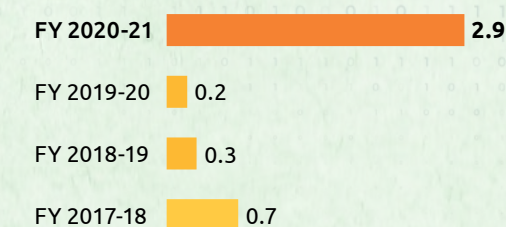
Operational parameters

Gross Non-Performing Assets (Gross NPAs) (%)



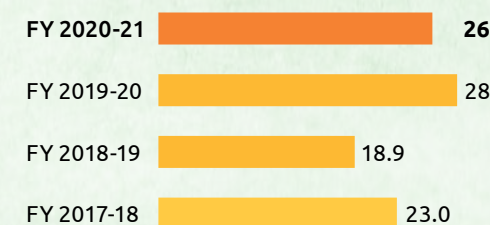
610 bps
y-o-y growth ▲

Net Non-Performing Assets (Net NPAs) (%)



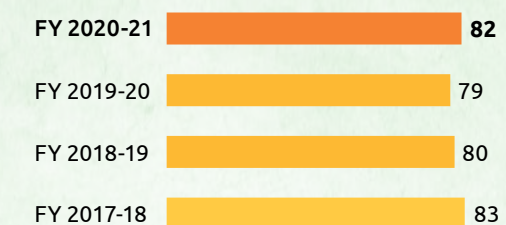
270 bps
y-o-y growth ▲

Capital Adequacy Ratio (CAR) (%)



240 bps
y-o-y growth ▲

Staff Retention Ratio (%)

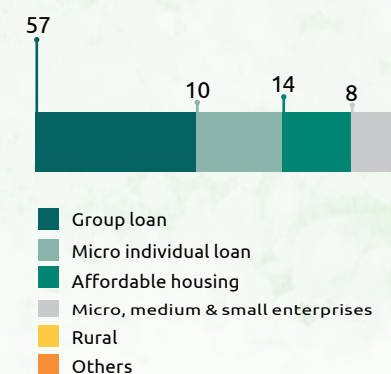


300 bps
y-o-y growth ▲

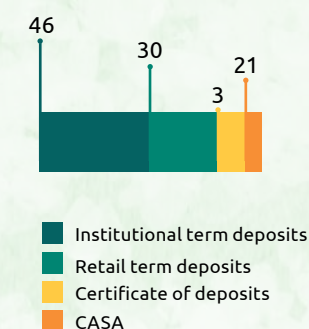


Business composition

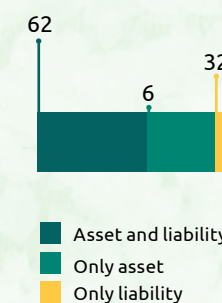
Gross Loan Book Mix (%)



Deposits Mix (%)



Customer Base Mix (%)



COVID-19 Quick Response Team

Resolve shines in testing times

Protecting our people and their families was our priority as COVID-19 induced challenges continued to unfold. We put together a Quick Response Team (QRT) to monitor and handle the crisis.

QRT played a pivotal role in dealing with the pandemic, ensuring a safe and secure working environment for our staff. The QRT ensured that our premises were operated with limited capacity, adhering to the directives of the local government bodies, following strict safety standards. QRT consists of the central task force led by select National and Regional

Executive Committee (EC and REC) members, heads of respective region and regional Single Point Of Contacts (SPOCs) for coordination. It further reviews the status of all COVID-19 infected cases in our Bank, including the family members of our people, along with the regional committees.

~800

Employees received special grant as COVID-19 support



QRT issued guidelines and insisted on following the three mantras at the workplace:

At the onset of the pandemic in India, QRT issued guidelines and insisted on following the three mantras to follow at the workplace:

THREE COVID-19 REPELLING MANTRAS BY UJJIVAN SMALL FINANCE BANK QRT

Health Mantra

Wash or sanitise hands frequently



Safety Mantra

Maintain social distancing



Secure Mantra

Wear a mask

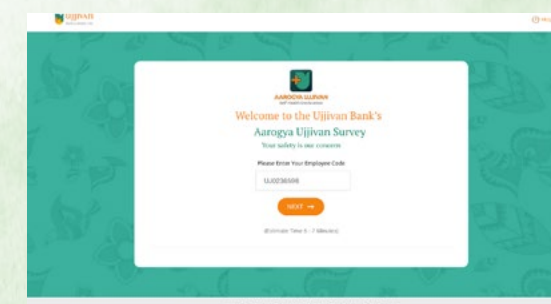


MONITORING THE EVOLVING SCENARIO

Based on government guidelines and evolving situation, QRT monitored the team strength at our offices. State-level Bankers' Committee at every State was consulted for branch-level guidelines as and when required.

We also organised 'Doctor on call' and 'Doctor on site' facilities to solve their queries and organised AI-based chest x-ray analysis at the corporate office to identify early stages of infection, and any abnormality in the respiratory system. Additionally, we also distributed homeopathic medicine among our people to strengthen their immunity.

AAROGYA UJJIVAN



We monitored the health of our people through an internally developed application 'Aarogya Ujjivan' every day. This platform allowed us to undertake daily surveys of our colleagues' health and advise them accordingly to work from home or simply rest and recover, based on their condition.

SUPPORTING TEAM UJJIVAN

At the initial stage of the pandemic, when there were various uncertainties regarding treatment and recovery, we provided financial support to the affected ~800 employees through grants.

OUTLOOK

With the second wave of the COVID-19 currently underway, we are trying to bolster our QRT efforts to ensure the safety of our people and their families.

MD & CEO's Perspective

Bolstering our preparedness

“

In the midst of such a huge humanitarian crisis, we at Ujjivan Small Finance Bank remained resilient, anchored by our core mission of serving our customers, and continued to ensure the welfare of our teams and business partners. Our business saw a rebound from the initial setback in the business observed in H1 FY21 due to COVID-19 lockdown and delivered a record high business volume in the Q4 FY21.

”

Nitin Chugh
MD & CEO



DEAR STAKEHOLDERS,

FY 2020-21 saw severe stress test on the entire financial ecosystem across the world in the wake of the pandemic. The global financial system has so far largely withstood the impact, even as the incidence and sheer scale of human misery and loss is enormous. Governments, central banks and financial regulators have mounted an extraordinary defence to mitigate the impact of the pandemic. Overall, these policy responses have contained the severity of the pandemic's toll on financial markets and institutions and cushioned the shock to economic activity. After an unprecedented 24% contraction in the Q1 of the year, the country's GDP (aided by the fiscal and monetary support measures of the Government of India and the RBI) gradually moved into positive territory, recording 1.6% growth in the Q4 FY21.

In the midst of such a huge humanitarian crisis, we at Ujjivan Small Finance Bank remained resilient, anchored by our core mission of serving our customers, and continued to ensure the welfare of our teams and business partners. Our business saw a rebound from the initial setback in the business observed in H1 FY21 due to COVID-19 lockdown and delivered a record high business volume in the Q4 FY21. With the gradual opening up of markets from the Q2 FY21, volumes picked up across asset and deposit businesses, reaching pre-COVID-19 level by end of the Q3 FY21. The Bank closed FY 2020-21 on a very encouraging note, with Q4 FY21 seeing good growth across businesses.

In the first half of the year, the Bank took a cautious approach towards microfinance lending in select pockets and sharpened focus on

"In the first half of the year, the Bank took a cautious approach towards microfinance lending in select pockets and sharpened focus on collections efficiency as lockdown measures were gradually eased in our core markets. After a muted first half, our assets business grew across product categories in the second half of the reporting year."

collections efficiency as lockdown measures were gradually eased in our core markets. After a muted first half, our assets business grew across product categories in the second half of the reporting year.

After appropriate due diligence of the external environment, we took a conservative approach towards Micro and Small Enterprises (MSEs) lending in certain stressed segments and shifted our focus towards lending to semi-formal and formal segments for a greater balance in the portfolio. During the year, the Emergency Credit Line Guarantee Scheme (ECLGS) helped the MSE business ramp up their volumes after a disappointing Q1 FY21. In our institutional lending business, we focused on higher rated entities to avoid any adverse impact on our net interest margin.

In the Personal Loans segment we focused on low-cost acquisition channels, leveraging our diverse branch network and encouraging cross sell across our business verticals and limited our sourcing through fintech partnerships, DSA and digital acquisitions until Q4 FY21. Business volumes under the Housing vertical saw a steady ramp up with improved approval rates, despite restricted segments and

stringent credit policy. The Bank's Assets Under Management (AUM) registered a 7% y-o-y growth in FY 2020-21 over the previous year. Despite a slowdown in business activity in the first half on account of the pandemic, the Bank witnessed significant y-o-y growth in Housing (35%) and MSE (31%) portfolios, while the microfinance book stayed relatively flat. The new businesses of Personal Loan and Vehicle loans gradually scaled up in the year under review and now constitute 1.4% of the Bank's portfolio compared to 0.64% a year ago.

We continued our focus on building a granular and stable deposit base. During FY 2020-21, we focused on improved sales productivity through better lead generation-conversion and also quality of acquisition. In FY 2020-21, our deposit book recorded 22% y-o-y growth driven by new retail customers. A total of 6.6 Lakhs new retail deposit customers were on-boarded during the fiscal. We launched a few products with enhanced value proposition, further fortifying our product mix. Our cost of deposits continues to trend lower at 7.1% in FY 2020-21, compared to 7.9% in FY 2019-20 led by significant CASA growth.

MD & CEO's Perspective

NAVIGATING CHALLENGES TO EMERGE STRONGER

Despite a challenging operating environment, we demonstrated a resilient performance. Our claim is vindicated by our financials.

- Our total income grew marginally by 3% to ₹3,117 Crores in FY 2020-21, compared to ₹3,026 Crores in FY 2019-20. Although most parts of the year were impacted by the pandemic, we witnessed revival in business activities in the Q3 FY21.
- Our Net Interest Income (NII) increased by 6% to ₹1,729 Crores to FY 2020-21 as against ₹1,634 Crores in FY 2019-20.
- Our Net Interest Margin (NIM) stood at 9.5% in FY 2020-21 as against 10.8% in FY 2019-20, dipping mainly due to interest reversal on NPAs.
- Our pre-provision operating profit (PPoP) jumped 27% to ₹809 Crores in FY 2020-21 as against ₹637 Crores in FY 2019-20 owing to multiple efficiency-enhancing initiatives, primarily technology-led, and the launch of various digital platforms for faster and convenient execution.
- We undertook prudent provisioning of ₹172 crores. Hence, our Profit After Tax (PAT) dropped 98% to ₹8 Crores in FY 2020-21 compared to ₹350 Crores in FY 2019-20.
- Our gross advances grew by 7% to ₹15,140 Crores in March, 2021 from ₹14,153 Crores in March, 2020 driven by our core products and focus on key geographies.
- Our total deposit base grew by 22% to ₹13,136 Crores in March 31,

"Large part of the year our collections remain impacted on account of the COVID-19 pandemic impacting debt servicing ability of our borrowers. Hence, our gross Non-performing Assets (NPAs) increase to 7.1% in March, 2021, compared to 1.0% in March, 2020. Moreover, our net NPA also grew to 2.9% in March, 2021 (0.2% in March, 2020). We have created a COVID-19 related provision of ₹172 Crores (1% of gross advances). Also, we maintained a provision coverage ratio (PCR) at 60%."

2021 compared to ₹10,780 Crores in March 31, 2020. Retail deposits grew by 32% y-o-y and CASA by 85% y-o-y. (Retail deposits comprised 48% of total deposit).

- For a large part of the year, our collections remained subdued on account of the COVID-19 pandemic impacting debt servicing ability of our borrowers. Hence, our gross Non-performing Assets (NPAs) increased to 7.1% in March, 2021, compared to 1.0% in March, 2020. Moreover, our net NPA also grew to 2.9% in March, 2021 (0.2% in March, 2020). We have created a COVID-19 related provision of ₹172 Crores (1% of gross advances). Also, we maintained a provision coverage ratio (PCR) at 60%.
- We remained well-capitalised with high liquidity, our capital adequacy ratio stood at 26.4% with Tier-I capital ratio of 25.1% and liquidity coverage ratio (LCR) of 116% as of March 31, 2021.
- During the year under review, we launched a host of new products. Some of the key ones include, Women Savings Account (catering to bespoke financial

needs of women), gold loans, PM SVANidhi for street vendors; MMCV loans; Navnirman Loans (ECLGS) for customers, loan against rent receivables for the landlords of our bank branches and also started supply chain finance segment through our first Fintech partnership

ASSESSING THE GROUND REALITY

During the year under review, we closely monitored the evolving situation. We reached out to our customers through calls and surveys to assess the pandemic's impact on their livelihoods. We offered moratorium commencing from March, 2020 to August, 2020 and also undertook restructuring as per the RBI's guidelines for eligible customers in Micro Banking, MSE and Housing segments. We engaged with our customers to explain how the moratorium policy would pan out for them.

We remained focused on portfolio management, deploying a multipronged strategy to strengthen our collection efforts. Our strong field force and collection

agents gave our customers alternative options to make their repayments. We deployed additional teams, started tele-calling, actively promoted adoption of digital and alternate collection channels through Airtel Payment Banks's points, PayTm, Instamojo, Bharat Bill Payment System and customised link through a payment gateway powered by CCAvenue.

There has been a continuous improvement in the collection efficiency post moratorium with the overall collection efficiency improving from 69% in August, 2020 to 94% in March, 2021. We implemented restructuring for 3.7 lakh accounts worth ₹852 Crores in the Micro Banking segment, 121 accounts worth ₹14 Crores in Housing and 78 accounts worth ₹13 Crores in the MSE segment. The restructured book witnessed improved collection efficiency of 74% against 49% pre-restructuring.

POWER OF DIGITAL

During the year under review, we undertook several digital initiatives, enhancing business

processes and ensuring seamless experience to customers.

- We strengthened our application programming interface (API) banking platforms to 159 covering most of the banking transactions, customer onboarding for liabilities and assets, service requests and all types of payment services. Our APIs were listed on the National Payments Corporation of India's (NPCI's) API aggregator portal (among the first two banks whose APIs are listed here).
- We entered into six fintech partnerships (three for loan repayments and three for digital lending to personal loans and MSE customers).
- We rolled out robotic process automation in 12 workflows across businesses leading to substantial savings.
- We enhanced customer life cycle value for existing to bank customers with automated customer engagement (ACE) platform for improved customer

engagement and enriching customer lifetime value (CLTV).

- We deployed machine learning based customer segmentation models that have helped identify and communicate with potential customers for cross-sell and up-sell opportunities.
- We introduced our multi-lingual Bot on our website, powered by artificial intelligence for better lead generation and customer experience.

REACHING THE LAST MILE

We introduced a new channel to make banking services accessible to customers in their neighbourhood. The channel - Money Mitra - will facilitate entrepreneurs running local businesses like kirana stores, medical stores and insurance agencies to offer retail banking solutions to the bank's customers exclusively. In these outlets, our customers can make a deposit, withdraw money, pay loan EMI and perform fund transfer without having to travel to branches. We established over 160 Money Mitra outlets across 16 states and plan to scale up further.

TEAM SPIRIT PREVAILS AT UJJIVAN

Our resolve, readiness and resilience reflect in our team spirit. We are committed to building a culture that inspires people to perform, make a difference and reward people for their contribution. We are committed to providing opportunities for our people to fully realise their potential and develop a growth-driven career at our Bank. During FY 2020-21, we ranked 3rd among India's 'Best Companies to Work for 2020' and 'Best Workplaces Among Organisations with more

"We remained focused on portfolio management, deploying a multipronged strategy to strengthen our collection efforts. Our strong field force and collection agents gave our customers alternative options to make their repayments. We deployed additional teams, started tele-calling, actively promoted adoption of digital and alternate collection channels through Airtel Payment Banks's points, PayTm, Instamojo, Bharat Bill Payment System and customised link through a payment gateway powered by CCAvenue."

MD & CEO's Perspective

than 10,000 Employees' by Great Place to Work® Institute.

We formed a Quick Response Team (QRT) to monitor the situation on the ground and provide guidelines during the pandemic to all the employees of the Bank. We continue to maintain a strong connection with our customers and staff, especially during the pandemic.

As our teams kept serving our customer in the pandemic scenario, it was our duty to take utmost care of them. Many functions were shifted to work from home and remote working mode. We offered facilities such as doctor on call, doctor on premises and employee counselling support on telephone. We put in place city-level COVID-19 taskforce to assist our employees and their families with hospitalisation and medical emergencies. We also ran vaccination camps for staff and their families and shall be reimbursing vaccination expenses for our staff.

COMPASSION FOR THE COMMUNITY

In FY 2020-21, most of our CSR efforts were directed towards COVID-19 relief, covering ~7,74,000+ citizens and 71,500+ frontline workers. We started a COVID-19

education programme, which was primarily designed to create awareness about the pandemic, safety and preventive measures to more than 3,57,000+ beneficiaries. Ujjivan partnered with GiveIndia Foundation to support five major hospitals in the city of Mumbai. Through the foundation, Ujjivan was able to procure and provide over 5,000 Personal Protective Equipment (PPE) to Nair Hospital, Holy Spirit, KEM Hospital and Sion Hospital. The project saw an expenditure of ₹45 Lakhs from the CSR fund allocation of the Bank and supported 5,000+ healthcare professionals in the city of Mumbai. We also supported in setting up four full-fledged Intensive Care Units (ICUs) in CMC Vellore hospital in Tamil Nadu to ramp up their COVID-19 care and treatment facilities.

Our CSR activities are focused on serving the unserved and underserved through healthcare/preventive healthcare, sanitisation, cleanliness, disaster relief, education, safe drinking water projects and livelihood support. Our community development programme, Chote Kadam in partnership with Parinaam Foundation carried out 24 civil projects across India in FY 2020-21 for the benefit of the underprivileged communities.

"In FY 2020-21 most of our CSR efforts were directed towards COVID-19 relief, covering ~7,74,000+ citizens and 71,500+ front line workers. We started a COVID-19 education programme, which was primarily designed to create awareness about the pandemic, safety and preventive measures to more than 3,57,000+ beneficiaries."

STAYING RESILIENT

India is now coming out of the grip of second wave of COVID-19, although we do believe that the economic impact of the second wave will not be as harsh as the first one. The key difference this time is that we are now better prepared to deal with the crisis. We are also hopeful about the positive impact of the vaccination drives and reducing caseloads across states after calibrated containment measures were undertaken. We will continue to drive our business with cautious optimism, encouragement and support of all our stakeholders.

REGULATORY MEASURES

The Reserve Bank of India (RBI) had announced a slew of additional measures to boost liquidity and systemic stability in the banking system - to ensure adequate supply of credit to the health infrastructure that would help fight COVID-19 and offer relief through restructuring to the small businesses and self-employed individuals affected by COVID-19 stress.

We believe that these measures will go a long way in ensuring adequate credit flow to the healthcare sector, stabilise the financial ecosystem and accelerate economic revival. Ujjivan SFB has already embarked upon the implementation of these guidelines and we are very positive about the impact it will have on our customers. We participated in the first SLTRO auction and raised ₹50 Crores which has since been fully deployed and further raised ₹100 Crores in the third auction. We assessed the impact of the pandemic on livelihoods and drew up a pool of affected customers. In line with the Resolution Framework 2.0 of RBI, we expect to restructure 7-8% of our book by the end of September, 2021.

"Ujjivan Small Finance Bank completes five years of operations on January 31, 2022 which falls in the current financial year. In reference to the Small Finance Banks Licensing Conditions, the Bank needs to dilute Promoter shareholding to 40% within a period of five years. As next steps, reverse merger of Holding Company with the Bank is the most favourable option for us adhering to the licensing condition of diluting promoter shareholding."

The Bank is also in the final stages of launching a product targeted at COVID-19 healthcare facilities and will shortly begin working on building a COVID-19 loan book.

REVERSE MERGER

Ujjivan Small Finance Bank completes five years of operations on January 31, 2022 which falls in the current financial year. In reference to the Small Finance Banks Licensing Conditions, the Bank needs to dilute Promoter shareholding to 40% within a period of five years. As next steps, reverse merger of Holding Company with the Bank is the most favourable option for us adhering to the licensing condition of diluting promoter shareholding.

RBI's clarification dated July 9, 2021, allowing Small Finance Banks to apply for reverse merger, three months before completing the

five-year period is a very positive development for the Bank in achieving the dilution target. Bank had started working internally along with the Holding Company to initiate various steps* for effecting the reverse merger.

LOOKING AHEAD

We are hopeful that the worst phase of the pandemic is over and with rapid progress in the mass immunisation programme, we will soon emerge stronger and more resilient going back to pre-COVID-19 times. Our digital initiatives that picked up momentum during the COVID-19 phase have already helped in streamlining our processes, offering a seamless and cost-effective service delivery to our customers. We acknowledge RBI's timely intervention and announcement of additional measures that will

help repose public confidence in financial systems and establish an optimistic environment that is conducive of a strong economic recovery. We expect FY 2021-22 to be a reasonable year of growth and stabilisation as we retain our sharp focus on improving our earnings, maintaining a healthy portfolio quality with emphasis on digitisation that would enhance our diverse product offerings. We are thankful to all our stakeholders – customers, employees and investors for being with us through the toughest phase of the crisis.

Warm regards,
Nitin Chugh
MD & CEO

*These various steps may be elaborated (if required) like obtaining shareholders approvals of both Bank and Holding Company, approaching RBI, NCLT, SEBI for essential approvals etc.

Digital

Digital readiness is our biggest competitive advantage

We have a dedicated team in place for driving our digital strategies. Our digital platforms leverage advanced technology, to enhance customer experience across all touchpoints, maximise returns on technology investments and reduce operational costs. We will continue to ramp up our digital investments to emerge as a new-age, tech-enabled bank.

37%+

Repayments came from digital and fintech repayments infrastructure by March, 2021





Digital

We are building new cost-efficient sourcing and servicing channels powered by analytics as we aim to scale up customer acquisition and provide superlative services. During the year, we fast-tracked our digital initiatives through:

API BANKING AND FINTECH ECOSYSTEM ENGAGEMENT

We are partnering the Indian fintech and start-up ecosystem to foster strong relationships and provide them with the right Application Programming Interface (API) infrastructure and a single-window clearance. We have developed 159 banking APIs ready for consumption by these fintechs, built over a robust API Gateway Platform, powered by IBM.

We are now among those select universal banks, which provide API Banking with six API Banking initiatives live across areas of Digital Lending (Nira, LoanTap and Progcap) and Loan Repayments (Airtel Payments Bank, PayNearby and Setu). We also enjoy healthy partnerships with 24 fintechs across areas such as loan repayments, digital onboarding, robotic process automation, marketing automation, digital lending and artificial intelligence.



BUILDING A DIGITAL COLLECTIONS INFRASTRUCTURE FOR LOAN REPAYMENTS

COVID-19 impacted our collections efficiency, and the safety of our customers and teams had to be prioritised. As a result, we designed a new digital collections infrastructure that also enabled our technologically-challenged customers to make loan repayments with assistance.

We scaled up loan repayment touchpoints by collaborating with Airtel Payments Bank and PayNearby to provide a collection point within a 500-metre radius of each customer. We also added a digital self-service arm using popular payment apps and Ujjivan Bank Mobile Banking App for peer-to-peer money transfers and bill payments through UPI or debit cards. We further embraced the Bharat Bill Payment System (BBPS) platform with our partnership with Setu, enabling our customers to repay loan EMIs from anywhere.

Visible transformation

By March, 2021, repayments through online money transfer and fintech engagements overtook the repayments via cash at centre meetings.

PARTNERING FOR YOUR CONVENIENCE.

Payment of Ujjivan Bank EMIs is now enabled through any of the Airtel Payment Bank outlets.



24
Fintech partnerships

ONBOARDING PROCESS DIGITALISATION AND INTERNAL PROCESS AUTOMATION

We have implemented a series of disbursement enablers such as digitalised ID verification, automated bank statement analysis, e-sign of loan agreements and e-mandate collection, during the year. This improved our TAT by 70–90%. We also introduced the Video KYC platform for video-based personal discussions before loan disbursements.

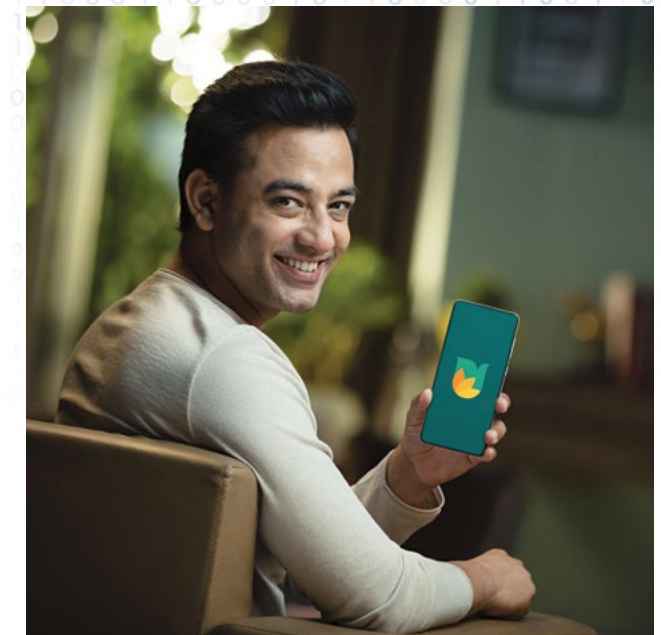
We converted the end-to-end onboarding journeys for affordable housing loans, MSME loans, vehicle loans and personal loans, besides being the first bank to integrate with digital onboarding platforms such as Saarathi from Decimal Technologies – a fintech as part of our overall fintech engagement programme.

We leveraged the robotic process automation to drive an extensive process automation journey and successfully automated 12 processes during the year. By March, 2021, we were processing over 1 Crore transactions/month. Going forward, we will automate 100+ processes, reducing costs and human resources expenditure significantly.

INVESTING IN NEW-AGE TECHNOLOGIES

The new-age technologies play an important role in providing high-service standards at a large-scale and help us manage customer relationships better. We invested in several future-focused technologies such as an Artificial Intelligence Platform to help us digitalise our phone banking responses, enable customers to fulfil service requests and make basic transactions in their chosen language and through their chosen channel (such as WhatsApp, and so on)

We also invested in a Marketing Automation Tool by an emerging fintech, MoEngage through which we will integrate all digital and physical touchpoints to provide contextual and real-time communication, advice and offers. We are already using this tool to drive digital collections and cross-sell/up-sell initiatives to enhance the Customer Life Time Value (CLTV), thereby strengthening our bond with our customers.



100+
Processes scheduled to be automated during FY 2021-22

OUTLOOK

Going forward, we aim to strengthen our end-to-end process digitalisation efforts and use the power of digital channels as a new customer acquisition and service channel. Our focus for the next year will be on enhancing our payments and e-commerce presence. We will also leverage the power of data analytics for actionable insights for data-driven decision-making. We will continue to leverage our full-stack API Banking platform to partner with the fintech ecosystem for faster time to market and innovative products and solutions for our customers.

Business Segment: MicroBanking

Serving people at the periphery of formal banking

We now serve over 4 Million financially unserved and underserved households with bespoke offerings. We aim to build a granular deposit base in this segment and deliver a hassle-free banking experience.

During the year, we focused on responsible collections practices, offering our customers a convenient alternative to centre meeting repayment such as 9,000+ outlets/touch points for repayment in the proximity of their locations that helped improve the repayment rate. We also supported our customers through loan moratoriums and restructuring.

QUICK FACTS

₹6,482 Cr
Disbursement

41% y-o-y ▼

₹10,868 Cr
Gross loan book (OSP)

0.6% y-o-y ▼

₹1,029 Cr
Total deposits
(including deposit
of ₹163 Crores from
rural branches)

27% y-o-y ▲

49.3 Lakhs
Total MicroBanking
asset and deposit
customers

▲ y-o-y growth

▼ y-o-y de-growth

HIGHLIGHTS OF FY 2020-21

- Continued our focus on Sampoorana Family Banking by serving customers with a holistic range of products such as group loans, individual loans, savings/deposit products, two-wheeler loans, insurance, payment solutions, remittances, and so on
- Launched gold loan, PM SVANIDHI loan and alternative service channels such as Money Mitra for proximity banking services
- Partnered with Airtel Payments Bank outlets and PayNearby for repayments
- Improved collections post lockdown and recorded over 99% collections efficiency in the non-overdue bucket
- Disbursed highest-ever loan amount of ₹1,240+ Crores with highest-ever individual loans of ₹200+ Crores in March, 2021 and pre-approved loans worth ₹87.9 Crores in March, 2021
- Created a deposit base of ₹1,029 Crores with a full range of services during the year
- Introduced secured Agri product and Loan Origination System (LOS) for Agri Group Loan product



RURAL BANKING

During FY 2020-21, we added no new brick-and-mortar branches. Kisan Pragati Card (Secured)—that was launched towards the end of FY 2019-20—scaled up with average monthly disbursements of ₹1.5 Crores, closing with a portfolio worth ₹15.2 Crores with 100% collections.

This segment closed FY 2020-21 with a loan portfolio outstanding of ₹678.8 Crores with 15% y-o-y growth and a borrower base of ₹2.32 Lakhs, while the liability book stood at ₹162.8 Crores with 50% y-o-y growth.

₹2.3 Lakhs
Rural customer base as
on March 31, 2021

DIGITAL INITIATIVES UNDERTAKEN DURING FY 2020-21

- We actively promoted the use of digital channels such as SMS banking, mobile banking, phone banking, UPI and other digital repayment modes to ensure for our customers uninterrupted banking services.
- Digital initiatives undertaken include:
 - Opened additional CMS avenues for personnel to deposit cash collected in the field; a total of 37% of the EMI is routed through non-branch channels during FY 2020-21
 - Increased digital penetration with 5.5 Lakhs MicroBanking customers now registered on mobile banking and UPI platforms
 - Recorded steady adoption of UPI QR with monthly ₹3.5 Crores deposit inflow
 - Launched Money Mitra for providing neighbourhood banking services to customers staying away from the branch. Celebrated the Money Mitra network reaching 200 agents, serving 1+ Lakh customers across the country in Q4 FY21



Going forward, we will also undertake the following digital initiatives

- Launch special mobile banking application for MicroBanking with focus on voice, video and vernacular features for instant services
- Expand UPI QR based payment solutions for merchants through UPI acquirer platform and our UPI PSP mobile app
- Grow Money Mitra's network for neighbourhood banking
- We plan to launch paperless Loan Process based on E-Signature for easier and quicker processing of the loans

18%
Customers paid EMIs through cashless
repayments during FY 2020-21

OUTLOOK

With the vaccination drive gaining momentum, the second COVID-19 wave is showing signs of tapering off. We are now geared to fast-track our assets and deposits segments, with special focus on individual loans for the asset business growth. We expect collections to normalise soon to the pre-COVID-19 level.

We will further scale up our business segments such as gold loans, Kisan Pragati Card (in new geographies), Agri Group Loan and digital initiatives (such as cashless repayment and Ujjivan pay). In the coming year, we will also launch segment-specific new mobile banking application and M-LAP.

Business Segment: Micro and Small Enterprises (MSE)

Fuelling the firepower of grassroots entrepreneurship

India's Micro, Small and Medium Enterprises (MSME) segment has now emerged as one of the principal economy drivers, contributing to 30% of the national GDP. The Government of India now plans to enhance the contribution of GDP to approximately 40%. We are committed to partnering this vision - handhold entrepreneurial ambitions, and also help create large-scale employment in the country.

During the year, we crossed ₹1,000 Crores Portfolio milestone and 13,000+ customers. We achieved this in only four years since the launch of this segment.

QUICK FACTS

₹517 cr
Disbursement

15% y-o-y ▼

₹1,286 cr
Outstanding principal (OSP)

31% y-o-y ▲

15,000+
Total borrower base
6% decrease vs
FY 2019-20

6% y-o-y ▼

▲ y-o-y growth

▼ y-o-y de-growth

HIGHLIGHTS OF FY 2020-21

- Achieved highest ever disbursement for the month and quarter ending in March, 2021
- Enhanced maximum funding limit to MSME to ₹10 Crores
- Provided customers best-in-class support in a challenging year
- Piloted new initiatives such as scan-based file disbursement and video-based customer discussion
- Implemented the HUB disbursement model in Gujarat and Tamil Nadu
- Reduced turnaround time (TAT) and improved the quality of services
- Digitalised loan documentation, further improving the customer experience for hassle-free services
- Launched our first fintech partnership to start new line of funding in the domain of supply chain finance



FORAY INTO SUPPLY CHAIN FINANCE THROUGH FINTECH PARTNERSHIP

We entered into a collaboration with a fintech partner, Desiderata Impact Ventures Private Limited (Progcap) for end-to-end digitised invoice-based financing services and repayments for loan applications received from Micro, Small and Medium Enterprise (MSME) units seeking small tenor working capital for their businesses. With this partnership, Ujjivan SFB has ventured into a new avenue of lending namely Supply Chain Finance to fund dealers and sub-dealers against purchases made from recognised brands through short-term overdraft facility. The entire lending process, right from the lead generation, lead screening, loan sanctioning, document execution and customer on-boarding and repayments has been digitised through Progcap's data-driven tech platform.

OUTLOOK

Our objective is to develop a robust and streamlined process through digital advancement. We also aim to start new lines of credit and focus on the formal segment with enhanced credit limit to meet working capital requirements of MSMEs. Fintech partnerships will also be targeted to offer diversified products and services for the Indian market.

Business Segment: Affordable Housing

Preferred by aspiring homeowners

As a trusted player in India's affordable home loans industry, we offer our customers three primary home loan products in a variety of ticket sizes and tenures. We primarily cater to the low-income households (EWS/ LIG & MIG) moving out of rented homes into owned places.

Our customers mostly include the middle-class/salaried-class people within the semi-formal/informal income segments buying their first home.

QUICK FACTS

₹666 Cr
Total disbursement

21% y-o-y ▼

₹2,050 Cr
Gross Loan Book (OSP)

35% y-o-y ▲

24,000+
Customers

26% y-o-y ▲

2,100+
Customers benefited from PMAY CLSS

▲ y-o-y growth

▼ y-o-y de-growth

HIGHLIGHTS OF FY 2020-21

- Scaled monthly disbursements from ₹16 Crores in June, 2020 to ₹125+ Crores in March, 2021 with book OSP crossing 2,000 Crores+
- Recorded the highest-ever disbursement during Q4 FY21, with monthly disbursements touching 138% of pre-COVID-19 best monthly numbers
- Ujjivan Small Finance Bank AHL currently has 2,100+ PMAY (U) beneficiaries
- Launched online workflows for customer on-boarding, application processing, disbursement and collections to improve end-to-end turnaround time and ensure productivity in the new normal
- FY 2020-21 fresh disbursements were in line with the revised policy guidelines due to COVID-19, balancing risk and reward
- Training module went digital with online training, study material, test for both for business and credit on core product and cross-sell products, processes for skill enhancement
- Safeguarded customer and employee well-being by personally reaching out
- Maintained portfolio and exited moratorium smoothly with customer learning
- Ensured timely account restructuring to stay committed to our customer-first approach
- Utilised the lean period to revisit, realign and optimise processes for better customer and employee experience

5-DAY LOAN APPROVAL WITH DIGITAL PROCESSES

We are empowering home buyers with the in-principle loan approval in five working days to increase their bargaining power with builders, sellers and property dealers. The service is delivered through our digital workflow in the disbursement process. Being a completely online procedure, it enables us to issue online welcome letters, provide online orientation for customer service resolution and ensure timely disbursement, besides providing online repayment/part-payment options. We are working on a platform which will enable capacity processing, delivering aspired number.

₹125 Cr
Affordable home loans
disbursed during March, 2021

OUTLOOK

Going forward, we will continue to grow our retail business with deeper penetration in Tier-II and Tier-III markets. We aim to create a significant presence for the Affordable Housing segment in the Ujjivan universe, with above 75% reach across our branch network. We will sharpen our focus on leveraging our existing to bank (ETB) customer base with insights from in-house analytics.

We will also launch specific offerings targeted at rural borrowers in select markets, starting with South India, besides collaborating with government bodies to concentrate on ready-to-move-in builder projects in the semi-formal income space.

With the pandemic fuelling the demand for ready-to-move-in properties on the outskirts of major cities, and reverse migration pushing this demand in Tier-III and Tier-IV markets, we will have a healthy mix of semi-formal and informal customers. Among these customers, a significant majority belong to the salaried class and small business owners buying their first house in FY 2021-22.

Collections are showing an upward trend and will continue to get better. Usage of legal tools on collection will improve efficiency further as we grow our portfolio, reduce the Gross Non-Performing Asset (GNPA) and maximise the use of digital workflows.



Business Segment: Personal Loan

Revamped strategy for the new normal

FY 2020-21 witnessed a paradigm shift in personal lending. We saw this change as an opportunity to refine our strategies and get future ready.

With focus on reaching our customers at their doorsteps, we expanded our physical presence and strengthened our digital service apparatus, completing the shift from phygital to digital. Our personal loan is available in 568 branches, across Tier-II and Tier-III locations as well.

QUICK FACTS

₹86 Cr
Total disbursement

4% y-o-y ▲

₹138 Cr
Gross Loan Book

76% y-o-y ▲

91%
Collection efficiency

▲ y-o-y growth

8,332
Customers

56% y-o-y ▲

▼ y-o-y de-growth



HIGHLIGHTS OF FY 2020-21

- Launched personal loan for self-employed professionals – a significant add-on to our product portfolio that specifically caters to the non-salaried individuals
- Introduced our first fintech loan product in alliance with NIRA fintech; the alliance aims to leverage their expertise for sourcing short-term personal loans, along with the robust underwriting mechanism and opens up new avenues to serve the underserved customers digitally
- Partnered with digital lender LoanTap to provide personal loans to salaried professionals
- Launched a special personal loan that caters to the needs of doctors, homemakers and holidaymakers

DIGITAL TECHNOLOGIES DELIVER GROWTH

During the year, we rebuilt our digital marketing strategy and strengthened our online presence with the launch of various campaigns on social media. These campaigns enabled us to enhance our customer outreach through analytics.

We further developed a fully automated loan process to ensure minimal touch points in the entire loan application to disbursement journey. The optimal use of advanced technology has led to process improvements that reduced our turnaround time and improved our efficiencies.

77%
Growth in loan book during FY 2020-21

COLLABORATIONS OFFER CUSTOMER CONVENIENCE

Apart from technology, which played a key role in our growth, strategic alliances helped us reinforce our customer segmentation, further enabling us to develop tailor-made, differentiated offerings. During the year, we further restructured our product policies and interest rates in line with the market, which helped us gain a competitive edge over many prominent players.

UJJIVAN
UJJIVAN SMALL FINANCE BANK
BANKING EVERY LIFE

Unprepared for a medical emergency?
Personal Loan for EMI as low as ₹2,198*

Loans from home with contactless documentation

₹50,000 - ₹10,00,000 | Easy Digital Process | Interest Rate of 11.49% p.a.
For individuals with monthly salary above ₹30,000

*EMI is for ₹1 lakh at the loan amount, for a tenure of 60 months and at an interest rate of 11.49% p.a.

OUTLOOK

Going forward, we will strengthen our fintech alliances and integrate best-in-class services in the industry by utilising our own API banking platform. The API banking platform will integrate processes and systems faster and make the system integrations completely foolproof, enabling seamless foray into instant credit decision and loan disbursements. We also look forward to launching pre-approved personal loan, balance transfer and overdraft facility to have a diverse product offering on the table.

Business Segment: Vehicle

Ramping up vehicle financing

Vehicle finance saw a good year in terms of higher business numbers and overall portfolio growth with 5x increase in our disbursements and portfolio.

The first quarter of FY 2020-21 saw lockdowns and the vertical faced several challenges. We offered moratorium in line with the regulatory guidelines to all our customers of which ~1,400 customers availed the option. By the end of August, the portfolio was brought back to normal. Our vehicle loans segment grew rapidly in the last two quarters of the financial year with revival in credit demand and opening up of the economy.

QUICK FACTS

₹67 cr
Total disbursement

449% y-o-y ▲

₹73 cr
Outstanding principal (OSP)

482% y-o-y ▲

99%
Collection efficiency

10,301
Customers

461% y-o-y ▲

▲ y-o-y growth

▼ y-o-y de-growth

HIGHLIGHTS OF FY 2020-21

- Revamped our existing processes to shift from manual to digital by leveraging systems and processes akin to the fintechs during Q1 FY21
- Launched Mini and Micro Commercial Cargo Vehicle Loans (Electric and ICE Engine) for both our existing and new customers to leverage the market opportunity of a demand upswing for commercial cargo vehicles
- Diversified sourcing channel mix by building internal and external pipelines, partnering with digital aggregators and signing Memoranda of Understanding with Original Equipment Manufacturers (OEMs) that have a good base, to deepen our customer reach and penetration
- Used digital marketing tools to generate leads and support our front-end sales team



OUTLOOK

We will focus on strengthening our vehicle financing business - in rural and semi-urban India and build a stronger portfolio. The emphasis will be on Electric three-wheeler (E-3W) segment which is part of mini and micro commercial vehicle and broaden our scope to include electric-two-wheeler (E-2W) category and used cars. We would be continuing our tie ups with OEM partners to better our offerings.



Business Segment: Trust, Association, Society and Club (TASC)

Offering innovative solutions for TASC customers

TASC unit serves various institutional customers with innovative and cost-effective solutions that are supported by the latest banking industry technologies. With conformance to specific regulatory requirements as a key focus, we cater to non-governmental organisations (NGOs), societies, clubs, trusts, educational institutions, developmental authorities, municipal corporations, municipal committees by offering customised solutions.

We customise our products and services to constantly fulfil the specific objectives of our clients, especially various government departments across all levels. During the year, we continued to cater to the requirements of our customers with new product launches. We also on-boarded esteemed clients such as developmental authorities, municipal committees and temple trusts.

Our seasoned team of highly experienced relationship managers source new leads and cater to this niche segment.

NEW PRODUCTS LAUNCHED DURING FY 2020-21

- Differential saving account rates
- Point of Sale (PoS) machine
- Cash Management Services (CMS) solutions
- Online fee collection solutions
- QR code solution to cater to various customer requirement under the segment

QUICK FACTS

₹1,437 cr
TASC book

21% y-o-y ▲

₹331 cr
CASA* book

170% y-o-y ▲

*Current Account Savings Account

▲ y-o-y growth

▼ y-o-y de-growth



OUTLOOK

The pandemic has accelerated India's adoption of the digital economy, especially with the increasing prominence of online banking and other financial solutions. Keeping this digital evolution in mind, we are focusing on delivering more digital solutions, going forward. We have online fund disbursement and tracking systems for various state and central government projects in the queue, alongside online fee collections and customised online/offline tax collection channels (and other dues) for municipal corporations. We will also provide solutions to developmental authorities for convenient processing of housing schemes and offer customised card-based solutions for multiple functionalities.

Business Segment: Third-Party Products

Launching new offerings

We are steadily growing our business for third-party products. We launched several new initiatives to rapidly scale up the business.

During the year, we introduced new health insurance offerings for identified customer segments, scaled up employee IRDA certification efforts, improved our internal processes to remove various operational bottlenecks, adopted several end-to-end digital initiatives for customer on-boarding and servicing, and focused on quality customer acquisition across business verticals.

QUICK FACTS

₹227.5 Cr
Gross premium collected

26% y-o-y ▲

₹19.9 Cr
Revenue

2% y-o-y ▼

▲ y-o-y growth

▼ y-o-y de-growth



HIGHLIGHTS OF FY 2020-21

- 500%+ growth in IRDA certified team members; currently, strong force of 2,000+ competent colleagues
- 100%+ growth in number of retail insurance policies issued during FY 2020-21; crossed a milestone of 1 Lakh+ policies
- Launched digitally enabled IRDA certification process for all employees
- Broad-based third-party products business with its launch in Vehicle Finance and Personal Loan business verticals
- Launched health insurance product proposition through end-to-end digital on-boarding and fulfilment
- Introduced a new life insurance savings PoS product from Aditya Birla Sun Life Insurance for Micro and Rural Banking customers
- Received mutual funds distribution licence from Association of Mutual Funds in India (AMFI) to kickstart investments business

98%
growth in health insurance penetration among our customer base

30%+
growth in overall retail cross-sell insurance business in terms of premium mobilisation

CORPORATE AGENCY ARRANGEMENT

For insurance distribution, currently we have Corporate Agency arrangements for

Life insurance

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

General insurance

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

OUTLOOK

We are planning to introduce a new line of business—Investment Services—for our customers. Concurrently, we are exploring likeminded partnerships with standalone health insurance companies to bring sharper focus on health insurance distribution landscape. We will be broad-basing our distribution touch points by launching insurance on tele-sales channel, alongside digital insurance distribution across branches in association with an InsurTech platform.

Our focus will also be on improving customer satisfaction by enabling end-to-end digital claims intimation and settlement solution for both asset and liability customers. Moreover, we will revamp our internal customer management system for this segment for the application of better data science-based workflows, thereby improving business productivities, and continue to focus on building IRDA- and NISM-certified teams across branches.

Business Segment: Financial Institutions Group (FIG)

Diversifying our presence

During the year, the team forayed into the higher rated NBFC/HFC entities and engaged with new segments like Housing Finance Companies (HFC) and Gold Loan Financing Companies on Assets side. The team strengthened deposits and CASA base from FIG segment. Also further deepened existing relationships with financial institutional segment clients.

We cater to banks (PSU/Pvt/Foreign/Payment Banks/SFBs), co-operative banks, mutual funds, insurance companies, NBFCs, private equity firms, capital and commodity market entities and other financial institutional clients.

QUICK FACTS

₹467 Cr
Total disbursement

14% y-o-y ▼

₹648 Cr
Gross loan outstanding portfolio

18% y-o-y ▲

₹5,365 Cr
Deposit, current account and term money

5% y-o-y ▲

₹122 Cr
Current account EOP

169% y-o-y ▲

▲ y-o-y growth

▼ y-o-y de-growth



FIG team manages liabilities business from various Financial Institutions Group (FIG) clients in the form of current account balances, fixed deposit receipts, term money and certificate of deposits. FIG act as an interface with all banks and mutual funds and arranges exposure limits, including lines of credit.

We further collaborate with refinance institutions such as National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), Micro Units Development and Refinance Agency Bank (MUDRA) and National Housing Bank (NHB) for arranging alternative funding options as back up. The team also lends to good quality NBFCs, MFIs and HFCs within acceptable credit parameters.

98%–100%
Collection efficiency*

*on a month-to-month basis

HIGHLIGHTS OF FY 2020-21

- On boarded 58 new financial institutions clients to initiate deposit relationships
- Total active FIG relationships stood at 217 on liabilities side and 37 on assets side
- Initiated current account relationships with different NBFCs/MFIs and co-operative banks during the financial year and achieved reasonable results in developing current account balances
- Achieved CA balance of ₹122 Crore (EOP) as on March 31, 2021
- Engaged with top-rated NBFC/HFC/MFI space to initiate lending relationship and the loan book grew by ~18% y-o-y
- Many initiatives on the lending front with first time lending to Housing Finance, Gold Finance, AA (Credit Rating bucket) entities
- Recorded 98%–100% collection efficiency for the entire year on a month-to-month basis
- Logged zero GNPA for Institutional Lending Book as on March 31, 2021
- Leveraged relationships with cooperative banks - for fee income opportunity, by engaging in call money transactions
- Initiated G Sec transactions in coordination with Treasury team with some new and existing clients to boost fee income
- Diversified liabilities portfolio across geographies and different client segments substantially reduced concentration risk
- Developed alternative funding sources such as refinance, lines of credit from banks for contingencies
- Raised wholesale funds in difficult market situation at competitive rates

OUTLOOK

Going forward, FIG team will continue to focus on building current account (CA) balances from FIG segment clients and expand asset base by fostering new relations with higher rated spectrum of borrowers and deepen current relationships. With new product initiatives, the team aims to attract CA floats, fee income from FIG clients. The unit plans to increase its fee-based income with new products such as bank guarantee business and further enhance interbank limits, exposure limits from various mutual funds, insurance companies and cooperative banks. The team will continue to lend to NBFC/HFC/MFI clients with good portfolio quality within broad Institutional Lending policy framework. We shall also work towards building Mid-sized Corporate Banking Segment for a mid-sized Bank.

ZERO
GNPA for Institutional
Lending Book as on
March 31, 2021

Business Segment: Branch Banking

Prioritising accessibility to banking services

Branch banking allows us to serve customers across 24 states and Union Territories of India. It is available through our 575 banking outlets and enables us to grow our reach.

During the year under review, we introduced new products targeted towards specific customer segments and collaborated with technology partners to create digital payment solutions for certain customer segments. These efforts resulted in excellent branch banking performance and expansion of our liabilities book.

QUICK FACTS

Liabilities book of Branch Banking

34% Y-o-Y ▲

CASA* book

100% Y-o-Y ▲

*Current Account Savings Account

9 Lakhs+ Customers

65% Y-o-Y ▲

▲ y-o-y growth

▼ y-o-y de-growth

HIGHLIGHTS OF FY 2020-21

- Launched Garima Savings Account on International Women’s Day specifically catering to the banking requirements of the new-age women
- Improved the per person productivity of the branch banking team across profiles, resulting consistent increase in value addition of the sales team
- Created a well-diversified customer base through right sourcing mix of various customer segments and product categories
- Introduced complete UPI kit for merchants as a pilot in few branches after obtaining the UPI acquirer license



Business Segment: Branch Banking

LIABILITIES PRODUCT SUITE

Current Account

- Business Edge Current Account
- Premium Current Account
- Regular Current Account
- TASC Current Account

Advance Against Deposit

- Loan against Fixed Deposit
- Overdraft against Fixed Deposit

Debit Cards

- RuPay Platinum Debit Card
- RuPay Classic Debit Card

Savings Account

- Privilege Savings Account
- Garima Savings Account for Women
- Senior Citizen's Savings Account
- Regular Savings Account
- Minor Savings Account
- Salary Savings Account
- Digital savings Account
- Basic & Small Bank Deposit Account (BSBDA)

Term Deposit Account

- Fixed Deposit Account
- Tax Saver Fixed Deposit Account
- Recurring Deposit Account
- Goal Based Deposit Account
- Digital Fixed Deposit Account

NRI Accounts

- NRE & NRO Savings Account
- NRE & NRO Fixed Deposit Account

PRIVILEGE SAVINGS ACCOUNT

Targeted towards customers who have accumulated wealth and are looking for upgraded banking services and features, Privilege Savings Account, offers superior banking services, including unlimited no-cost ATM transactions, higher transaction limits, and complimentary RuPay platinum debit card with lifestyle benefits. Privilege Savings book has grown to ₹395 Crores by the end of FY 2020-21 with a ticket size of ~₹97,000.



WOMEN-SPECIAL SAVINGS ACCOUNT

Garima Savings Account is thoughtfully created for the economically active women of India. It offers customised and unique banking services such as specially designed Garima Debit Card (women-centric personalised Rupay Debit Card with several linked multiple benefits and personalised cheque book), higher cash deposit limit, unlimited free NEFT/RTGS transactions through mobile banking, complimentary subscription to Ujjivan Kavach plan to name a few. The account further offers other benefits such as purchase protection, one-call card blocking, along with offers on bill payments, entertainment and lifestyle.

New acquisition in Garima Savings Account has contributed ~₹12 Crores by the end of FY 2020-21 with a ticket size of ~₹27,000.



OUTLOOK

Going forward, we will concentrate on improving our customer and product sourcing mix, with nearly 50% contribution from flagship offerings with higher Average Ticket Size (ATS) such as — Privilege Savings Account, Garima Savings Account, Senior Citizen Savings Account, NRI Savings Account and Business Edge Current Account. We are also planning to offer new products and services that will cater to the needs of our targeted customer segments of different strata. Further, we will expand our reach among small- and medium-size retailers with Point of Sale (POS) and QR led acquisition.

Given the large unexplored potential of the NRI segment, we plan to channelise the branch resources to acquire more NRI relationships. We are engaging the digital team for executing a framework for acquiring more NRI relationships through non-face to face offering to eliminate the geographical restriction and help low-cost acquisitions. Further,

we will be implementing digitally enabled banking solutions for government and institution business such as Public Funds Management System (PFMS) for various agencies for payment and collection of funds, payment gateway facility to government and TASC customers, customised POS and QR offering to the TASC segment.

Over the last 4 years of our banking operations, we have created a large and diversified customer base and we see a huge opportunity in terms of enhancing their wallet share by cross-selling, offering upgrades and engaging with them through different digital channels. Going forward, we will focus on continued engagement with the entire customer base, offering complete banking solution under one roof to increase their wallet share with our Bank.

Human Resources

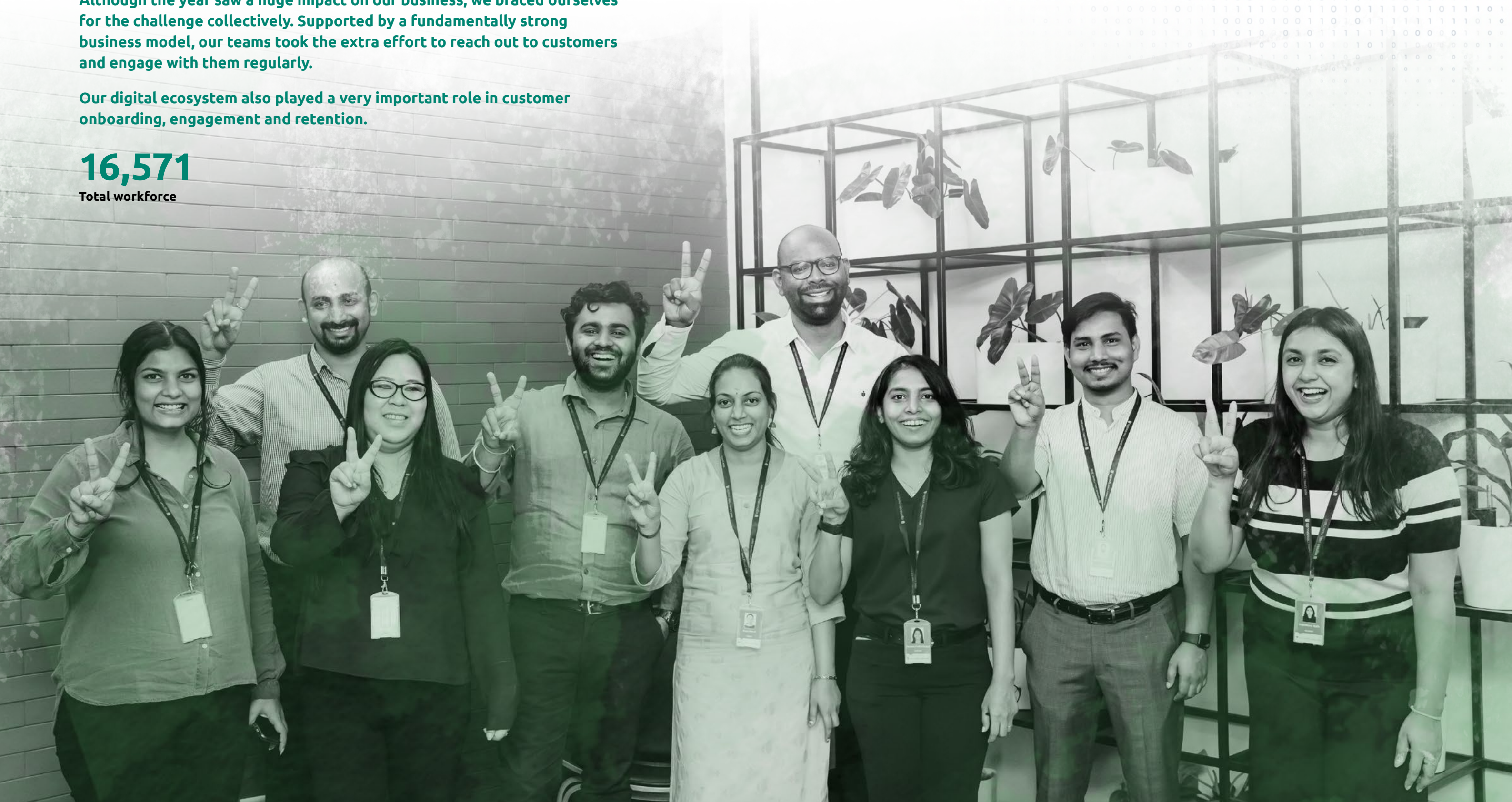
Enhancing our resilience in a tough year

Although the year saw a huge impact on our business, we braced ourselves for the challenge collectively. Supported by a fundamentally strong business model, our teams took the extra effort to reach out to customers and engage with them regularly.

Our digital ecosystem also played a very important role in customer onboarding, engagement and retention.

16,571

Total workforce





Human Resources

PUTTING OUR PEOPLE FIRST

- Ranked No. 3 among India's Best Companies to Work For 2020
- One among 'The Laureates'- organisations that have ranked for 10 years or more in the Top 100
- Ranked 5th among the Best Large Workplaces in Asia, 2020
- Recognised among India's Best Workplaces in BFSI, 2020
- Best in Small Finance Bank
- Best among all organisations with 10,000+ employees
- India's 50 Best Workplaces for Women, 2020

AN ENGAGING AND MOTIVATING WORK ENVIRONMENT

As a transparent organisation, we deeply engage with our teams and listen to their side of the story. During the year, a sophisticated platform was designed to conduct a survey and collect employee's feedback through an anonymous survey. Apart from the survey, various virtual forums were designed to help employees connect with national and regional leaders during the pandemic which helped in increasing employee morale.

Owing to the pandemic, we conducted low-key virtual events. Ujjivanites who completed 10 years and more were honoured with a personalised appreciation letter from the MD and CEO along with a gold coin.

These initiatives kept Ujjivan employees engaged and motivated amidst all the tough situations.



DIGITAL PROCESSES ENSURE BETTER OUTCOMES

During the year, we ensured to undertake all our human resource processes virtually; hiring and inducting people online and stressing on self-paced learning. Extending our digital interventions to enhance efficiency, we further introduced a new and improved HRMS – HR Saathi and LMS- SWAYAM 2.0. Along with multiple integrations with various systems and downstream applications, these systems have become valuable solutions for our employees.



PRIORITISING THE HEALTH OF OUR TEAMS

We carefully crafted enhanced benefits programmes focused on wellness and preventive care for our colleagues. We introduced Work from Home and provided remote desktops for employees.

We have a well-established Welfare and Relief Charitable Trust to strengthen our welfare contribution to our people. The trust supports beneficiaries affected by unforeseen exigencies which are untimely and unpredictable, including the COVID-19 outbreak. This year we extended financial support to our colleagues and their family members through the trust for treatment and expenses related to COVID-19.

- COVID-19 insurance coverage provided to customer facing employees in addition to their normal medical cover
- The group health Insurance policy was enhanced to provide adequate COVID-19 cover to employees
- 'Doctor on Site' services initiated, where in employees can consult a doctor in office who are registered medical practitioners
- 'Doctor on call' service set up for employees and their families where they can avail unlimited audio and video consultation from General Physician and Dietician
- Provided salaries in advance for medical exigencies
- Created special provision for COVID-19 related absence
- Launched a virtual branch visit format through which the MD & CEO and other leaders catered to all branches over video conferencing





Community Commitments

Compassion and support for the disadvantaged

During the year, we concentrated on providing relief to the people affected by the pandemic and other natural calamities, besides supporting community and infrastructural development.

₹5.56 Crore

CSR expenditure



Community Commitments

COVID-19 RELIEF WORK

We extensively worked towards supporting communities during the pandemic with over 26 projects across India being executed, also benefiting the frontline workers (doctors and paramedical staff, police personal, corporation and municipality workers and transport workers).

We dedicated 52% of the CSR expenditure towards the cause and reached ~7,74,000+ public, 49,000+ police personnel, 10,500+ hospital staff, 12,100+ corporation/municipal/panchayat workers and 200 transport workers. We distributed materials such as masks, sanitisers, dry ration, sprayers and PPE kits, among many.

We also started a COVID-19 education programme, primarily designed to create awareness about the pandemic. It provided information on how to remain safe, RT-PCR testing and relevant government insurance schemes and clarified misconceptions. More than 3,57,000+ beneficiaries were trained across the country.

The COVID-19 relief work was also carried through partnerships with Give India Foundation. We distributed 5,000+ PPE kits to major COVID-19 hospitals in Mumbai during the early stages of the pandemic. We also supported in setting up four full-fledged Intensive Care Units (ICUs) in CMC Vellore hospital in Tamil Nadu to ramp up their COVID-19 care and treatment facilities.



COMMUNITY DEVELOPMENT INITIATIVES

Community development has always been a key focus area for us. We delegate our efforts across areas of education, healthcare, preventive healthcare and health awareness, sanitation, and more.

Healthcare

We provided 5 digital information kiosks at St. John's Hospital in Bengaluru. These will benefit 1,000+ walk-in patients every day in accessing relevant healthcare and COVID-19 information.

We also collaborated with Sumanahalli Society, an organisation that provides shelter and care for people affected with leprosy and HIV aids. We sponsored food and daily needs for 75 inmates for six months.

Education

We supported the education of 850+ girls in the government high school in Samrala, Punjab by providing them with notebooks and school bags.

We also partnered with e-Vidyaloka, an organisation that works towards providing quality education to school children. This ongoing programme will benefit 20,000+ students in FY 2021-22.



SMALL STEPS TOWARDS A BIGGER IMPACT

We conduct the Chote Kadam programme in partnership with Parinaam Foundation. Overall, 24 civil projects were completed across India for the benefit of the underprivileged communities. These projects include:

- Provided infrastructural support for 10 educational institutions
- Renovated seven healthcare facilities
- Constructed three community centres and bus stands
- Catered to safe drinking water needs of two communities
- Provided sanitation in one community
- Organised to provide solar-powered street lighting for a community



CALCUTTA SOCIAL PROJECT

We catered to the underserved communities of Kolkata with dry ration support for three months with this project. Online education was provided to slum and street children, and vocational training for girls in the community. The initiative reached 1,200+ adults and children, who benefited from food aid, online education and vocational training programmes.



Disaster relief

During FY 2020-21, India faced several regional challenges on top of the nationwide pandemic – in the form of floods and cyclones, among others. Therefore, disaster relief constituted a large part of our community responsibility efforts. After cyclone Amphan caused widespread devastations in West Bengal, damaging lives, livelihoods and properties, we worked to support the affected families with food and shelter. We distributed relief materials such as tarpaulin, dry ration, masks, and sanitisers, helping 20,000+ victims. We supported the victims of two separate fire breakouts in Kolkata in winter by distributing relief materials such as blankets and utensils.

Cyclones Nivar and Burevi clobbered the coastal regions of Tamil Nadu back-to-back. As part of relief work, 7,800 dry ration kits were provided aiding 31,000+ beneficiaries.

Winters across North India have always been harsh but during the year under review it was especially unforgiving, alongside the pandemic. It was particularly difficult for those families and people who lost their livelihood due to pandemic. We supported 24,000+ people by providing thick blankets at the night shelters.

Vocational training

We focus on building skills and generating livelihood to enable our communities to build a better life. We support the Cheshire Disability Trust, which enables people with disabilities have skill-building, residential training that help them find suitable jobs.

OUTLOOK

We are committed to enhancing our presence across urban areas and rural hinterlands. We will continue to support the healthcare systems and people affected by the pandemic.

Risk Management

Managing and mitigating uncertainties

The Bank has a strong risk management framework in place to identify, mitigate and monitor material risks across all its functions. Directed by the Risk Management Committee of the Board (RMCB), the Bank has an adequately staffed risk management team led by its Chief Risk Officer (CRO), to implement the directions of the Board.

There are dedicated teams to assess and monitor credit risks, operational risks, market and liquidity risks and information security risks.



The RMCB fulfils its roles and duties through various management level risk committees such as Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Asset Liability and Market Risk Committee (ALCO and the Information Security and Business Continuity Management Committee). These committees are entrusted with the task to identify measure, mitigate and monitor various risks.

The Bank's risk management framework is based on a clear understanding of its key material risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with international best practices. The Bank has an oversight on all the risks through regular monitoring of Key Risk Indicators (KRI).

RISK MANAGEMENT DURING THE PANDEMIC

March, 2020 saw a disruption in the normal course of business on account of the nation-wide lockdown due to the COVID-19 pandemic. Except for some essential services and activities, the rest of India's \$2.9 Trillion economy remained shuttered during the lockdown period. As the economy was gradually reopened, the Bank had also modified its various risk management frameworks commensurate with risks in the external environment. With the onset of the pandemic, the Bank had undertaken a slew of measures to mitigate the risks in the areas of business continuity, health of customers and personnel, credit and information security areas.

Some of the key measures initiated by the Bank during the year were as follows:

Area	Key measures undertaken
Credit Risk	<ul style="list-style-type: none"> Real time Early Warning Signals (EWS) monitoring through Bureau scrub Fortnightly collection monitoring of overdue and restructured accounts Regular stress testing of loan portfolio and estimation of associated credit costs Industry/Occupation risk categorisation reviews Tightening of credit norms, where applicable
Operational Risk	<ul style="list-style-type: none"> Revamped Business Continuity Management (BCM) policy, testing frequencies and implementation methods Process reviews with enhanced focus on digital banking Outsourcing reviews of all vendors and their BCP
Information Security	<ul style="list-style-type: none"> Increased Security Threat Surveillance User Awareness and dedicated training programs on remote working Implementation of guidelines, circulars, advisories and alerts Phishing simulation campaigns
Market Risk and ALM	<ul style="list-style-type: none"> Liquidity Stress Testing and funding gap assessment on regular basis Interest Rate Risk management

In addition, the Bank had also undertaken the following measures to combat the pandemic:

- A Quick Response Team (QRT) was constituted for monitoring and supervising banking operations, and though the frequency of the meetings of this team had reduced by December, 2020, the frequencies of these QRT meetings were increased in light of the second wave by March, 2021. QRT remains the core group to initiate action in a contingency and also to provide updates to Top Management regularly.
- The Bank had implemented all the directions provided by RBI vide its circular dated March 27, 2020 and May 23, 2020. The Bank had put in place a Board approved policy on providing moratorium on loan repayments to its customers. Initially, the Bank had extended moratorium under all segments, deferring the repayments for ~99% of loan accounts. Subsequently, the Bank had extended the same (June 1, 2020 to August 31, 2020) on a need basis only post discussion with the borrower.
- On August 6, 2020, RBI had issued a directive on implementing a resolution framework for COVID-19 related stress. The guidelines provided a window under the prudential framework to enable banks/lending institutions to implement a resolution plan in respect of eligible loans, while classifying such exposures as standard, subject to specified conditions. Further, the lending institutions were mandated to ensure that the resolution under this facility is extended only to borrowers having stress on account of COVID-19. To this effect, the Bank had introduced an internal policy/process framework detailing the manner in which such evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case.
- On May 5, 2021, RBI has issued two guidelines with an objective of alleviating the potential stress to individual borrowers and small businesses in light of the second wave. The Bank is currently in the process of assessing the quantum and modalities of implementing the same during FY 2021-22.

¹ Refer COVID-19 – Regulatory Package issued vide RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020

² Refer COVID-19 – Regulatory Package issued vide RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020.

³ Refer Resolution Framework for COVID-19-related Stress vide RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020

⁴ Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses and Resolution Framework 2.0 – Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs)

Risk Management

Credit Risk

Area	Treatment measures
Early Warning Systems (EWS)	<p>Branch level scorecards were enhanced to assess the performance on various parameters such as Incremental Overdue, error rates, Non-starter cases, collection performance etc. The Bank has also incorporated external factors in addition to internal EWS parameters to have better early monitoring and to take proactive measures.</p> <p>For all verticals, the Bank has subscribed to various bureau reports to provide real time data on changes in credit scores, change in residential and communication details and leverage etc, as part of monitoring activities. These insights are factored into the EWS framework which helps in categorising borrowers on the basis of inherent risks.</p>
Credit rating scorecards	<p>Designed and successfully launched risk rating scorecards for microfinance, MSE, housing loan and rural banking portfolios. These scorecards are designed to provide an objective and unbiased assessment on potential customers, duly factoring their personal income, repayment track records and collateral aspects (for secured loans). The Bank has also introduced an internal rating model for its institutional lending portfolio. The scorecards will be back-tested, validated and calibrated at regular intervals.</p> <p>For other verticals, the Bank has commenced development of risk rating scorecards to increase objectivity in lending practices. These scorecards are expected to be in place in the ensuing financial year.</p>
Expected credit loss	<p>The Bank has in place a detailed framework for computing Expected Credit Loss (ECL) as per the Ind-AS requirements and also for internal reporting purposes. Models are in place to compute key risk factors such as Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank has also regularly incorporated additional management overlays in its PD and LGD computation models as and when necessary to make it forward looking and to reflect the inherent stress caused by pandemic.</p>
Process gaps and enhancements	<p>Revamped various processes in credit appraisal w.r.t documentation management, loan deviations, exposure norms, and new policies or enhancements to name a few. Occupation mapping of borrowers is currently being enhanced to undertake meaningful industry/sector analysis and corroborate with external outcomes.</p>
Industry insights and portfolio analysis	<p>Continuous analysis of all loan portfolios to identify potential areas of stress on the basis of geography, ticket size, branch/clusters etc. Such analysis has helped the Bank to set mitigants in the form of limits and caps in exposure.</p>
Stress testing	<p>Bank undertakes comprehensive stress testing of all loan portfolios using sensitivity and scenario analysis. The impact of adverse events on the PAR%, NPA%, provisions and capital adequacy are assessed at regular intervals.</p>
Natural disasters	<p>The Bank has undertaken various programmes for customer outreach and communication, social development programmes, changes in underwriting/credit policies and additional provisioning as risk mitigation measures in states affected by natural disasters.</p>

Operational Risk

Area	Treatment measures
Product and process reviews	<p>All new products and processes (including enhancements) are subject to a mandatory comprehensive review. The Bank continuously reviews and enhances its key processes to adapt to industry best practices.</p>
User acceptance testing	<p>The Bank performs the User Acceptance Testing (UAT) to identify gaps in the actual deliverable versus that which was proposed in the Business Requirement Document (BRD). These gaps are further addressed and closed during the Functional Specification Document (FSD) stage before moving to production.</p>
Risk and control self-assessment	<p>The Bank has initiated RCSA for various business processes to identify inherent and residual risks. There is a time bound plan to close the open issues as observed during RCSA and an update is provided to ORMC and RMC-Board at regular intervals.</p>
Key risk indicators	<p>The Bank has defined 18 KRIs at an organisation level as part of the Operational Risk Management Framework. These KRIs are analysed on monthly basis and a comprehensive report is submitted to the Operational Risk Management Committee (ORMC) and Board at quarterly intervals with action plan for closure of open issues.</p>
Loss data management	<p>Loss Data Management is in place to record material incidents and to learn from errors and in 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 Bank records instances along the Basel defined lines of Operational Risk events and process enhancements are tabled at various committees for further action.</p>
Operational risk scorecards	<p>An internal scoring mechanism is in place to capture all risk parameters at a granular level within the Bank i.e. branch level. The scorecard includes all facets of branch operations: Microbanking, Housing and MSE loans, liabilities and other branch related parameters. Branches are categorised as High, Medium or Low risk based on these assessments on monthly basis.</p>
Outsourcing risk	<p>Progressive risk assessment of key outsourced vendors was completed during the year to ensure that these vendors comply with the minimum requirements prescribed by RBI and also Business Continuity aspects as per internal norms. Detailed notes were recorded on the risk assessment done for each vendor through visits and were placed at various forums and committees for further action.</p>
Internal Financial Control (IFC) testing	<p>This is an annual exercise done by the Operational Risk team. The team, along with concerned stakeholders, prepares and enhances Risk & Control Matrices (RCMs). The financial and operational controls in these RCMs are then put to test by collecting samples from across the review period and from different regions, and are then evaluated for success or failure of the control effectiveness. The critical gaps observed during such testing are discussed with concerned functions for upgrading controls which may include automation of the controls.</p>

Risk Management

Liquidity and Market Risk

Area	Treatment measures
Behavioural analysis	Enhanced behavioural analysis of cash flows, especially for CASA balances using Value at Risk (VaR) based approaches to identify potential mismatches. The behaviour-based outflows are now computed in parallel to regulatory requirements.
Trading book management	Duration based limits, Value at Risk based limits and open position limits etc. are introduced. These trading limits are monitored on a real time basis by the Middle Office. Any isolated instance of breach in limit is brought to the notice of stakeholders and remedial measures are taken.

The Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business/financial position/capital adequacy. The ICAAP framework is guided by the Bank's Board approved ICAAP Policy. The Bank has enhanced its initial framework for Enterprise

Risk Management (ERM) which sought to move away from silo-based risk approach to a comprehensive and holistic approach to risk management. The framework is designed around Risk Adjusted Return on Capital (RAROC) based decision making; a significant departure from the commonly used accounting-based performance review.

Information Technology and Security Risk

On a regular basis, the Bank disseminates information for creating awareness among employees on the importance of data-security along with emphasis on the requirements to protect the customer's data. Awareness emails regarding the data loss prevention, smart phone security and how the assets given to employees are supposed to be safeguarded by them, are part of cyber security awareness creation.

We take cognisance of the increased importance of Data Security. With business continuity management being a critical aspect, the Bank has adhered to intelligence and best practices suggested from the various regulators, organisations like CERT-IN, DSCI and NIST among others to ensure data security. During the year, that Bank had focused on:

- Increased awareness of all stakeholders
- Adoption of zero trust solutions
- Enhanced logging and monitoring
- Automation of threat intelligence
- Coordinated incident response

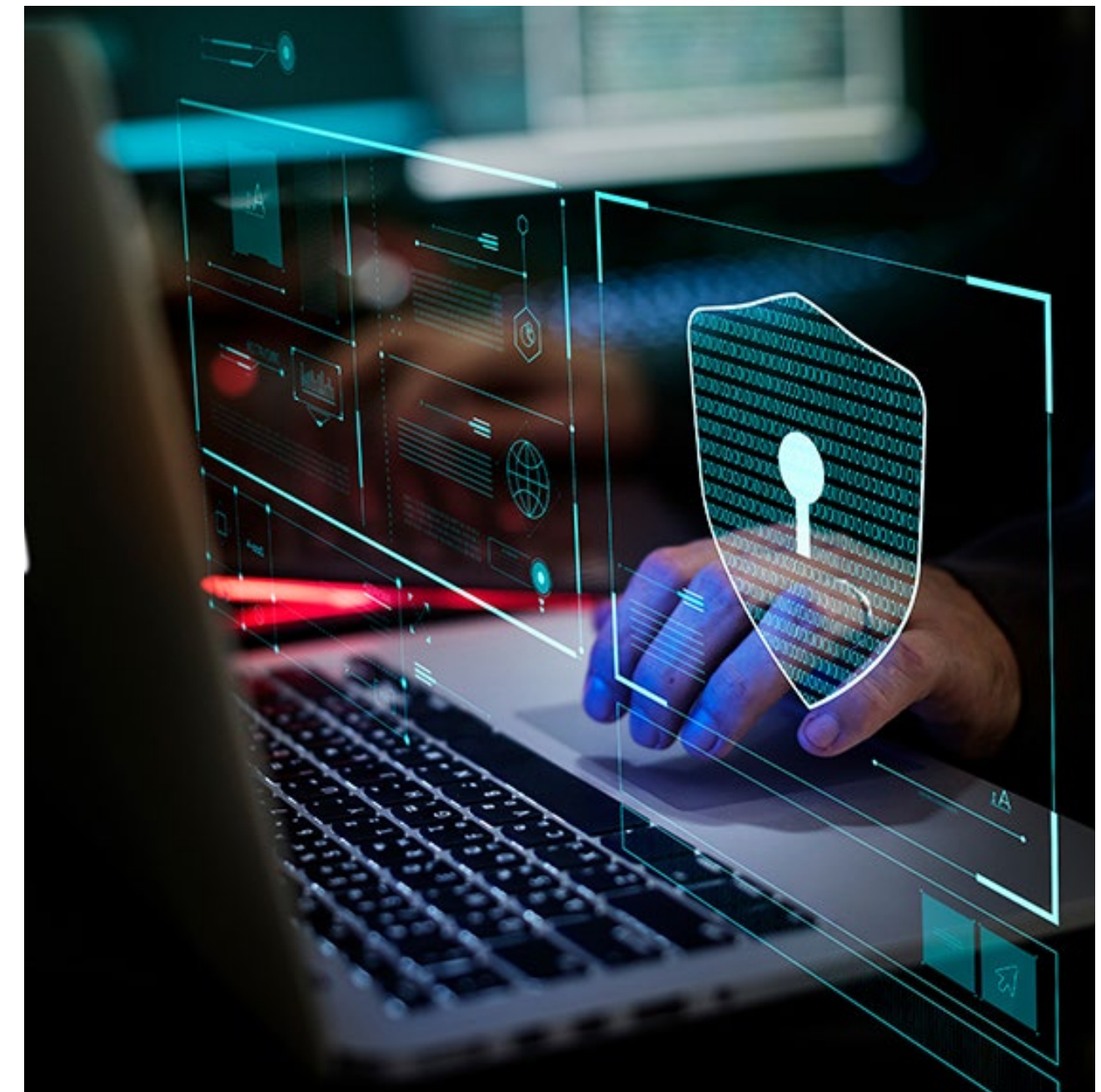
We have also enhanced our incident management and cyber crisis management plan to deal with incidents and potential cyber crisis. There is also a policy governing the acceptable usage of information and system assets and policy to ensure continuity of business operations in the event of a disaster.

Given the dynamic nature of risks that we face, we periodically assess the risks and develops strategies to ensure that risks are mitigated to an acceptable level. Being technology-oriented, most of the risks are technological in nature and thus the Bank has invested heavily in security technologies. A 24x7 Cyber Security Operations Centre has been established to detect and contain security anomalies. This Cyber SOC is also responsible to actively monitor emerging threats based on intelligence gathering. The Bank has developed a comprehensive awareness program wherein employees are trained during on-boarding, periodic phishing simulations are carried out and awareness mailers are broadcast to both employees and customers. Recent awareness emails pertaining to frauds based on COVID-19 vaccination, spam COVID-19 calls were circulated intending to spread awareness among the

employees and keep them abreast of the pertinent COVID-19 frauds.

Phishing simulation pertaining to COVID-19 vaccination provision from the ministry of health was also conducted to check the employees' awareness about the contemporary frauds.

We have enhanced the monitoring capacity by creating use cases to have better alerting on the Security Information Event Management (SIEM) system and further action taken by the Security Operations Centre (SOC). This is intended to avoid any potential delays in detection and response to the cyber-attacks.



Board of Directors



NITIN CHUGH*

Managing Director and CEO

Qualification: Bachelor's degree in Technology (Electrical Engineering) from National Institute of Technology, Kurukshetra and a Professional Diploma in Marketing Management from All India Management Association.

Nitin Chugh previously had successful stints with HDFC Bank Limited, Standard Chartered Bank, HCL Limited and Modi Xerox Limited.

**His resignation is effective from close of business hours on September 30, 2021*



MONA KACHHWAHA*

Non-Executive Director

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

Mona Kachhwaha currently works with Unitus Capital Private Limited and was previously employed with Citibank N.A. and Caspian Impact Investment Adviser Private Limited.

**Ceased to be a Director w.e.f. August 10, 2021 (close of business hours)*



UMANG BEDI

Independent Director

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

Umang Bedi is a Co-Founder of VerSe Innovation, a company who powers the algorithms of Dailyhunt, India's largest local language content and news discovery platform across 14 Indian languages and Josh, India's leading short video app across 12 Indian languages. He was previously the Managing Director - India and South Asia with Facebook India Online Services Private Limited, ADOBE Systems India Private Limited and Intuit Inc.



CHITRA KARTIK ALAI

Non-Executive Nominee Director

Qualification: Bachelor's degree in commerce from Osmania University and Master's diploma in business administration from Symbiosis Institute of Management Studies. She is a Certified Associate of the Indian Institute of Bankers.

Chitra Kartik Alai is currently General Manager at the Chennai Regional Office of SIDBI.



PRABAL KUMAR SEN

Independent Director

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

Prabal Kumar Sen was a Professor at XLRI, Jamshedpur, earlier Bank of Baroda Chair Professor at Institute of Rural Management Anand (IRMA) and Lecturer in PG Dept of Economics, at University of Burdwan. He had previously worked for United Bank of India in the Senior Management Grade and earlier worked as an Interpreting Officer in the Calcutta High Court.



NANDLAL LAXMINARAYAN SARMA*

Independent Director

Qualification: Master of Technology degree in electrical engineering and Doctor of Philosophy degree from the Indian Institute of Technology, Bombay.

Nandlal Laxminarayan Sarma has previously served as a director on the boards of the Union Bank of India, Clearing Corporation of India and Andhra Bank. He was a professor in the department of computer science and engineering at Indian Institute of Technology, Bombay.

**Retired on July 26, 2021 (end of business hours)*



ITTIRA DAVIS*

Additional Director (Non-Executive, Non-Independent)

Qualification: Graduate from the Indian Institute of Management, Ahmedabad.

Ittira Davis is an international banker with over 40 years of banking experience having worked extensively in the Middle East and Europe. He was with the Europe Arab Bank from July, 2008 to October, 2012 initially as the Managing Director – Corporate and Institutional Banking and then as an Executive Director. He has previously worked with Citibank in India and the Arab Bank Group in the Middle East. He joined Ujjivan in March, 2015 to manage the transition to a Small Finance Bank. Later, he was the Chief Operating Officer of our Bank until June, 2018. Ittira Davis was the MD & CEO of Ujjivan Financial Services Limited from July, 2018 until March, 2021.

**Ceased to be the Director w.e.f. July 23, 2021 (end of business hours)*



RAJESH KUMAR JOGI

Additional Director (Independent)

Qualification: Bachelor of Arts degree in Economics and a Fellow member of the Institute of Chartered Accountants of India. He also attended the Advanced Management Program from the Harvard Business School in Boston.

Rajesh Jogi brings rich work experience of 27 years in the Banking Industry with a focus on risk management. He last worked with the Natwest Group (erstwhile RBS Group) where he led key strategic projects and transformation. He was the Chief Risk Officer, India of the Royal Bank of Scotland and subsequently the Country Head of Risk, India for the Group. He is also a Non-Executive Director on the Board of few other companies.



RAJNI MISHRA

Additional Director (Independent)

Qualification: Master's Degree in Commerce (Gold Medalist) from M S University, Vadodara.

Rajni Mishra has been a career banker for nearly four decades, with State Bank of India as well as its Associate Banks where she has handled varied assignments and diverse portfolios, gaining exposure in Branch Administration, Corporate Credit, Forex Treasury, Vigilance, Audit & Inspection etc. She is the Chairperson and Independent Director on the Board of M/s NCL Buildtek Limited, Hyderabad, a leading manufacturer of building materials and a Group Company of M/s NCL Industries (erstwhile Nagarjuna Cement Limited).



UMESH BELLUR

Additional Director (Independent)

Qualification: Doctor of Philosophy degree from Syracuse University, Syracuse, NY, USA.

Umesh Bellur is a professor and Department Head of Computer Science and Engineering at IIT Bombay. He has worked with various organisations including TCSI Corp, Oracle Corp, Covad Comm. Corp, Collation Inc. in California and was a member of Technology Advisory Board for the SEBI, SBI, Clearing Corporation of India and NSDL. He is currently serving as an Independent Director on the Board of Central Depository Services (India) Limited and National Payments Corporation of India.



HARISH DEVARAJAN*

Additional Director (Independent)

Qualification: Bachelor's degree in commerce from Madras University and PGDPM&IR from XLRI, Jamshedpur.

Harish Devarajan has gained rich experience working with TVS Sundram Fasteners Ltd. and Hindustan Unilever Ltd. (as Vice President HR). He was on the Board of Bank of India and has been a freelance Leadership Coach and Organisation Consultant since 2008.

**Ceased to be a Director w.e.f. August 12, 2021 (close of business hours)*

Leadership Team



NITIN CHUGH*

Managing Director and CEO

Qualification:

Bachelor's degree in Technology (Electrical Engineering) from National Institute of Technology, Kurukshetra and a Professional Diploma in Marketing Management from All India Management Association.

Nitin Chugh previously had successful stints with HDFC Bank Limited, Standard Chartered Bank, HCL Limited and Modi Xerox Limited.

**His resignation is effective from close of business hours on September 30, 2021*



UPMA GOEL*

Chief Financial Officer

Qualification:

Chartered Accountant with the Institute of Chartered Accountants of India

Upma Goel joined the Bank on February 1, 2017 and has previously worked with L&T Finance Holdings Ltd., Ujjivan Financial Services Ltd. and Escorts Securities Ltd.

**Her resignation is effective from September 30, 2021 (end of business hours)*



SANJAY KAO

Head of Human Resources

Qualification:

Bachelor's degree in Technology (Chemical Engineering) from the Banaras Hindu University and a post-graduate Diploma in Management from the Indian Institute of Management, Calcutta.

Sanjay Kao joined Ujjivan Small Finance Bank on February 12, 2018 and has been appointed as the Head of Human Resources with effect from April 16, 2020. Before joining Ujjivan SFB, he has worked with Lipton India Limited, Dunia Finance LLC, Citibank, NA and ABN AMRO Bank, NV.



ARUNAVA BANERJEE

Chief Risk Officer

Qualification:

Master's degree in Arts (Economics) from Calcutta University and is an associate of the Indian Institute of Bankers

Arunava Banerjee joined the Bank on February 1, 2017. He has previously worked with the State Bank of India, Standard Chartered Bank and Bahraini Saudi Bank. He was also the previous Chief Financial Officer of Remza Investment Company WLL.



VIBHAS CHANDRA

Business Head of MicroBanking and Rural Banking

Qualification:

Masters of Business Administration from Xavier Institute of Management- Bhubaneswar

Vibhas Chandra is an experienced hand in Ujjivan with a career of 13 years in multiple roles, managing various geographies. During this time, He has lead Ujjivan's east region and was pivotal in transition from MFI to Bank. In his previous role, he was leading the Asset Products division for Microbanking and Rural Banking.



ASHISH GOEL

Chief Credit Officer

Qualification:

Bachelor of technology degree in Mechanical Engineering from Regional Engineering College, Kurukshetra and is a post-graduate in Marketing & Finance from Xavier Institute of Management, Bhubaneswar.

Ashish Goel was previously employed at Godrej & Boyce, Marico Industries and ICICI Bank. He joined Ujjivan as Chief Credit Officer in February, 2021.



RAJEEV PAWAR

Head of Treasury

Qualification:

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

Rajeev Pawar joined as the Head of Treasury on January 20, 2020. He has previously worked with American Express Bank, Standard Chartered Bank, Kotak Mahindra Bank and Edelweiss Finance in India, Singapore and Dubai.



VENKAT KRISHNAN V

Chief Technology Officer

Qualification:

Bachelor's Degree in Science from SIES College, Mumbai University and has completed his Master of Computer Application from the Government College of Engineering in 1999.

Venkat Krishnan joined as the Chief Technology Officer on June 11, 2020. Previously he has worked with, Utkarsh Small Finance Bank as Chief Technology Officer and was responsible for building and managing their core banking systems. His experience extends across working with organisations like ABK, ET Life, Yes Bank, Dhanalaxmi Bank, HSBC India, Reliance General Insurance, Satyam Computers, ICICI Bank and GTL Ltd.



SHRINIVAS MURTY

Head of Liabilities

Qualification:

Bachelor's and Master's degree in Science from Pt. Ravishankar Shukla University and a PGDBM from MDI, Gurugram.

Shrinivas Murty joined as the Head of Liabilities on April 18, 2020. He is a Certified Associate of Indian Institute of Bankers. Before joining Ujjivan SFB, he was the Executive Vice President - Bandhan Bank, and managed the branch banking vertical. In the past, he has also worked with Bank of India, ICICI Bank and HDFC Bank. He brings with him vast business experience in strategies and models that spans across retail, SME, agri, micro-finance sales, operations, and compliance in the banking industry.



BRAJESH JOSEPH CHERIAN

Chief Compliance Officer

Qualification:

Bachelor's degree in Pharmacy from Dr MGR Medical University and a Master's degree in Business Administration from SMU. He is a Certified Associate of Indian Institute of Bankers.

Brajesh Joseph Cheria is a banking and financial services professional with over 20 years of experience in Compliance, Operational Risk, Corporate Banking, Retail Banking and Treasury. Starting his career with the South Indian Bank, he later on worked with Axis Bank in India and UAE where he handled various roles including Deputy CEO for Dubai Operations. Before joining Ujjivan in 2016, his last assignment was as Vice President - Compliance and Risk with Axis Bank, Mumbai.



CHANCHAL KUMAR

Company Secretary and Compliance Officer

Qualification:

Bachelor's degree in Commerce from Delhi University. He is a Chartered Accountant with the Institute of Chartered Accountants of India and a Company Secretary with the Institute of Company Secretaries of India. He is a Certified Associate of the Indian Institute of Banking and Finance.

Chanchal Kumar joined the Bank on January 30, 2017 and was appointed as Company Secretary and Compliance Officer on March 24, 2018. He has previously worked with Yes Bank, GE Capital Services India, ICICI Bank Ltd and Anand Corporate Services Ltd.

Awards

Recognition for
inclusive banking

2021



Great Place To Work® Institute:
Ranked 11th among 'India's Best
Companies to Work For 2021'



Business Today - KPMG Best Bank
and Fintech Jury Award 2020 in
innovation, workforce and talent and
enterprise resilience (qualitative) for
Small Finance Bank category



Inclusive Finance India Awards 2020:
Small Finance Bank for Achieving
Financial Inclusion among SFBs

Indian Bank Association – 16th Annual Banking Technology Award 2021 (Small Finance Bank Category)

Winner: Best Digital Financial
Inclusion Initiatives

First Runner Up: Best Technology
Bank of the Year

First Runner Up: Best IT Risk and
Cyber Security Initiatives

Resulticks BFSI Digital Stallion's – India Chapter Awards 2020

- | | | |
|---|-------------------------------------|---------------------------------|
| Best Brand | Excellence in the Digital Marketing | Best API banking Implementation |
| Best ROI based Digital Marketing Campaign | | Best Use of Facebook |

2020

'Best Companies to Work For 2020'
by Great Place To Work® Institute

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

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

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

'Best Large Workplaces in Asia 2020'
by Great Place To Work® Institute

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

UiPath Automation Excellence
Awards 2020 - India & South Asia

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Management Discussion and Analysis

MACROECONOMIC INDICATORS

The Indian economy stayed resilient and fundamentally strong, in the face of the unprecedented disruptions caused by the global Covid-19 pandemic, bouncing back in the second half of the fiscal year after witnessing two successive quarters of GDP contractions in Q1 and Q2. India's gross domestic product (GDP) witnessed a contraction of -7.3 % in FY20-21 as compared to a growth of 4.0 % in FY 2019-20. The nation-wide lockdowns to limit the spread of the COVID-19 pandemic led to a severe economic slowdown in Q1. The partial lifting of the lockdown across states saw gradual opening up of the economy and a semblance of growth returned across sectors from Q3. Mining and quarrying, trade, hotels, transport and communication and broadcasting services saw sharp decline and contraction well into the Q4 while forestry, manufacturing, electricity, gas and utilities, financial services and real estate saw a return of growth in Q3. Agriculture was the only sector that recorded a positive growth across all quarters, holding up well and staying immune to the pandemic induced shocks. Cumulatively the Index of Industrial Production (IIP) contracted by 8.6% in FY 2020-21 against a 0.7% growth in FY 2019-20. IIP declined for five consecutive months from April to August in FY 2020-21, before returning to positive territory in September and October. Mining and manufacturing registered a decline, while electricity output increased marginally. A sharp decline was seen in the capital goods, consumer durables, construction, infrastructure sectors and intermediate goods while primary and consumer non-durables saw a moderate decline.

As per the National Statistical Office and Ministry of Statistics and Programme Implementation, government expenditure grew by 2.9% in FY 2020-21 against 7.8% in FY 2019-20 while investments contracted by 10.8% against 5.4% growth in FY 2019-20 and private consumption contracted by 9.1% against growth of 5.5% in the last fiscal. India's current account balance (balance of exports minus imports) recorded a modest surplus for the year as a whole, on the back of robust inflow of FII, and weak domestic demand, at 0.9% of GDP against a deficit of 0.9% of GDP in FY19-20.

By the end of FY 2020-21, the Indian economy was advantageously poised and at the foothills of a strong recovery, having regained positive growth, but more importantly, having flattened the COVID-19 curve. The onset of the second wave of the pandemic with rapid rise in infections and mortality rates temporarily interrupted the economic revival that was taking shape. However, with restrictions and containment measures being localised and targeted, economic activities, including manufacturing, continued with individuals and businesses better adapting to Covid protocols. With revival in domestic demand and the mass vaccination programme gathering pace, the

worst of the second wave is over and the economy is poised to bounce back to pre-pandemic output level by the end of the fiscal year. The RBI expects the economic recovery to gather momentum in the second half of the fiscal and estimates an overall GDP growth rate of 9.5% for FY 2021-22.

BANKING INDUSTRY SCENARIO

Bank credit growth remained tepid on the back of economic slowdown due to the pandemic and consequently weak demand across all population groups while deposit growth especially CASA maintained its upward trajectory, reflecting continued preference for precautionary savings.

Non-food credit growth of scheduled commercial banks (SCBs) decelerated to 4.9% in March 2021 as compared with 6.7% a year ago. Bank credit to agriculture and allied activities and medium industries showed a robust growth.

Aggregate deposits growth accelerated to 12.3% y-o-y in March 2021 from 9.5% a year ago. Metropolitan branches, which account for over half of total deposits, recorded nearly 15% growth during 2020-21. The share of private sector banks in total deposits and credit by SCBs increased during 2020-21 at the cost of public sector banks.

Though the overall collateral damage of the second wave of the pandemic is yet to be ascertained, gross GNPA stayed stable at 7.5% in Mar-21 against 8.4% in Mar-20. The PCR stood at 68.9% and CRAR 16% as of Mar-21 against 66.2% and 14.7% respectively a year ago. The scheduled commercial banks today are far more resilient and with conservative provisioning, appropriate governance structures, maintenance of sufficient liquidity buffer and adequate capitalization are much better positioned to absorb the impact of the credit losses that are expected to increase with spike in NPA levels despite the restructuring efforts. However with the overhanging uncertainty surrounding the pandemic, there is a necessity to continuously monitor and augment the capital adequacy, tighten the lending policy while being open to credit demand from productive and viable sectors. The health of the balance sheets is tied closely to the strength of the recovery and the continuation of RBI policy support.

The Government and the RBI announced a host of measures to soften the impact of the Covid pandemic on the economy. The Government of India's fiscal stimulus under Atmanirbhar schemes including special liquidity facility to NBFCs, Partial Credit Guarantee Scheme (PCGS) and structural reforms have provided the much needed liquidity support to the sector. Measures targeted at the Micro, Small and Medium Enterprises (MSMEs) such as credit flow of ₹4.5 Lakh Crore in the form of collateral free loans backed by 100% a government guarantee,

creation of a fund of funds worth ₹5,000 Crore for MSMEs, and provision of ₹20,000 Crore of subordinate debt for stressed MSMEs through a Credit Guarantee Fund Trust, have ensured survival funding and growth capital for the sector. Additionally, Production Linked Incentive (PLI) scheme for sectors such as electronics, textile, telecom is expected to boost private investments and drive growth.

To steer the economy through the crisis the RBI had taken a slew of calibrated measures under the Regulatory Package for COVID-19, such as enhanced MSF and reduction in CRR that helped inject liquidity into the banking system, stabilize the financial markets and repose public confidence in the challenging times. The stimulus through TLTRO, special refinance facilities of ₹50,000 Crores to NABARD, SIDBI and NHB helped them address credit demand while moratorium for interim relief of borrowers, reduced policy rates and other liquidity enhancing measures, helped ease cash flow constraints. Additional measures include immediate liquidity support for ramping up COVID-related healthcare infrastructure, an on-tap liquidity window of ₹50,000 Crore at the repo rate up to March 2022, special three-year long-term repo operations (SLTRO) of ₹10,000 Crore at repo rate for small finance banks (SFBs) to address the credit demand for sectors adversely affected during the current wave of the pandemic, and further restructuring opportunity under Resolution Framework 2.0. We believe that the measures announced will go a long way in ensuring adequate credit flow to the healthcare sector, stabilise the financial ecosystem and accelerate economic revival.

To conclude, India has largely bounced back from the turbulence of Covid 2.0 wave and we expect economic recovery to pick up pace in Q2 FY22 and reach pre-pandemic levels with revival of domestic demand and opening up of economy post localized lockdowns. We do believe that the economic impact of the second wave will not be as harsh as that of the first as markets have remained resilient, liquid and fundamentally strong with businesses and individuals now better prepared to deal with the crisis, and that the pace of the vaccination programme, continued monetary policy accommodation and support from fiscal spending will help catalyse the growth effort

OUR APPROACH TO CRISIS MANAGEMENT - COVID-19

A special committee of the Board, Business Continuity Monitoring Committee, was formed to advise, monitor and assess the social, financial, business, credit and risk impact under the current economic scenario.

Further, a Quick Response Team (QRT) was formed to monitor the situation and act as a task force as soon as the COVID-19 pandemic was reported in March 2020. The QRT played a pivotal role in ensuring a safe and secure working environment by facilitating quick decisioning and immediate implementation. The team regularly reviews the status of all COVID-infected cases of employees and their family members on a weekly basis.

It also issued guidelines to be followed at the workplace, and established the three safety mantras established Three Mantras for the workplace: Health Mantra- Wash/ Sanitise hands frequently, Safety Mantra- Maintain Social distancing and Secure Mantra- Wear the mask.

The team monitored the timings and attendance at the premises in line with the guidelines issued by the local government bodies

During the uncertain initial stage of the pandemic, UFSB provided financial support to the affected employees through grants. Around 800 employees benefited through this support. To monitor the health of employees on a daily basis, a platform, Aarogya Ujjivan, was created for employees to provide inputs towards the daily health survey, with the help which the employees with employees with existing illness were identified and advised precautionary measures. Employees were instructed to work from home (WFH) or opt for leaves based on their health conditions. 'Doctor on call', and 'Doctor on-site' facilities were provided for all employees who required consultation services. In addition, AI-based chest X-Ray analysis for COVID-19 screening was arranged at the corporate office to identify early stages of the infection along with abnormalities in the respiratory system. In order to boost immunity, homeopathic medicines were distributed to all employees. A covid task force was set up to handle the emergency requirements of our staff and their families. To spearhead the immunization program for our staff and their families, we set up vaccination camps at our head office and regional office premises and also facilitated vaccination camps in partnerships with local NGOs. We shall also reimburse the vaccination expenses for our staff as our commitment to ensuring a safe and secure work environment.

OPPORTUNITIES

In the wake of second Covid wave, the RBI announced a slew of measures to infuse liquidity in the system. A total of ₹50,000 Crore of immediate liquidity has been provided for ramping-up healthcare infrastructure and services in the country. RBI will conduct special three-year long-term repo operations (SLTRO) of ₹10,000 Crore at repo rate for the SFBs will be allowed to classify all fresh lending to the MFIs as priority sector loans. Relief to the most vulnerable category of borrowers—Individuals, small businesses and MSME borrowers— has been proposed in the form of restructuring of loans. The borrowers who have loans up to ₹25 Crore, which were classified "Standard" as on March 31, 2021 and those who have not availed will now be eligible for restructuring under Resolution Framework 2.0. With respect to individual borrowers and small businesses that have availed restructuring of their loans under Resolution Framework 1.0, lending institutions are permitted to modify such plans to the extent of increasing the period of moratorium and/or extending the residual tenor up to a total of two years. For small businesses and MSMEs restructured earlier, lending institutions are also being permitted, as a one-time measure, to review the working capital sanctioned limits based on a reassessment

of the working capital cycle and margins among other factors.

The unserved and underserved middle- and low-income families: offer a huge growth potential and represent a large addressable market, besides being the fastest-growing economically active demography in the country. With headroom for a lot of players, differentiated low-cost products and services that are tailored to customer needs and convenience have become key to leveraging the vast target market.

Our expanding branch network and Unbanked Rural Centres (URCs): We have a wide network of 575 banking outlets, including 144 outlets in Unbanked Rural Centres (URC) where the Bank is the sole provider of banking services. We are present across 24 states with a good mix of metro, urban, semi-urban and rural areas. As an aspiring mass market bank, the rural and semi-urban centres offer greater opportunity to bring large number of customers under the umbrella of our services.

New to Bank: We strive towards financial inclusion of the un-banked and the under-banked. One of the vast segments to be tapped is the youth and millennial students in universities, institutions and skill development centres, soon-to-join the workforce in the formal or semi-formal sector, and those that will start their enterprises for self-employment. Specialised products that cater to women's needs will be instrumental in leveraging this under-penetrated segment.

Our large base of customers and their families: With almost 6 million customers, we have a strong base which affords us the opportunity to deliver a comprehensive suite of financial services such as deposits, loans for various purposes, remittance, insurance, pension products. Building on more products and services to cater to the needs for our customers will help foster long-term banking relationship.

Demand for affordable housing and policy interventions: The housing sector saw a robust demand on the back of low interest rates, government policy interventions and stamp duty cuts by several states in FY 2020-21. The residential sector is expected to grow significantly with income tax relief measures announced by the government in November 2020 and creation of an affordable housing fund in the National Housing Bank (NHB) with initial corpus of ₹10,000 Crore. An additional 25 million units are required by 2030 to meet the growth in country's urban population. We offer multiple products to fulfil the home financing needs of customers under our housing loan programme and assist first-time customers in securing a subsidy under PMAY-CLSS.

MSME growth: The sector is a major contributor to the socio-economic development of the country. MSMEs are being encouraged to market their products on e-commerce platforms, especially through Government e-Marketplace (GeM), owned and run by the government,

wherefrom Ministries and Public Sector Undertakings (PSUs) source their procurement. Budget allocation for MSMEs in FY 2021-22 more than doubled to ₹15,700 Crore and the government also announced ₹4.5 Lakh Crore collateral-free automatic loans for businesses. In addition, funds worth ₹10,000 Crore were allocated by the government for Guarantee Emergency Credit Line (GECL) facility to eligible MSME borrowers, giving a major boost to the sector in the Union budget. We now have a full suite of funding products catering to all MSE segments from Informal to formal, along with an omni-channel delivery process.

Rural and agriculture: Agriculture is one of the less impacted and less restricted sectors during the pandemic. The agriculture sector in India is expected to generate better growth momentum in the next few years due to increased investment in agricultural infrastructure, such as irrigation facilities, warehousing and cold storage. In the Union budget, a 10% hike in the farm loan disbursement target and an agri-infra and development cess of up to 100 percent was announced to create a post harvest infrastructure that would boost farmers' income. With only 30% of Indian farmers having access to institutional credit, there is a huge opportunity for the bank to make inroads in the segment.

THREATS External economic shocks

The resurgence of COVID-19 pandemic in India in recent weeks and the associated containment measures adopted at local/regional levels have created new uncertainties and impacted the nascent economic revival that was taking shape. The target market of the SFBs comprising low and middle-income individuals, daily wage earners and self-employed individuals engaged in small and medium enterprises are the most vulnerable to economic shocks. Besides the pandemic, natural calamities, such as floods and cyclones, also livelihoods. Microfinance in Assam is also witnessing unrest after the MFIN bill, with borrowers anticipating loan waivers leading to a decline in collections. While the RBI has announced measures for restructuring of loans, SFBs are likely to witness the difficulties faced by their borrowers by way of increasing defaults and consequently increased credit costs. These events have also led to a disruption in the repayment discipline. The restricted mobility in most part of the country, slow vaccination rate and the threat of a third Covid wave may adversely impact the business momentum and collection rhythm along with the usual cash flows of the SFBs resulting in muted business growth and reduced bottom lines.

Reliance on physical touch points

Restricted movement and social distancing highlighted the need for a change in the business model which is highly-inclined towards physical operational processes. During the past year, we have made significant development in reducing our physical touch points and building a contactless infrastructure for disbursements, collections and transactions. Several self-service options were provided to customers for EMI repayments. Digital

solutions such as E-stamp, and E-sign of documents, ID verifications, Video KYC were enabled to minimise multiple contacts with the customers. Relentless strides in this respect were made in transitioning from physical to digital processes, sensitising our employees and customers through new-age digital solutions and adapting the self-service mode to the self-service the current assisted-service mode.

Low collection efficiencies and increasing credit costs

The microfinance crisis in 2010, demonetisation in 2016 and the recent pandemic have affected our customer segments profoundly. The income sources of our customers especially of daily wagers, informal sector workers, self-employed individuals and traders were affected, leading to higher delinquencies and, consequently, increased credit costs. Substantial efforts were made during the year to normalise collection efficiency, but with the rise of cases during second Covid wave, the instability continues for the immediate future. We plan to effectively restructure the loans of customers affected by the pandemic to give them an opportunity to bounce back.

OUR STRATEGY

The Covid-19 pandemic has ushered in a true VUCA (volatility, uncertainty, complexity and ambiguity) environment. This crisis situation is dominated by unpredictability and uncertainty about the future with complexities arising in the socio-economic and healthcare structure. Responding with agility and adaptability in decisions and actions is the need of the hour.

Diversify product offerings to enable multiple customer relationships

Offering a comprehensive suite of products and services as well as personalised customer experience continues to be a significant objective. The strong base strong base of liability customers built over the past four years and our legacy microfinance customer base. Our focus will be on creating need-based products for each of our segments. We shall expand our offerings to MSE customers by offering products for the formal segment and introducing bill discounting and non-fund based credit facilities. In housing, we intend to launch specific offerings targeted towards rural borrowers and tie-up with government bodies and focus on ready to move-in construction projects. We plan to add balance transfer, and pre-approved personal loans to our offerings. Strengthening of fintech alliances will. For institutional segments, new products such as Bank Guarantee will be launched with further enhancement of interbank and exposure limit from various mutual funds, insurance companies and various cooperative banks. On the liability front, our emphasis will be on implementing digital solutions for government and institution businesses, such as Public Funds Management System (PFMS). POS and QR led acquisition shall be a key area of focus as we expand our reach among small and medium retailers.

Focus on digital banking and analytics

The Bank has set up a dedicated Digital Banking team to enhance customer experience while maximising returns on technology investments and reducing cost of operations. The main drivers of this initiative are digital innovation, application programming interface (API) banking, fintech engagements and partnerships, robotic process automation, artificial intelligence, digital lending, payments, digital marketing and data analytics and insights. We shall drive end-to-end end-to-end process digitisation to strengthen the contactless disbursements and repayments. Data analytics will be utilised for actionable insights to make informed decisions. We will leverage our full-stack API Banking platform to partner with the fintech ecosystem for innovative products and solutions for our customers. Digital channels will be utilised for new customer acquisition and service delivery.

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

We offer best-in-class deposit rates to our customers, which will help garner a stable deposit franchise. We propose to meet a majority of our funding requirements through current account saving account (CASA) deposits as well as recurring and fixed deposits by building a sticky deposit base and attracting new customers. We shall drive the usage of our accounts by leveraging our dedicated customer service, and user-friendly apps. Our focus will be on improving the will be on improving the right sourcing mix of customer segments and product variants with nearly 50% contribution from flagship products with higher balances.

Increase customer penetration

On making available all our products across branches to deepen our customer relationship. We are also continually adding more channels to enhance our customer outreach. We will continue to develop fintech alliances, as an avenue for low cost acquisition of customers cost and providing innovative solutions to customers. Digital marketing We shall scale up our neighbourhood transaction points to seamlessly service our customers staying far away from our branches. We plan to use the right combination of physical and digital channels and partnerships to expand our reach and deliver value to our customers.

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

Committed to financial inclusion of the unserved and underserved segments and fostering financial discipline among our customers, we intend to continue training and educating our customers about the risks of over-indebtedness and multiple borrowing, and the benefits of putting their savings in a bank and availing insurance products. We shall continue to partner with the Parinaam Foundation to offer financial literacy programmes to drive financial awareness. We are also developing an artificial

intelligence platform to help our customers fulfil service requests and basic transactions in the language and channel of their choice. We shall drive adoption of digital channels among our customers to facilitate a low cost, convenient, safe, and seamless transaction experience for the customers.

Diversify revenue streams and control costs

With the business momentum subdued due to the on-going pandemic, our focus is on supplementing the revenue stream through fee and non-fund based revenues. We shall leverage our Banking Outlet network, digital

channels, diversified product and service portfolio and our large customer base to develop our fee and commission-based business. Our treasury team effectively trades and manages our funds by capitalising on the opportunities presented by the market. New products for institutional clients will also add to the fee incomes. RBI relief measures have classified lending by SFBs to MFIs as priority sector lending. This will help build priority sector advances in surplus of the targets mandated by the RBI, and trading of priority sector lending certificates will continue to be an important source of fee income.

AT A GLANCE: MARCH 31, 2021



Banking Outlets & ATM

- 575 BOs, of that 144 URCs (25% complied)
- 491 ATMs including 53 ACRs



Loan Portfolio

- OSP* at ₹15,140 Cr (₹14,153 Cr in March 2020), 7% growth
- Non-MF book at 28% (23% in March 2020)



Deposit Balance

- Deposit ₹13,136 Cr (₹10,780 Cr in March 2020), 22% growth
- Retail: 48% (44% in March 2020)
- CASA: 20.5% (13.5% in March)



Customers

- 59.2 Lakhs Unique Active Customers (52.5 Lakhs in March 2020)
- 55.9 Lakhs Active Liability Customers (42.1 Lakhs in March 2020)



Portfolio Quality

- GNPA at 7.1% (1% in March 2020)
- NNPA at 2.9% (0.2% in March 2020)



Employee

- 16,571 employees (17,841 in March 2020)
- Book (Adv. & Dep.) per employee – ₹1.7Cr (₹1.4Cr in March 2020)



Profitability

- PAT – ₹8 Cr (₹350 Cr in FY20)
- PPOP ROA – 4.2% (4.0% in FY20)
- ROE – 0.3% (13.9% in FY20)



Capital & Funding

- Cost of Funds- 7.2% (8.2% in FY20)
- CRAR – 26% (29% in March 2020)

*Net Advances at ₹14,494 Crore as on March 31, 2021 (₹14,044 Crore on March 31, 2020)

BO – Branch Offices

URC – Unbanked Rural Centres

OSP – Outstanding Principal

CASA – Current Accounts and Savings Bank Accounts

GNPA – Gross Non-Performing Assets

NNPA – Net Non-Performing Assets

PAT – Profit After Tax

ROA – Return on Average Assets

ROE – Return on Average Equity

CD – Certificate of Deposit

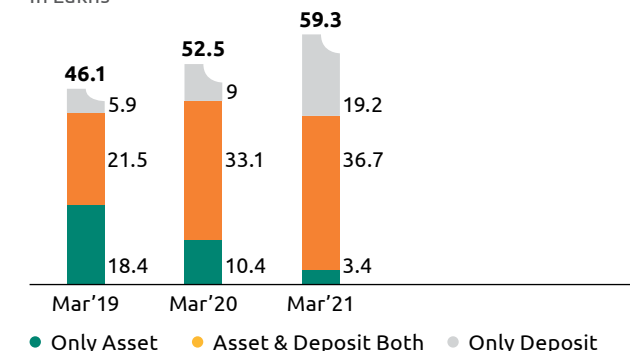
CRAR – Capital to Risk Weighted Assets Ratio

CUSTOMER GROWTH

As on March 31, 2021, 94% of the customers either had a savings bank account or a current account with the Bank, as against 80% in March 2020. This expansion in customer base was driven by large-scale new customer acquisition across deposit products as our liability base increased. Our unique customer base grew by 13% over the previous year by the end of FY 2020-21.

Active Customer Base

In Lakhs



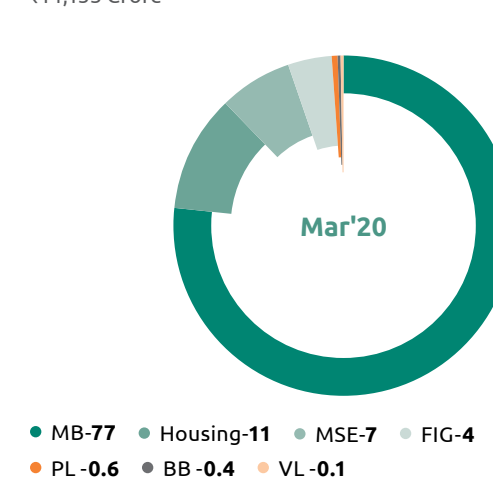
SEGMENT-WISE PERFORMANCE

Assets Business

FY 2020-21 witnessed a growth of 7% in the asset book, after a rough start due to the nationwide lockdown and economic headwinds in the wake of the Covid pandemic. Our non-Microfinance portfolio comprises 28% of the overall asset book with steady growth in Affordable Housing and Micro and Small enterprises segment along with the recently introduced Personal and Vehicle loans.

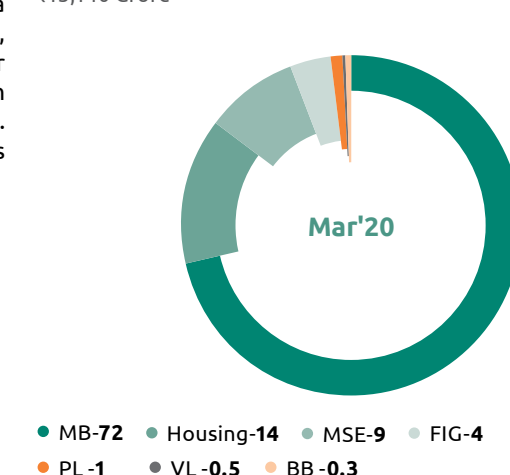
Total Book (%)

₹14,153 Crore



Total Book (%)

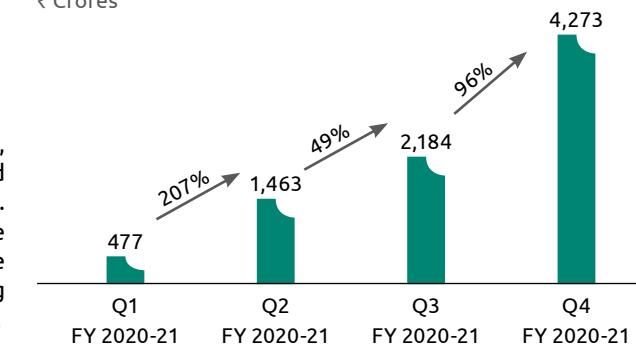
₹15,140 Crore



QUARTER-WISE BUSINESS

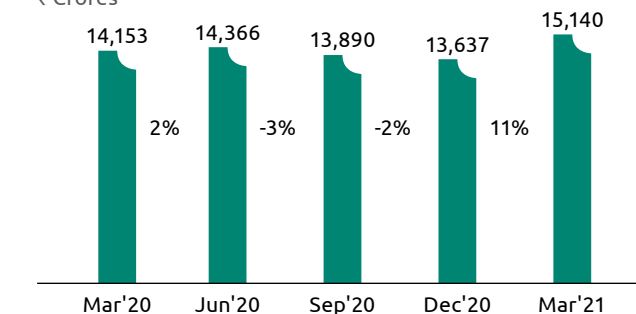
Disbursement Growth

₹ Crores



OSP Growth

₹ Crores



Our customer segment was adversely affected by the double blow dealt by the economic slowdown and weak demand on account of the lockdown, and the natural calamities- Amphan cyclone and Assam floods. Business was muted in the first quarter of the financial year due to the nationwide lockdown, gradually picking up in the second quarter as phase wise unlocking began. At this time, we focussed on collections and adopted a cautious approach towards the segments and geographies we lend to. Business generation was primarily owed to repeat loans and top-up loans to existing customers. Loans were disbursed to customers engaged in essential occupations and those involved in agriculture. We shifted from our high contact method of collection to digital modes. We tied

up with partners to offer 9000+ transaction or payment points for EMI repayments, as an alternative for centre meeting transactions. We digitised our backend processes to build an infrastructure for contactless disbursement. Business gained traction in Q3 FY21 and disbursement volumes reached pre-Covid levels by December, on the back of increased demand during festivals, declining Covid cases after first wave and development of the vaccine. We were able to end the financial year on a high note, closing at 7% y-o-y growth in our assets under management (AUM). Our Micro Banking book, saw a slight decrease of 0.6%. The Bank witnessed a modest y-o-y growth in Housing (35%) and MSE (31%) and FIG (Institutional) lending (18%). The new businesses of Personal Loan and Vehicle loan, gradually scaled up in the year and now constitute 1.4% of the Bank's portfolio compared to 0.64% a year ago.

MICRO BANKING

Micro-banking currently serves over 4 million unserved and underserved households. The vertical primarily focused on managing the impact of Covid-19 pandemic with a special emphasis on collections. We followed responsible collection practices to improve repayment and provided support to the customers by offering moratorium on repayments and restructuring of the loan. We extended many services digitally and extensively promoted services such as SMS banking, Mobile banking, Phone banking, UPI and digital repayment modes so that customers receive uninterrupted banking services. We continued our efforts towards "Sampoorna Family banking" by offering a holistic suite of products and services such as group loans, products, such as group loans, individual loans, savings/deposit products, two-wheeler loans, insurance, payment solutions, remittances and others. We expanded our product basket during the year and launched Gold loan, we launched Gold Loan, PM SVANIDHI loan and alternate service channels such as Money Mitra points for Proximity banking services. We also partnered with Airtel Payment bank outlets and PayNearby for repayments. In the coming year, the emphasis will be on normalizing collections to pre-Covid levels to pre-Covid levels and scale up the new products and digital initiatives. We plan to launch segment-specific new mobile application based on Voice, Video and Vernacular to boost usage of mobile banking among customers. Expansion of UPI QR based payment solutions for merchants via UPI Acquirer platform and USFB's own UPI PSP Mobile app will also contribute to enhancing digital channels of transactions.

RURAL BANKING:

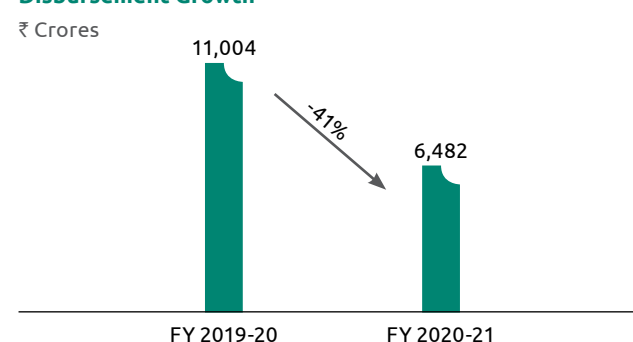
Kisan Pragati Card product which was launched towards the end of FY 2019-20 has started gaining momentum with promising results. We strive to reach out to small and marginal farmers through our farmers club and offer a wide range of products to fulfil their requirements. Technological enhancements remain an area of focus with development of loan origination system for agricultural group loans and implementation of KYC validation tools.

DIGITAL INITIATIVES

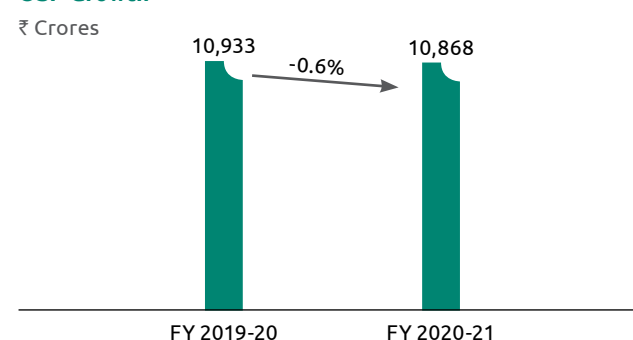
To ease the repayment process in times when social distancing was of utmost importance, we launched various modes of cashless EMI payment. We partnered with Airtel Payments Bank and PayNearby and rolled out 9000+ outlets/touch points for repayment in the proximity of customer location as an alternative to centre meeting collections, and introduced API-based digital repayment via Bharat Bill Payment System. 18% of the collections were routed through cashless modes in FY 2020-21. Additional avenues were introduced for our employees to deposit the collections at the nearest point to avoid any unnecessary travel. Overall, 37% of the collection was routed through routed through non-branch channels in FY 2020-21. Digital penetration increased in the year with 5.5 Lakh Micro Banking customers registered on Mobile Banking and UPI platform. UPI QR is showing steady adoption, and growing month on month. We launched Money Mitra to provide neighbourhood banking services to customers staying far from the branch. In Q4, the network reached 165+ agents serving 1 Lakh+ customers across country.

KEY STATISTICS: IT IS MICRO BANKING AND RURAL BANKING

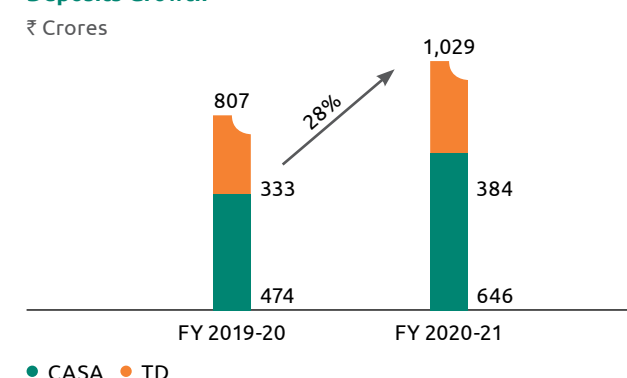
Disbursement Growth



OSP Growth



Deposits Growth



HOUSING

Affordable housing loan products are targeted at the unserved and underserved aspiring middle-class population looking to buy/construct their homes. A majority of them are first time home buyers, availing benefits of PMAY CLSS scheme. We have facilitated 2,100+ customers in securing a subsidy under PMAY-CLSS till date.

Affordable housing business was able to grow the book by 35% y-o-y, disbursing ₹666 Cr of home loans during the year, with total number of customers crossing 24,000. The portfolio quality witnessed some stress with an increased GNPA at 3.6% in March 2021 as against 0.8% in March 2020.

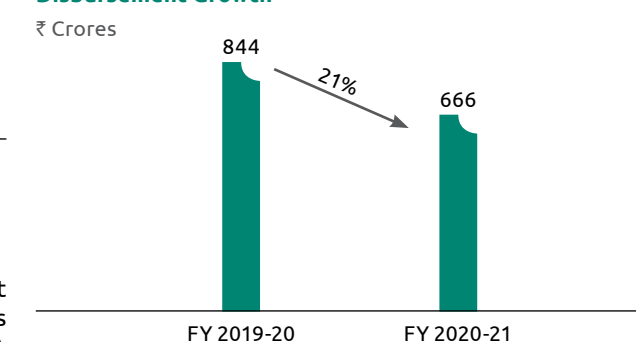
During the national lockdown, the downtime was utilised in focussing on employee learning and development through digital trainings. We took the opportunity to revisit, re-align and optimise processes for better customer and employee experience. We worked hard towards maintaining the portfolio, ensuring timely restructuring of accounts reflecting our commitment to the customer-first approach.

We launched a digital customer on-boarding platform in Q4 FY21, to reduce end-to-end turnaround time, enhance customer experience and also increase our productivity. It will be a instrumental in adjusting to the new normal. In FY 2021-22, the business shall largely remain retail with deeper penetration in Tier 2 and 3 markets. Affordable housing business aims to establish its presence across more than 75% of the Bank's branch network with a strong focus on leveraging existing customer base through the use of in-house digital and analytics tools. We shall be launching specific offerings targeted towards rural borrowers in select markets starting with South India. Tie-ups with government bodies and focus on ready to move-in builder projects will be the growth engines due to fuelled up the demand for ready-to-move-in properties within and in the outskirts of major cities. Reverse migration will also result in increased demands in Tier 3 and 4 markets in the time to come. We will cater to a mix of semi-formal and informal customers especially salaried people and

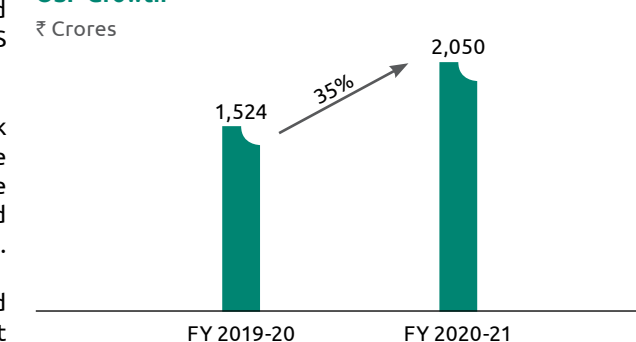
salaried people and those in small businesses buying their first house. FY 2021-22 will be about portfolio growth, a reduction of GNPA, and maximum use of digital workflow.

KEY STATISTICS: HOUSING LOAN

Disbursement Growth



OSP Growth



MSE

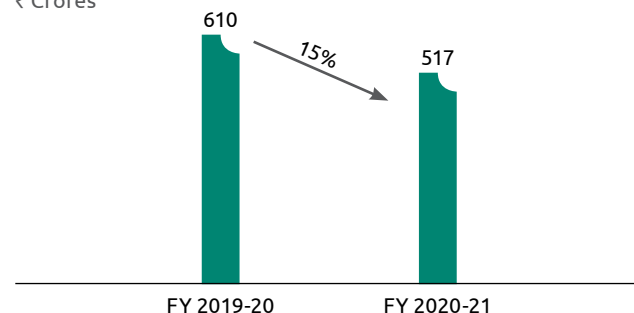
The MSME segment is an essential driver for the Indian Economy as it promotes entrepreneurship and develops employment. The sector faced a major setback in FY 2020-21 with the onset of the pandemic in March 2020. The priority during this year was to responsibly connect with customers and provide all the necessary support, which has helped us enhance our product portfolio and streamline our processes through digitisation of activities. Through our first fintech partnership, we ventured into the area of Supply Chain Finance. In our pursuit of having a relationship-based approach with our customers, we launched new products such as Navnirman Loans (ECLGS Scheme) and Loan Against Rent Receivables (LARR), a product designed for landlords.

The MSE loan portfolio grew to ₹1,286 Cr as of March 2021 from ₹980 Cr in March 2020 (31% growth y-o-y) and a total disbursement of ₹517 Cr was made during the year.

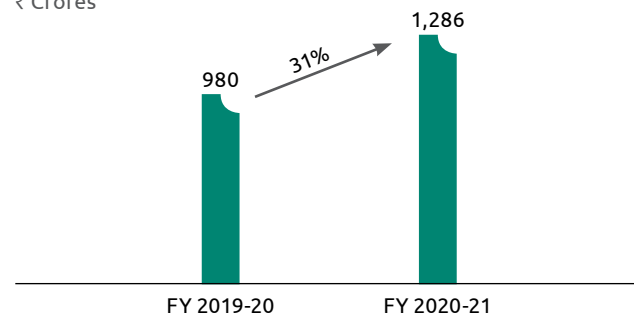
In FY 2021-22, we aim to introduce several new credit lines and focus on the formal segment with enhanced credit limit to meet the working capital requirement in the MSME sector.

KEY STATISTICS: MSE**Disbursement Growth**

₹ Crores

**OSP Growth**

₹ Crores

**PERSONAL LOAN**

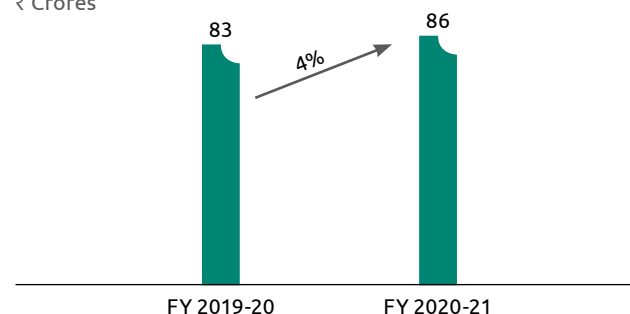
The consumer lending sector was hit by the pandemic at the beginning of the year with people deferring non-essential expenses. It was an opportunity to pause and revamp our strategy to better suit the new normal. Beginning with expansion in terms of physical presence, we went live across all 568 branches. This was the third product of the bank that successfully became available “everywhere”. Sailing with the wave of contactless and safe banking, we made a complete shift from “phygital to digital” ensuring that our product was easily available to the target segment spread across the country. The business was relaunched in Q2, with a revamped, competitive product with enhanced features supported, targeting a new customer segment enhanced features supported by strong processes and credit policies. During FY 2020-21 the vertical disbursed ₹86 Crore and the portfolio crossed ₹100 Crore. The effort of the feet on street sales team was supported with leads through digital marketing, analytics and optimization of search engines. With nil to minimal touch points in the entire application to disbursement journey, we were able to reduce the turn-around-time and serve our customers better. Personal Loan for self-employed professionals was launched during the year. The first of many fintech partnerships also went live. Alliance with NIRA which caters to short term personal loans demand opened up a new avenue to serve the underserved customer in a digital manner.

Going forward, we seek to strengthen our fintech alliances and integrate best-in-class services in the industry by utilising our own API banking platform. The API banking platform will integrate processes and systems faster and

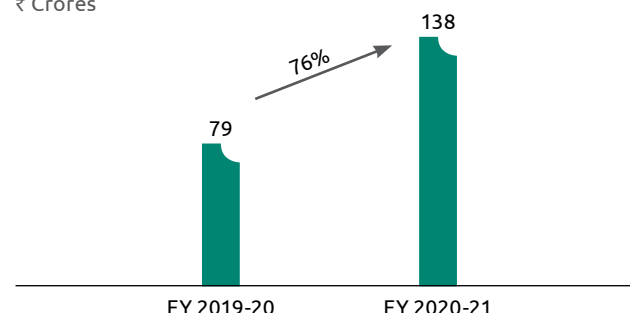
make the system integration seamless, paving the way for us to foray into instant credit decision loan disbursements. We also look forward to launching pre-approved personal loan, balance transfer and overdraft facility to create a diverse product offering.

KEY STATISTICS: PERSONAL LOAN**Disbursement Growth**

₹ Crores

**OSP Growth**

₹ Crores

**INSTITUTIONAL LENDING**

The Financial Institutions Lending Group of the Bank caters to the Microfinance Institutions, Non-Banking Financial Company (NBFCs) and Housing Finance Companies (HFCs) within acceptable credit parameters. The Bank has grown its Institutional Lending book in a controlled manner considering overall business environment and disbursed ₹467 Crore during the year and closed with the book at ₹648 Crore (18% y-o-y growth). The book is spread across diverse sectors and 37 distinct clients. The Bank monitors its exposures on regular basis and has nil NPA. Alternative funding sources such as refinance and lines of credit from banks for contingencies were also explored during the year. Call Money Transactions, G Sec transactions, in coordination with Treasury team, were also initiated with Co-operative Banks to boost fee income.

VEHICLE LOAN

The major focus of the Vehicle Finance vertical for FY 2020-21 was to create a solid base for rapid business growth in the upcoming years. We have disbursed a total of 8,562 loans this year amounting to ₹67 Crores. Our portfolio as of March end stood at ₹73 Crores. We have largely established ourselves in the two-wheeler and the three-wheeler segment. Since the market for commercial cargo vehicles spurred during the pandemic, we identified the opportunity to launch Mini and Micro Commercial

Cargo Vehicle loans. We diversified our sourcing channel mix by building internal and external pipelines and partnering with digital aggregators and signing MoUs with manufacturers that have an existing strong base. This helped deepen our customer reach and penetration. We are also focussing on supporting the front-end sales team by acquiring leads through digital marketing. Our major focus will continue on the mass market, serving the livelihood needs of the segment.

DEPOSIT GROWTH

During FY 2020-21, our deposit book recorded 22% y-o-y growth driven by largely by new customer acquisitions. CASA grew by 85% y-o-y, closing at 21% of the total deposit book as of March 31, 2021 against 14% in March 2020. The bank initiated several engagement activities with active customers to drive the usage of the accounts and increase transactions, resulting in an increase in average balances. We launched several segment-focused products and services to facilitate new account acquisitions.

Retail Deposits

Our Retail deposits recorded a significant growth during the year, closing at constituting 48% of the total deposit as of March 31, 2021. The branch banking and Micro Banking teams were supported by the MSE and Housing finance teams to drive growth in retail deposits. Through several customer engagement initiatives to promote adoption of digital channels and drive usage of accounts and diversified products, we witnessed good traction in our retail deposit business.

Branch Banking Unit

The Branch Banking unit predominantly focused on enhancing customer convenience through dedicated products and service offering to its various customer segments – senior citizens, youth and students, salaried individuals, retailers, enterprises and TASCs (Trusts, Associations, Societies, Corporates). The unit expanded its suite of offerings by introducing “Garima Savings Account” catering to the financial needs of women. Garima Savings Account offers a higher cash deposit limit and free unlimited withdrawal at any USFB branch with no additional charges for non-home branch transactions. Customers also enjoy unlimited free NEFT and RTGS transactions through internet banking and mobile banking. The account comes with a specially designed personalised Rupay Debit Card along with several linked multiple benefits and cheque book. Some other benefits include purchase protection, one-call card blocking along with offers on bill payments, entertainment and lifestyle. The Bank strives to create a well-diversified customer base through focus on right sourcing mix of various customer segments and product categories. Our products cater to a wide range of customers ranging from new bank customers looking for basic banking services to customers seeking upgraded banking services and features.

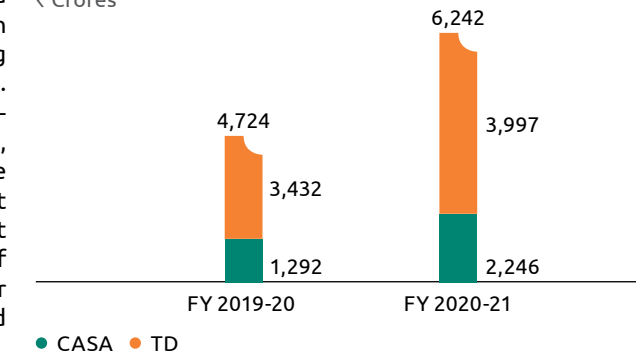
The unit also entered into a strategic alliance with nStore technologies to offer payment and digitisation solutions to retailers. We are relentlessly focused on nurturing existing relationships, increasing customer engagements and driving active use of the account. We encourage the use of our multilingual, convenient alternate channels comprising Mobile Banking, Internet Banking, Business Net Banking, Debit Cards and POS Terminals. We have also obtained the UPI acquirer license and launched a complete UPI kit for merchants across few branches and plan to scale up the same upcoming financial year. The unit collaborated with MSE, Housing, PL, VL, TASC and FIG verticals, leveraging the synergies and delivering a comprehensive range of products and services.

Going forward, the emphasis is on improving the right sourcing mix of customer segments and product variants with nearly 50% contribution from our flagship products. We plan to add new products and services cater to the need of our targeted customer segments. POS and QR led acquisition shall be a key area of focus as we plan to increase our reach among small and medium size retailers. Given the large unexplored potential of the NRI segment, we plan to channelise the branch resources to acquire more NRI relationship through non face-to-face offerings, which will help eliminate the geographical restriction and improve customer experience.

Our emphasis will be on implementing digitally enabled banking solutions for government and institution businesses such as Public Funds Management System (PFMS) for payment and collection of funds, Payment Gateway facility to government and TASC customers and Customized POS and QR offering to TASC segment. Over the last four years of our banking operations, we have created a large and diversified customer base and we see a huge opportunity in terms of enhancing their wallet share by cross selling, offering upgrade and engaging with them through various digital channels. Entering our fifth year of operations, our emphasis will be on engaging with the entire customer base and offering a complete suite of banking solutions.

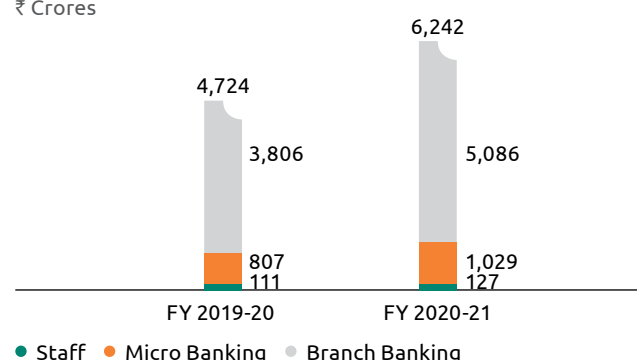
KEY STATISTICS: RETAIL DEPOSITS (₹CRORE)**Retail Deposit by Product**

₹ Crores



Retail Deposit by Segment

₹ Crores

**Institutional deposits**

Our Institutional business constituting of deposits from Financial Institutions, along with Trusts, Associations, Societies and Corporates (TASC), continued to grow during the year recording 21% growth y-o-y, complementing the growth in the retail deposits and fulfilling the liquidity requirements of the Bank.

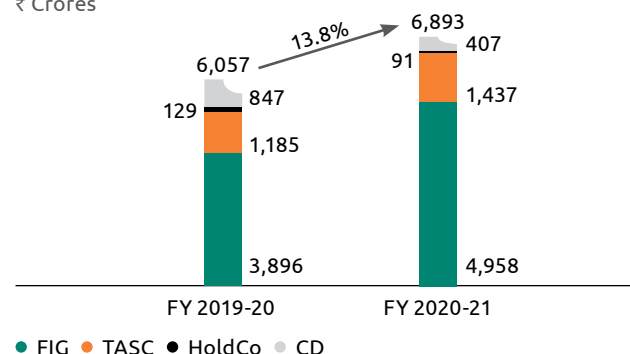
The Financial Institutions Deposits unit of the Bank mobilises Certificate of Deposits, Fixed Deposits, Current Accounts and Term Money from various banks and financial institutional clients. It acts as an interface with all banks and mutual funds and arranges exposure limits, including lines of credit. The unit sourced 54 new financial institutions during the year. Besides mobilising deposits, the unit also manages Inter-bank limits and Lines of Credit from various banks and works with refinance institutions such as National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), Micro Units Development and Refinance Agency Bank (MUDRA) and National Housing Bank (NHB) to make alternative funding options available as back up.

During FY 2020-21, the unit initiated current account relationships with various NBFCs/MFIs and Co-operative Banks. It diversified the liabilities portfolio across geographies and different client segments, reducing concentration risks substantially. During the pandemic, alternative funding sources such as refinance and lines of credit from banks for contingencies were developed. In FY 2021-22, the Bank intends to consistently focus on building current account (CA) balances from FIG segment clients. It seeks to expand the asset base by fostering new relationships and enriching current relationships. The new product initiatives will also attract CA floats and fee income from FIG clients.

In addition, the focus will be on fee-based income with new products such as Bank Guarantee business and further enhancing interbank and exposure limits from mutual funds, insurance companies and cooperative banks.

KEY STATISTICS: INSTITUTIONAL DEPOSITS**Deposits Growth**

₹ Crores

**INSURANCE**

We offer our borrowers, co-borrowers and their spouses, the option of enrolling under the group insurance scheme run by our insurance partners. Our insurance offerings are targeted at providing financial support to the family of the customer and eliminating the burden of repayment of outstanding loan in case of the unfortunate demise of the loan-bearer. There is a huge unmet demand for insurance products among our customers. We have entered into corporate agency arrangement with Bajaj Allianz Life Insurance Co. Ltd., HDFC Life Insurance Co. Ltd. and Aditya Birla Sun Life Insurance Co. Ltd. to provide life insurance solutions to our customers. Similar arrangements have been made with Bajaj Allianz General Insurance Co. Ltd. and ICICI Lombard General Insurance Co. Ltd. for general insurance. During the year, we introduced new health insurance offerings for identified customer segments, scaled up employee IRDA certification efforts, improved our internal processes to remove various operational bottlenecks, adopted several digital initiatives for customer onboarding and servicing and focused on quality customer acquisition across business verticals. We launched digitally enabled IRDA certification process for all employees, launched a new health insurance product proposition through end-to-end digital onboarding and fulfilment, and a new life insurance savings product from Aditya Birla Sun Life Insurance for micro and rural banking customers.

FINANCIAL AND OPERATIONAL PERFORMANCE

The financial year ended March 31, 2021, saw the Bank navigating through a difficult phase of the Covid-19 pandemic. After a slowdown in businesses in the first half due to the nation-wide lockdowns and restrictions, volumes consistently increased reaching pre-COVID levels by Q3 as the economy opened up gradually and demand stabilised. The Bank ramped up its businesses in Q4 with record volumes across its verticals and ended the year on a healthy note. We absorbed the losses incurred in Q3 on account of the prudential provisioning and broke even with minimal profits for the year, in line with our expectations. Our post-tax profits stood at ₹8 Crore, as against ₹350 Crore in the previous year while pre-provisioning operating stood at ₹809 Crore against ₹637 Crore in the previous year.

Overall, the total income grew by a modest 3% over the last financial year on the back of a minimal loan book growth of 7%. Interest income on advances amounted to ₹2,600 Crore, constituting 83% of our total revenue. Income on Statutory and other investments amounted to ₹206 Crore, growing by 40% during the year, on account of the higher deposit base and higher SLR maintained for sufficient liquidity buffer. It constituted 7% of the total income.

Fee and other income comprising processing fee, profit on sale of Priority Sector Lending Certificates (PSLC), commission income on distribution of third-party products, interest or gain on investments and other miscellaneous income saw a de-growth of 4% over the last financial year, and constituted 10% of the total income against 11% in the previous year. We earned ₹58 Crore from sale of PSLC during the financial year against ₹45 Crore in the previous year. FY 2020-21 saw the Bank commencing active trading operations. Income from trading operations grew to ₹56 Crore (constituting 2% of total income and 18% of other income) especially on account of gains worth ₹49 Crore realized from OMO against ₹6 Crore in the previous year.

Commission income on distribution of third-party products held steady at ₹20 Crore as the increasing distribution of retail insurance by cross-selling across businesses and activation of the distribution channel across the larger network was offset by lower credit life commission due to reduced disbursement volumes. Miscellaneous income comprising annual card maintenance fee income, income from banking operations, foreclosure and late payment charges and profit on sale of investments amounted to ₹62 Crore, constituting 20% of fee and other income, and 2% of total income. Card maintenance fee grew to ₹20 Crore against ₹16 Crore in the previous year, especially on account of better balance maintenance in the accounts. Income from banking operations grew to ₹34 Crore, against ₹27 Crore in the previous financial year, on account of increased digital transactions reflecting greater usage of the accounts. Recoveries from past write-offs amounted to ₹9 Crore against ₹31 Crore in the previous financial year.

Our asset yields dipped to 18.5% for FY 2020-21 against 20.1% in the previous year on account of de-recognition of ₹75 Crore of interest income post Supreme Court ruling withdrawing NPA standstill; no interest income on ₹575 Crore of moratorium interest capitalisation in MicroBanking book low yielding Navnirman book of ₹57 Crore in addition to rate transmission for select segment of customers for better portfolio quality especially in MSE (higher ticket and formal segments), personal loans (premium segments) and FIG loans (better-rated entities). On the borrowings side, the scale-up of our retail deposit franchise, growth of CASA coupled with rates cuts across deposit products, repayment of high-cost refinance and funding at concessional rates availed from SIDBI and NHB helped reduce the cost of funds to 7.2% from 8.2% in the previous year. Finance Cost increased by a meagre 1% over the previous year on account of positive rate variance of ₹162 Crore net of negative volume variance of ₹170 Crore

on account of 16% increase in average liabilities especially deposits.

Our NIM stood at 9.5% against 10.8% in the previous year, declining largely on account of dip in yields and high liquidity buffer maintained for the unforeseen contingencies of the COVID-19 pandemic. The negative carry of liquidity buffer reduced from 3.7% in June 2020 to 2.4% in March 2021 on account of optimal fund management.

Our total operating costs reduced by 7% from that in FY2019-20 on account of a major cost rationalisation drive including renegotiation of rentals and contractual expenses that helped save ~ ₹14 Crore. We optimised the deployment of security guards, reduced outsourced manpower and vacated excess space, which helped save ₹12 Crore. We reviewed and re-engineered our backend processes and spearheaded digital initiatives such as RPA for routine backend reconciliations, contactless lending, digital deposits, digital collections, partnerships with a number of fintech partners for lending and back-end processes. Personnel costs largely stayed stable with only a 4% increase over the previous financial year due to the implementation of a hiring freeze and deployment of internal resources for vacancies, digital trainings and reversal of excess provision no longer required for retirement benefits. Other operating costs comprising occupancy, technology and connectivity, traveling and conveyance, cash handling and management, marketing, direct business-related and other expenses reduced by 20% the previous year on account of lower disbursement volumes, cost savings and the rationalisation exercise. Approximately 49% of reduction in other opex can be attributed to the savings from rent equalisation reserve due to revised terms across 326 lease agreements, resulting in the reversal of ₹20 Cr net of expense in FY 2020-21. Our Cost to Income ratio dipped significantly to 60.3% from 67.4% in FY 2019-20 due to various cost rationalisation and optimisation initiatives.

Our Credit expenses for the year increased to ₹799 Crore against ₹171 Crore in the previous year. The Bank made an incremental provision of ₹17 Crore on standard assets and ₹536 Crore on NPA in addition to prudential provisioning to the tune of ₹172 Crore and write-offs worth ₹74 Crore. The Bank has maintained a conservative provisioning norm, in excess to that mandated by RBI, and made incremental prudential provisions to ensure a higher PCR and coverage of net assets. Provisioning coverage stood at 6.3% on the gross advances as on March 31, 2021 against 1.6% in March 2020. Total cumulative provision on portfolio stood at ₹955 Crore as on March 31, 2021, consisting of ₹137 Crore on standard assets and ₹646 Crore on NPA and additional prudential provisioning of ₹172 Crore. The Provision Coverage Ratio (PCR) for the Bank stood at 60% at the end of the year, while Net NPA (NNPA) stood at 2.9% against 80% and 0.20%, respectively, in March 2020.

The Bank's Return on Asset (RoA) on Pre-provision operating profit stood at 4.2% against 4.0% in the previous year with Return on Equity (RoE) at 0.3% against 13.9% for FY 2019-20.

INCOME STATEMENT

Particulars	FY21	FY20	Y-o-Y Growth
Interest Earned	2,806	2,704	4%
Other Income	311	322	(4%)
Total Income	3,117	3,026	3%
Interest Expended	1,078	1,070	1%
Personnel Cost	749	718	4%
Other Operating Cost	481	600	(20%)
Total Cost	2,308	2,389	(3%)
Pre Provision Operating Profit	809	637	27%
Credit Cost	799	171	367%
Profit/(Loss) Before Tax	10	466	(98%)
Net Tax	2	116	(98%)
Profit After Tax	8	350	(98%)

Key Ratios	FY 2019-20	FY 2020-21
Fee Income to Total Revenue	10.6%	10.0%
Yield	20.1%	18.5%
Cost of Funds	8.2%	7.2%
NIM	10.8%	9.5%
PPOP ROA	4.0%	4.2%
ROE	13.9%	0.3%
Cost to Income	67.4%	60.3%
CRAR	28.8%	26.4%

As on March 31, 2021, our balance sheet size stood at ₹ 20,380 Crore, an increase of 11% over ₹18,411 Crore at the end of March 31, 2020. The Bank's net worth increased from ₹3,187 Crore as on March 31, 2020 to ₹3,219 Crore as on March 31, 2021. Capital to Risk Weighted Asset Ratio (CRAR) stood comfortable at 26.4% as of March 2021 against 28.8% as of March 2020.

Our gross loan book closed at ₹15,140 Crore, registering a 7% growth over the preceding year, while our deposit base closed at ₹13,136, growing 22% y-o-y, largely driven by a healthy growth in retail deposits, which grew 32% y-o-y, constituting 48% of total deposits in March 2021 from 44% at the end of March 2020, with good traction in CASA. The Bank's CASA balances (as a % of total deposits) increased from 14% to 21% in the financial year.

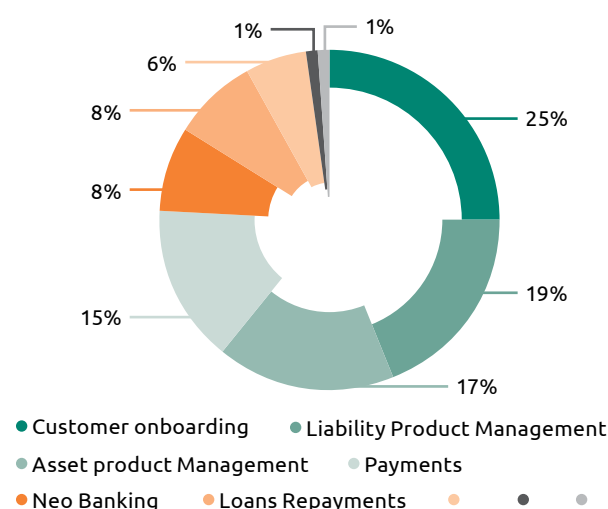
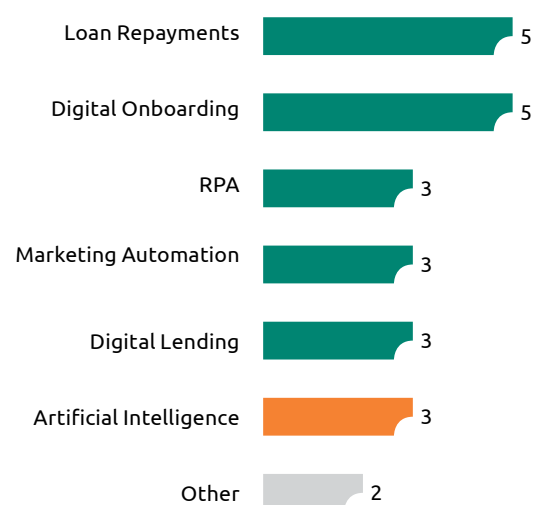
DIGITAL INITIATIVES

This year, we laid the foundation of our digital roadmap and the Bank achieved success in the following areas:

API BANKING AND FINTECH ECOSYSTEM ENGAGEMENT

As an emerging bank, USFB understands the importance of partnerships within the innovative and evolving Indian fintech and start-up ecosystem. With the idea of forging strong relationships as well as providing the partners with the right API infrastructure and a 'single window clearance' like experience, the Bank has developed 159 banking APIs ready for consumption. The Bank's APIs are built over a robust API Gateway Platform powered by IBM. With practically the our entire offerings structure available as APIs, we are now among those select universal banks which provide API Banking. During the year, the Bank implemented 6 API banking initiatives in the areas

of Digital Lending and Loan Repayments. The bank already has healthy partnerships with 24 fintechs across areas such as like Loan Repayments, Digital Onboarding, Robotic Process Automation, Marketing Automation, Digital Lending and Artificial Intelligence.

Ujjivan Bank's Range of 159 APIs (%)**24 Fintech Engagements in FY2020-21****BUILDING A DIGITAL COLLECTIONS INFRASTRUCTURE FOR LOAN REPAYMENTS**

The year began with uncertainties as Covid-19 posed a major challenge to all individuals. To ensure the safety of our employees as well as our customers, we provided various loan repayment channels to customers. There were customers who wanted to repay in cash; however, travelling was not advisable and then, there were customers who preferred the self-mode option. For the former set of customers, loan repayment touch points were scaled up. We partnered with Airtel Payments Bank as well as PayNearby increasing our collection touch points to over 1 Million. These partnerships created collection points within a 500m radius of the customer's residence enabling repayment through local stores or mobile

recharge outlets. The EMI paid would immediately get credited to the customer loan account. For the self-service customer, the Bank onboarded itself to on the Bharat Bill Payment System (BBPS) enabling its customers to re-pay their loan EMIS from the convenience of their homes. By March 2021, repayments through this method overtook the repayments via various collection points. At the peak of Covid-19, we recorded 40% repayments through digital means. Even after stabilisation, In Q4 FY21 repayments were done on digital platforms including Fintech Tie-ups which we have built over the last year.

DIGITISATION OF THE ONBOARDING PROCESS AND INTERNAL PROCESS AUTOMATION

The Bank was one of the pioneers in offering an end-to-end digital savings account and a digital fixed deposit account journey. On the asset side, onboarding process was partially or completely manual, which significantly impacted application to disbursement Turnaround Time (TAT). We implemented a series of disbursement enablers such as digitised id verification, automated bank statement analysis, e-sign of loan agreements and e-mandate collection that significantly improved our TAT by 70% to 90% in some cases, enabling us to process 75% to 85% more such documents within the same time. We initiated the Video KYC platform for personal discussions conducted before loan disbursements. We also converted the end-to-end onboarding journeys for Affordable Housing Loans, MSE Loans, Vehicle Loans and Personal Loans to complete digital journeys through in-house development as well as fintech partnerships. An extensive roadmap for process automation has been created to reduce manual dependencies, improve TAT and reduce error rates. While we automated 8 processes and enhanced 3 processes this year, plans are underway for automation of 100+ processes by the next year, which will lead to significant cost savings.

KEY DIGITAL INITIATIVES AND FUTURE INVESTMENTS.

As a mass market bank, new-age technologies play an important role in providing high-service standards at a large scale and facilitating better management of customer relationships. The Bank has invested in an Artificial Intelligence platform which will help us digitise our phone banking responses as well as enable customers to fulfil service requests and basic transactions in the language and channel of their choice. The Bank also invested in a Marketing Automation Tool through which we will integrate all digital and physical touch points to provide contextual and real-time communication, advice and offers. We are already using this tool to enhance the Customer Life Time Value (CLTV); thus, further strengthening our relationship with customers.

FUTURE OUTLOOK

We have started the journey towards leveraging the power of digital technology in banking. With the right investments in software platforms and services, it is time for us to maximise the utilisation of these investments. In the next year, we aim to further our end-to-end process digitisation efforts and use the power of digital channels

for customer acquisition and service delivery. Our focus for the next year will be on enhancing our payments and e-commerce presence and leveraging the power of data analytics for actionable insights. This will be effective in data driven decision-making as we continue to leverage our full-stack API Banking platform to partner with the fintech ecosystem and develop innovative products and solutions for our customers.

CHANNELS

The Bank offers a wide range of options to customers for 24/7 access to banking services. When the brick-and-mortar branches were closed due to the lockdown, alternative channels empowered customers to fulfil their banking requirements in a contactless manner. Digital channels led from the front enabling customers to transact from home stay connected with the Bank and addressed their queries during the period of uncertainty. ATMs ensured cash availability throughout the year. The digital channels helped customers receive seamless service during the pandemic. receive seamless services during the pandemic. The pandemic also acted as a catalyst in the customer's digital transformation.

To establish new banking relationships and grow existing relationships, multiple initiatives were undertaken. "Digital Savings Account and Fixed Deposits" was introduced with an entirely an entirely contactless and digital process of opening savings account or fixed deposit with the bank. Other initiatives included a mass education drive for customers to drive the adoption of safer practices of safer practices of digital and contactless payments. To empower small merchants, UPI QR program was piloted with 193 small merchants (P2M). In FY 2020-21, 57% of our customer transactions were done digitally. This was achieved with a 3X growth in transactions from Q4 FY20 to Q4 FY21. Additional features such as card toggle, positive pay system for cheque, statement download options, single fund transfer screen and push notifications for applications were established as new benefits in our Mobile Banking Application, making the app even more user-friendly and engaging.

The Phone Banking unit of the bank focused on catering to the customers' banking needs, answering more than 10 Lakh contacts during the pandemic. During the lockdown, the Bank reached out to over 30,000 customers through Phone Banking. The Bank shared valuable information with customers about dealing with the pandemic and encouraging them to follow safety measures as per government protocols. We disbursed 2,234 group loans during this period as part of loan-on-phone program, providing loans to customers to customers in need. Banking was made more secure and convenient by providing customers with options to Hotlist cards, enable and disable Payment Portals, freezing and un-freezing of accounts over a call with a simple phone contact.

With state-of-the-art ATMs (438 ATMs and 53 ACRs), we delivered services to customers with an uptime of ~98%, providing service to the customers for their cash withdrawal, Cash deposit and other financial and non-

financial banking requirements. With the introduction of Toggle service, biometric and choice to upgrade debit cards, we have empowered customers with greater flexibility and seamless transaction experiences. The introduction of Money Mitra has enhanced cashless repayments, adding to customer convenience. Transactions through cards continue to maintain pole position among the peer group of SFBs and payment banks.

INTERNAL CONTROL SYSTEMS AND ADEQUACY Risk Management

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

Credit Risk

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

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

The Credit Risk Management Committee (CRMC) of the Bank meets at monthly intervals to review the credit portfolio, performance of all loans approved within a defined deviation matrix, and issues relating to loan documentation. During the year under review, the credit risk team was engaged in developing risk scorecards and Early Warning Systems (EWS), enhancements to documentation and loan appraisal standards, collateral management and credit spread computation.

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

Market Risk and Liquidity Risk

Market Risk arises largely from the Bank's statutory reserve management and trading activity in the interest rate market. The risks are managed through real-time monitoring by the Bank's Treasury Mid Office, which works within a well-defined Limit Management Framework that caps risk in various securities through limits/triggers. The risk measures include sensitivity limits, namely, PV01, Modified Duration of HFT/HTM Portfolio, Value-at-Risk (VaR) Limit, Stop Loss Trigger Level (SLTL), monitored on end-of-day basis.

Liquidity Risk is the risk that a bank may not be able to meet its short-term financial obligations due to an asset-liability mismatch or interest rate fluctuations. As a part of this process, the Bank has established various limits to mitigate both liquidity and interest risks. While the maturity gap and stock ratio limits help manage liquidity risk, the sensitivity analysis of Net Interest Income (NII) and Market Value on Equity (MVE) helped mitigate interest rate risk. The Bank had also maintained a comfortable Liquidity Coverage Ratio (LCR), well above the regulatory limits during the year. As a prudent risk management practice, the Bank has also been monitoring the Net Stable Funding Ratio (NSFR), and it is thus adequately prepared to meet the RBI mandated requirements. The Asset Liability and Market Risk Committee (ALCO) of the Bank meets on a monthly basis or at more frequent intervals to evaluate the liquidity situation.

Operational Risk

The Bank has in place a Board approved Operational Risk Management policy to mitigate and manage Operational Risk. The Operational Risk management process is a top-down approach and is driven by strong and sound operating procedures and internal control culture, with well-defined reporting and contingency planning. The Bank is continuously striving to enhance its processes. Manuals, an important spin off to the various operational risk policies, were documented for key activities such as Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRI) and Loss Data Management.

For effective management of Operational Risk, the Bank has constituted an Operational Risk Management Committee (ORMC) chaired by the MD & CEO. The committee, convened by the CRO, meets every quarter to provide an oversight on key operational risk issues, the summary of which is presented to the RMCB. Operational risk within the Bank was managed through a combination of qualitative and quantitative approach. It included stringent product and process reviews, diligent User Acceptance Testing (UAT) of changes to systems, Risk Control and Self-Assessment (RCSA) framework, identifying and monitoring Key Risk Indicators (KRI), Data Loss Management, Thematic reviews, Scorecards, Outsourcing risk reviews, Internal Financial Control (IFC) testing and Business Continuity Planning (BCP).

Information Security

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

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

A well-documented Board approved Information Security Policy has been established.

Legal

The department renders its services in the areas of Legal Advisory & Documentation, Contract Management, support in Infra & Admin related issues, supporting Branch Banking, Employment Law Related Matters, Corporate Affairs, and Litigation Management & Recovery Assistance. The team continued to support the business, management and other functions of the Bank by providing necessary advisory and timely support at every phase of growth. We leveraged technology to align to the needs of the bank. Ensuring a balance between ease of business and complying with legal/regulatory guidelines, the Legal Department provided comprehensive legal advice for new digital products/processes. The team supported the business verticals in onboarding fintechs and provided comprehensive legal advice for new digital products/processes. It was quick to counter the issues related to signing of physical documents such as Loan Agreements, Sanction Letters and Vendor Agreements by introducing the e-signature, easing the process of signing the document through Aadhar based OTP.

The Legal team has been providing constant support to the MSE and Housing Business and Digital Banking teams and has an important role in handling legal complications arising in day-to-day business activities. On the Liabilities side, the department advises on standard processes and legal requirements for opening of CASA Accounts for Trusts, Associations, Societies and Clubs on a case-to-case basis within prompt timelines. Further, with the Bank deepening its presence into financial institutions

lending business, legal advice is provided for end-to-end assistance in negotiation finalisation and execution of financing and security documentation for high value loans. Assistance was also extended in developing the product framework for Working Capital Loans (OD/CC/WCDL), Escrow Accounts, Collection Accounts and Bank Guarantee.

The Legal and Collections departments operate as a cohesive unit to achieve substantial recovery through legal tools such as issuance of Legal Demand Notices, S. 138 Notices, filing recovery suits, conducting Lok Adalats, initiating action under SARFAESI Act among others. The Legal team has also conceptualised an innovative tool for recovery 'SAMADHAN', which invite customers to amicably settle to amicably settle their dues before the Bank initiates legal action. The Legal team also helped build the "Ujjivan" brand by securing intellectual property rights for our marketing campaigns. Around 59 trademarks have been registered since the last few years. In addition, is the team is committed to securing registrations of any logos/taglines/Product names that are innovated by the Marketing department. During the next year, the legal team will continue its endeavour to provide prompt, comprehensive and practical legal support required for the scaling up business.

Compliance

The Bank is fully committed to the Financial Inclusion mission of the Reserve Bank of India (RBI). The Bank has complied positively with the regulatory requirements of lending 75% of its Adjusted Net Bank Credit (ANBC) to priority sectors, having loans and advances of up to ₹25 Lakh and operating at least 25% of its total branches in Unbanked Rural Centres (URCs). The Bank has also complied with the listing requirements within three years from the date of commencement of operations. The central and the regional Compliance units are committed to building a strong compliance culture in the bank. The Compliance team also seeks regular feedback on compliance matters from business and operation teams through self-certifications and monitoring. The department further provides advisory services; performs assessment of compliance to KYC-AML regulations, performs transaction monitoring activities through AML alert handling mechanism, and assesses the control environment.

The Bank had undergone an Inspection by the RBI under the Annual Financial Inspection (AFI) model during Q4 FY21 for FY 2019-20. Further, the Bank is compliant with the framework for timely submission of data in line with the Risk Based Supervision (RBS) as mandated by RBI.

Internal Audit

The Internal Audit process of the Bank complements the Risk management function as the third line of defence. Traditionally, the focus was on audit of branch processes, with each microfinance branch as a separate audit. However, with its transformation into a Bank, there are newer audit processes that have been introduced with Risk Based Internal Audit having commenced. The Bank

has built a strong team for various audit verticals at HO and ROs, IAD functions with the objective to provide assurance to management and board about the adequacy and effectiveness of Governance, Risk Management and Controls.

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

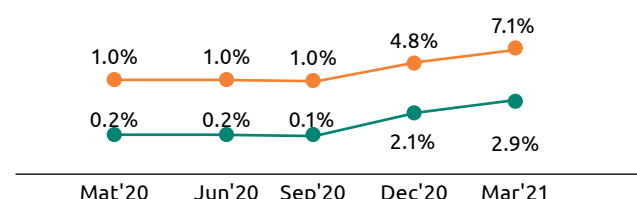
Vigilance

During the year under review, we implemented the enterprise-wide Fraud Risk Management System {e-FRMS}, targeted at securing the transactions of the customers, monitoring any unusual activities and enhancing the overall security with a view to mitigating transaction-related frauds. A total of 35 scenarios have been implemented covering core banking system, Mobile banking, Internet Banking, Debit Cards and UPI. Another important achievement for the year was implementation of Vigilance workflow system which would ease the flow of data for all fraud and non-fraud investigations conducted by the Vigilance team. This system would be a one point solution for Repository management of data and evidences, flow of information across hierarchy, gathering appropriate approvals, management of regulatory reporting evidences and closure of frauds.

With Pandemic and in-turn more use of digital systems, the year has brought up different risk perspectives in focus and the approach of the department was aligned accordingly to ensure that all relevant risks are taken into account. Vigilance has collaborated with Risk, Product and IT teams to understand fraud mechanisms and plug loopholes in both in-house and vendor systems and processes. Preventive controls were focused on minimising cash losses and frauds by upgrading the security systems, creating awareness among employees and conducting regular checks across branches. The risk containment unit endeavoured to expand its activities into newer products, upgraded the systems in line with various business lines and helped avoid disbursement to fraudulent customers. A greater focus was placed on AML and customer complaint cases (ATM and Debit card issues) resulting in faster resolution. The EFRM system with added scenarios will further strengthen the anti-fraud atmosphere and security. Striking a perfect balance between customer satisfaction and customer security will be one of the important agendas for Vigilance.

Credit

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



Micro Banking & Rural Banking

Covid-19 significantly impacted the economy of our country. It forced us all to slowdown, make changes to our lifestyle and our ways of work. However, the impact of this crisis was most felt at the bottom of the pyramid. Our customers who engaged in subsistence business took the brunt of this medical and economic crisis, coping with income loss or loss of lives and livelihoods during the pandemic.

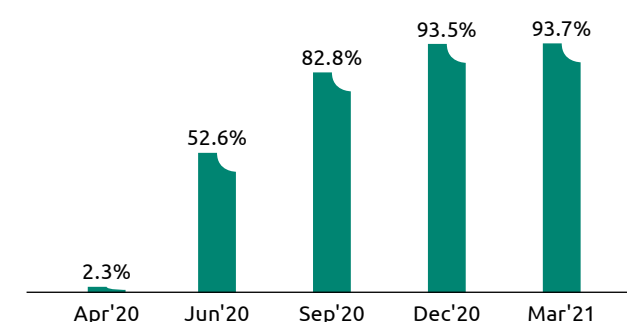
A slew of measures were taken to minimise the impact on our customers' lives in the form of policy, process and portfolio management. Special focus was on implementing key Regulatory, Supreme Court and Government guidelines which helped us support existing customers, develop and offer new products, and work on rebuilding customer credit behaviour while keeping our credit costs in check. Continued connect with customers helped us to appropriately respond to their needs in a timely manner. This resulted in a stabilisation of the business during second half of the year.

Moratorium relief to customers: Due to a disruption in the customer cashflows, moratorium was provided to all customers from March 2020 to May 2020. A majority of our customers had already paid in March 2020; hence only a small proportion availed moratorium. During the extended moratorium program of June 2020 to August 2020, moratorium support was provided only to customers who could not make loan repayments, even as economic activities restarted. This ensured their credit history remained intact while they focused on restarting their livelihoods. 98% of the book was under moratorium in April 2020, which gradually reduced to 32% by August 2020. During the monsoons, the states of West Bengal and Odisha were hit by cyclone Amphan. Approximately 81,000 customers from 12 districts were affected due to which the Bank extended repayment holiday of 2-3 months to ~56,000 accounts.

Serving customers during difficult times: With the economy slowly recovering in June 2020, we implemented multiple changes to our credit policy and processes to ensure that good customers continue to have access to loans. We focused on serving our existing customers as sourcing new customers could lead to higher credit risk. A robust business continuity process was put in place to address all emerging situations across people, process and systems. On the lending and underwriting front, we selectively offered credit to affected segments and used stringent underwriting policies. As a signee of the code for responsible lending, we rejected loan applications from customers with a loan exposure to more than 3 lenders and those with an indebtedness in excess of ₹1 Lakh. Rejection rates went upwards of 25% during this period given the increase in overdue cases. As an effective risk management tool, the traditional cycle-based lending was replaced with bureau score-based lending. Processes were tightened to mandate additional visits by senior officials for every loan request. This led to the disbursed book holding up with an excellent of 99.6% Cumulative Repayment Rate in March 2021.

Portfolio Management: Restructuring in line with regulatory guidelines was provided to 3.7 lakh accounts through largely two modes—EMI reduction and moratorium. Average collection efficiency of these accounts stood at 74% compared to 49% prior to restructuring.

Overall Collection Efficiency Trend



Reaching out to every single customer at their doorstep demanded additional hiring of 1200+ collection staff (off role); setting up of several communication channels, such as customised SMS, audio SMS and tele-calling in local languages for collections; adoption of alternate and digital collection channels and implementation of a new collection software that would enable handling such high volumes of default. These efforts have resulted in 10-12% of customers making digital repayments on an ongoing basis. Collections from overdue cases witnessed a steady improvement Q-o-Q from 57% in Dec 2020 to 65% in March 2021.

The combined measures taken resulted in collection efficiency increasing from 2.3% in Apr 2020 to 93.7% in March 2021. The impact of this pandemic-induced disruption on the asset quality is visible through our elevated GNPA of 7.8% in March 2021 against 0.9%. The

net NPA stood at 2.8% against 0.1% in the preceding year. However, the bank has made adequate provisions to cover for the current and immediate foreseeable future with the total provision coverage on book standing at 7.7%.

Housing

The GNPA for home loans stood at 3.6% against 0.8% in March 2020 while NNPA stood at 2.2% against 0.40% in March. PCR stood at 39% against 48% as on March 2020. During the year, we have boosted our collection efforts by allocating accounts between the business and collection teams for better efficiency. We restructured 121 accounts worth ₹14 Crore in line with the Covid-19 regulation framework by the end of FY 2020-21.

FIG

The year saw the Bank taking a cautious approach to FIG lending to MFI, unsecured MSME, fintech and PL/CL segments. We focused on disbursement to AA+ rated entities while maintaining portfolio NIM. As at the end of the year, the book size was ₹648 Cr, registering a 18% y-o-y growth over the last year. All accounts except one MFI (facing collection issues) account was in the standard category. Credit policy is regularly updated to enhance the quality of underwriting. Rigorous monitoring of the portfolio is conducted regularly.

Conclusion

The Bank's efforts to proactively source quality borrowers and manage repayments were well-tested during FY 2020-21. The crisis in the wake of the pandemic has, however, been extraordinary with events unfolding daily and sometimes hourly. The Bank continues to monitor the existing portfolio quality. We believe that our current and proposed investments in people, process and technology will help the Bank emerge stronger and better from the current scenario.

Operations

FY 2020-21 began with serious challenges for operations, which were tackled through a hybrid model of business continuity planning, ensuring that none of the critical services and activities were disrupted. As the lockdown eased, we returned to business as usual (BAU). By the end of H1 FY21, the entire Ops team was working in shifts and maintaining social distance. Full services were restored and SLAs were being met by September 2021. All along, the department continued to balance the needs of its customers and the safety of its employees. The year ended on a high note for all businesses—recording an all time high in disbursement and deposit mobilisation. Operations partook of their success by ensuring that the delivery chains never slowed down. Changes in the regulatory environment were adopted without breaking stride. Positive Pay System for clearing cheques and RTGS processing 24*7 were rolled out on time in collaboration with the technology team of the Bank and other stakeholders.

Many measures were undertaken to increase efficiency, reduce turn-around-time, cut costs and increase productivity and employee engagement. Robotic

Process Automation (RPA) was introduced to carry out reconciliation of UPI and IMPS transactions that run into lakhs of line items. It helped save time and cut down outsourcing costs. Through the year, operational streamlining resulted in savings worth ₹1.05 Crore by adopting RPA. By switching to digital modes of communication—letters, notices and statements delivered in PDF format through emails and Bitly links sent via SMS—the Ops team reduced the Bank's carbon footprint and created significant savings in printing costs and postage. Between December 2020 and March 2021, 72% of the communication to customers was sent through this mode with savings worth ₹46 Lakh. Welcome letters to borrowers for Housing loans and MSE loans were shared via the digital route. This reduced complaints of non-delivery of welcome letters and copies of loan documents significantly, especially when movement restrictions were in place.

The bygone financial year was a challenging one, but the Operations team stayed the course, picking up the gauntlet. Going forward, it remains committed to enhancing customer service and customer experience, adopting technology, reducing operating costs significantly, increasing employee productivity and operational efficiency.

TECHNOLOGY

Our vision thrives on Digital Banking powered by technology to enhance customer experience, increase productivity and optimise operational efficiency. This will drive the bank to continuously improve the Cost Income Ratio, Product per Customer and Profitability per Customer.

During the year, Robotic Process Automation was implemented for reconciliation of IMPS transactions, with about 25k-30k transactions being processed daily. The Enterprise-wide Fraud Risk Management System (EFRMS) was put in place to prevent frauds in real-time. Integration between different source systems with a special Case management system which has been implemented for a structured and collaborative environment. We further reduced the TAT for closure of fraud transaction and the Aadhaar Vault project to reduce the footprint of Aadhaar numbers within the systems of the organisation was completed. This will reduce the risk of unauthorised access of personal customer information. Reference keys will replace Aadhaar numbers in the Bank's ecosystem and mapping of reference key and Aadhaar number will be maintained in the Aadhaar Data Vault. We not only complied with regulatory guidelines but we have also gained customers' confidence and trust by securing their identity safely. We have been able to mask the Aadhaar number successfully for around 78 Lakh existing customers who were onboarded using Aadhaar as a primary KYC. Verhoeff Algorithm has been used to validate the Aadhaar number. In Mobile Banking application, eight different languages have been enabled to serve our customers better. We have also introduced various transaction and repayment modes such as Instamojo, Paytm, Setu, Moneymitra among others.

TREASURY

The Bank has its Treasury office located in the country's financial capital, Mumbai, with a state-of-the-art Dealing Room. The primary responsibility of the Treasury includes compliance to statutory reserve requirements, ALM, Liquidity Management, Reserves Management, Trading and, recently, Client Services.

The Bank has Subsidiary General Ledger (SGL) account with the Reserve Bank of India and is a direct member of Clearing Corporation of India Limited (CCIL) which enables the Treasury to operate on various platforms such as Negotiated Dealing System-Order Matching (NDS-OM), NDS-Call, Triparty Repo Dealing and Settlement (TREPS), FIMMDA Trade Reporting and Confirmation System (FTRAC), Clearcorp Repo Order Matching System (CROMS), Corporate Bond Reporting & Integrated Clearing System (CBRICS) and E-Kuber and also information systems such as Bloomberg. The Bank has bilateral limits in place with most major interbank participants.

The Treasury team consists of experienced professionals with a proven track record in Balance Sheet Management and Trading. The team manages the Bank's regulatory reserves including CRR and SLR. Judicious and efficient management of the SLR Portfolio has ensured consistent above market returns. The portfolio consists of Central and State Government Bonds and Treasury Bills invested at high yields and as such well positioned to benefit from the accommodative interest rate stance of the RBI. There is also an active Trading Desk which deals in SLR and non SLR securities and contributes to the Bank's bottom line by capitalising on trading opportunities presented by the market. The Liquidity position of the bank continues to be extremely strong with all liquidity ratios well above the prescribed limit set by the RBI. The Bank is well positioned to handle any fallout due to the Covid-19 pandemic and use the opportunity to grow its business. The Bank has an automated dealing environment for seamless deal flow (straight through processing) from the trading and dealing platforms to front office systems, across back office for authorisation, confirmation, payments and settlements. There is no manual intervention and thus, functional risks are averted. A very high order of digitalisation and automation has ensured that Treasury operations have continued seamlessly through the lockdown.

SERVICE QUALITY

We at UFSB believe that customer relationship and satisfaction is at the core of our existence and customers must be served proactively beyond their expectations. Our Service Quality programs, which we have developed over years, helped us in establishing a distinct presence among micro lenders and now we are focused on creating the similar value in the banking space.

CUSTOMER EXPERIENCE AND FEEDBACK MECHANISMS

The first step in exceeding the customer expectations is to those expectations. The Customer Experience unit under the Service Quality department continuously gathers customer feedback through various programs such as

C-SAT surveys, mystery shopping, monthly customer service meeting—"Let's Connect" among others. "Let's connect" is a unique customer engagement programme through which 6000-8000 customers were contacted for their feedback and concerns. Apart from this, the customers are also educated on the importance of nomination, how to submit Form 15G/H through our digital channels and other services and benefits. These programs help branches to seek customers' feedback, identify cases of delayed services, grievances and other difficulties faced by customers and also provide an opportunity to engage with customers and create awareness about our channels and services. Through these measures, we strive to improve services and customer satisfaction by way of proactively identifying service gaps, root causes and providing prompt resolutions.

LIFE EVENTS BASED BANKING SERVICES

Aajeevan, the Life Events Based Banking Services, is a program that provides complete banking solutions for every stage of our customers' lives, the program enables us to support our customers in an empathetic, efficient and meaningful way, differentiating us from other financial service providers. Aajeevan was launched through a YouTube session and a series of six quizzes to raise awareness in an engaging manner among the employees who further communicated the same to the customers. As a result, there was an uptick in the number service requests related to life events based banking services and significant improvement in resolution of such service requests within the defined turn-around-time.

LISTENING TO CUSTOMERS

Under the guidance of the Board committee on customer service, the "Listening to Customers" program has been initiated by various businesses to virtually connect with customers and seek their feedback/suggestions on our products, process, service and delivery channels. We conducted our first session in the month of March 2020 for all the regions through virtual means. It was attended by 100+ customers and the senior management of the Bank. The customers appreciated the services provided by our branches and their feedback and suggestions were evaluated and addressed. The 'Listening to Customer' sessions will be conducted regularly across all customer segments.

QUALITY ASSURANCE

The Quality Assurance team has defined service standards for each business based on customer expectations and industry standards. The team is encouraged to get certified in Lean Six Sigma philosophy and addressing the same for identifying gaps and an evidence of. The improving trend of Bank Level Service index is evidence of the successful implementation of Service Indices across functions. The team sets new benchmarks every six months with highest-level of service delivery expectations and achieves those in most of the customer service parameters within predefined timelines. A mechanism for fixing gaps and improving process through standard incident management was also implemented.

ROBUST GRIEVANCE REDRESSAL MECHANISM

Complaint Management is essential for establishing good customer service. Thus, the service quality department has developed a comprehensive management process for handling complaints end-to-end. The Grievance Management team not only manages all customer complaints received through the various channels, but also ensures the quality of complaints resolved through calls to customers of the complainants. Post resolution of complaints, we reached out to over 60% complainants to ensure completeness of resolution and seek feedback on the grievance redressal mechanism.

SPECIAL ATTENTION TO SENIOR CITIZENS

With the celebration for "Senior Citizen's Week" in September 2020, a special awareness program was launched for branch staff on various services that need to be catered across life events of customers. A session was arranged for senior citizen customers at branches to make them aware on services such as door step banking facility, nomination facility, adding/deleting a joint account holder, appointing a mandate holder, deceased claim settlement among others. The number of service requests related to life events has doubled campaign post the campaigns the reflecting the effectiveness of the campaigns. All the branches have a dedicated team to attend to senior citizens. The doorstep service is also offered to all senior citizens for both financial and non-financial transactions.

HUMAN RESOURCES

Resilience and resolve helped the Bank power through a challenging year. Our people strategy of putting faith in our employees came shining through and this is evident from the manner in which we extended support to each other. While technology plays a pivotal role in the effort, our employees are the catalyst of change and progress. Our people practices are derived from the Bank's core value: integrity, responsible, fairness, respect, professionalism and team work. We are driven to build better lives both for our customers and employees. This drive has resulted in many accolades. We were ranked No.3 amongst India's Best Companies to Work for in 2020 as per the study conducted by Great Place To Work® Institute and Economic Times across 20 industries. The Bank has also been recognised among 'The Laureates', which are organizations that have ranked for 10 years or more in the Top 100. Being a diversified workforce with presence in 24 states, we had various platforms for leaders and employees to connect with each other. This ensures that employees are heard and empowered. Though the pandemic created uncertainty and many travel restrictions, the leadership team, along with the MD and CEO, connected with employees through several virtual meets. In addition to hiring employees through online interactions, the Training & Development team adopted several new digital learning approaches and developed various e-learning modules in our self-paced learning application SWAY@M. Extending technological interventions to improve efficiency, the Bank introduced a new and improved HRMS, aptly titled 'HR Saathi'.

In view of the COVID-19 outbreak across the country, the Bank prioritised the health and safety of its employees, through a carefully crafted and enhanced benefits program focused on wellness and preventive care. In addition to introducing Work From Home and providing the infrastructure for remote working, the Bank extended support in the following ways:

- i. Introduction of COVID-19 insurance for employees in Grade B and C
- ii. Inclusion of COVID-19 cover in Group Health Insurance
- iii. Facility of 'Doctor On Site' from registered medical practitioners

- iv. Unlimited Audio and Video Consultation with General Physician and Dietician for employees and their families using 'Doctor On Call'

- v. Salary advance for medical exigencies

We have a well-established Welfare and Relief Charitable Trust to strengthen our welfare contribution for employees. The Trust supports beneficiaries affected by unforeseen exigencies. This year we extended financial support to our colleagues and their family members through the Trust for treatment expenses related to COVID-19 among others.

Pillar III Disclosures

1. LIST OF KEY ABBREVIATIONS

Abbreviation	Full form	Abbreviation	Full form
AFS	Available For Sale	MD	Modified Duration
ALCO	Asset Liability Committee	MD & CEO	Managing Director and Chief Executive Officer
ANBC	Adjusted Net Bank Credit	MDG	Modified Duration Gap
ATM	Automated Teller Machine	MSE	Micro and Small Enterprises
BC	Business Correspondent	NBFC-ND-SI-CIC	Non-Banking Financial Company-Non-Deposit-taking-Systemically Important-Core Investment Company
BIA	Basic Indicator Approach	NE	North Eastern
CET1	Common Equity Tier I Capital	NEFT	National Electronic Funds Transfer
CFO	Chief Financial Officer	NNPA	Net Non-Performing Asset
CIC	Core Investment Company	NPI	Non-Performing Investment
CRAR	Capital to Risk-weighted Assets Ratio	NSFR	Net Stable Funding Ratio
CRMC	Credit Risk Management Committee	NURC	Non-Unbanked Rural Centre
CRO	Chief Risk Officer	ORMC	Operational Risk Management Committee
DPD	Days Past Due	OSP	Outstanding Principal
DSCB	Domestic Scheduled Commercial Bank	PAT	Profit After Tax
ECL	Expected Credit Loss	PNCPS	Perpetual Non-Cumulative Preference Shares
ECRA	External Credit Rating Agency	PSL	Priority Sector Lending
EWS	Early Warning System	QR Code	Quick Response Code
FIG	Financial Institutions Group	RBI	Reserve Bank of India
GLC	General Ledger Code	RCA	Root Cause Analysis
GNPA	Gross Non-Performing Asset	RCSA	Risk Control and Self-Assessment
HQLA	High Quality Liquid Assets	ROA	Return on Asset
ICAAP	Internal Capital Adequacy Assessment Process	RSA	Risk Sensitive Assets
IFSC	Indian Financial System Code	RSL	Risk Sensitive Liabilities
ICAI	Institute of Chartered Accountants of India	RWA	Risk Weighted Assets
IIA-SA	Institute of Internal Auditors (United States)	SA	Standardised Approach
IGAAP	Indian Generally Accepted Accounting Principles	SDA	Standardised Duration Approach
IMPS	Immediate Payment Service	SFB	Small Finance Bank
IRAC	Income Recognition and Asset Classification	SLR	Statutory Liquidity Ratio
IRRBB	Interest Rate Risk in Banking Book	SMA	Special Mention Accounts
KRI	Key Risk Indicator	TVR	Tele verification report
LCR	Liquidity Coverage Ratio	UAT	User Acceptance Testing
LMS	Loan Management System	UFSL	Ujjivan Financial Services Limited
LR	Leverage Ratio	UPI	Unified Payments Interface
LWE	Left Wing Extremism	URC	Unbanked Rural Centre
LAP-SENP-SEP	Loan Against Property-Self Employed Non-professional-Self Employed Professional	VaR	Value at Risk
MCA	Ministry of Corporate Affairs	YTD	Year Till Date

Notes

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

²Unbanked Rural Centre (URC)

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

⁴North eastern states

⁵Districts with active Left Wing Extremism (LWE)

1. INTRODUCTION

Ujjivan Small Finance Bank (hereinafter called "the Bank") has prepared this disclosure document in compliance with the directions of Reserve Bank of India (hereinafter referred to as "the Regulator" or "RBI") vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. The document provides a review of key observations pertaining to the Bank's capital adequacy, credit quality, key business highlights and a review of its key risks as at March 31, 2021.

2. KEY PERFORMANCE HIGHLIGHTS OF THE BANK:

a) Branch network and distribution reach

The branch position of the Bank as at March 31, 2021 was as follows:

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

The Bank is fully compliant with the RBI guidelines on having 25% (25.04% as at March 31, 2021) of its Banking Outlets in the URCs.

The Bank had seven individual BCs as at March 31, 2021. These individual BCs perform essential banking services such as acceptance/withdrawal of small value deposits, balance enquiry and generation of mini statement of accounts. The Bank also has an arrangement with Corporate BCs, primarily aimed at facilitating field collection for its microfinance business. The Bank also engages with Corporate BCs for sourcing variants of Personal Loans (PL) and MSE loans. The Bank evaluates the performance of the BCs at regular intervals. The Bank will continue to focus on brick and mortar URC branches for providing a wide array of banking services as this has proven to be a profitable and effective model. The Bank operated a network of 491 Automated Teller Machines (ATMs) including 53 Automated Cash Recyclers (ACR) as at March 31, 2021.

b) COVID-19 Environment and summary of measures taken by the Bank (with updates as at May 31, 2021 wherever applicable)

Macro-economic outlook:

The month of March 2020 saw a disruption in the normal course of business on account of the nationwide lockdown due to the COVID-19 pandemic. Except for some essential services and activities,

the rest of India's \$2.9 trillion economy remained shuttered during the lockdown period. In June 2020, the country's economy—which was counted among the fastest-growing not long ago contracted 23.9% on y-o-y basis. India had slipped into a technical recession during July-September 2020 with the GDP falling for two successive quarters. In the July-September quarter, India's GDP contracted 7.5% on year-on-year basis. After contracting for two straight quarters, Indian economy witnessed marginal growth in the October-December 2020 quarter with Gross Domestic Product (GDP) growing at 0.4% on a year-on-year basis, as per official data released by the National Statistics Office. The GDP growth rate for January – March 2021 quarter was 1.6% on a year-on-year basis. GDP at Constant (2011-12) Prices in Q4 of 2020-21 was estimated at ₹38.96 Lakhs Crores, as against ₹38.33 Lakhs Crores in Q4 of 2019-20, registering a growth of 1.6%.

For the full fiscal year ended March 2021, GDP has contracted by 7.3%⁶, less than its earlier estimate of -8%. A deeper dive into the quarterly GDP⁹ data shows the following sectoral trends:

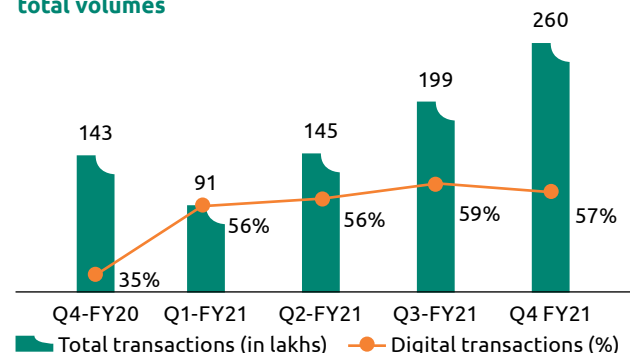
- Agriculture grew at 3.1% in Q4 as against 3.9% in Q3 and 3% in Q2.
- Manufacturing grew at 6.9% as against 1.6% in Q3 and 1.5% in the preceding quarter.
- Construction grew by 14.5% as compared to 6.2% growth in Q3 and 7.2% in Q2.
- Trade, hotel, transport, communication contraction was 2.3% as compared to 7.7% contraction in Q3 and 15.3% in Q2.

The y-o-y trend in components of GDP¹⁰ is furnished as below:

Increasing digital footprints (1/2)

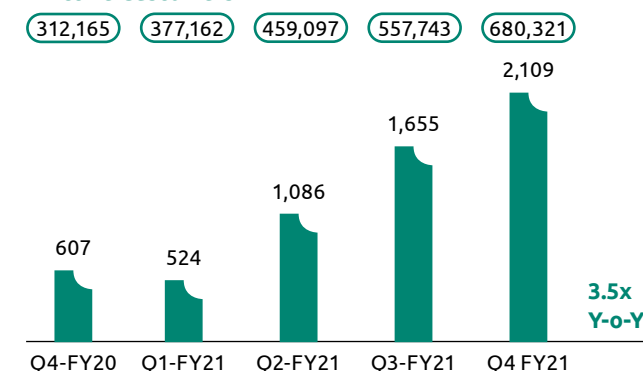
*Increasing Digital Transactions (%)

Digital transactions at 57% despite significant rise in total volumes



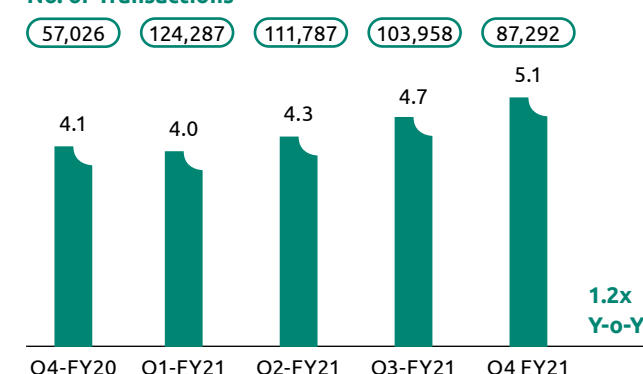
UPI Transactions

▲ Active Customers



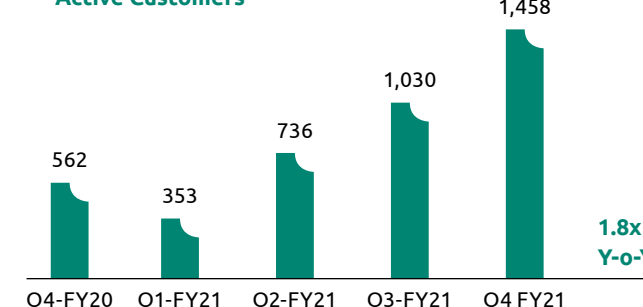
Bill Payments

No. of Transactions



Business Net Banking

▲ Active Customers



Real Government Final Consumption Expenditure (GFCE) grew 28.3% in Q4, backed by massive spending by the Centre in the March quarter that included clearing of subsidy arrears. GFCE contraction of 23.5% in Q2 was offset by a sharp pickup in the capital spending of the Government of India in Q3, leading to a reduced contraction by 1.1% in Q3.

Private consumption, reflected in Private Final Consumption Expenditure (PFCE), increased by 2.70% as compared to a contraction of 2.80% in Q3. As a result, real PFCE fell 9.1% for the full year FY21. Despite the pickup during the festive season in Q3, PFCE registered a nominal increase in Q4, and trailed the performance of investment and government spending. This indicates that the share of consumer spending especially discretionary goods and services was slowly picking up by Q4, as the economy gradually opened up.

Investments, as reflected by Gross Fixed Capital Formation (GFCF), posted a robust growth of 10.6%, a further increase from the 2.6% achieved in Q3. The investment rate, which is the ratio of GFCF to GDP, was above the 30% barrier after almost six years, to reach 31.2% of GDP as at March 31, 2021 as compared to 27.5% in Q3 of FY 2020-21.

Second Wave: March 2021:

A second wave (COVID 2.0) beginning in March 2021 was much larger than the first, with a higher rate of transmission causing shortages of vaccines, hospital beds, oxygen cylinders and other medicines in parts of the country. By late April 2021, India led the world in new and active cases. On April 30, 2021, it became the first country to report over 400,000 new cases in a 24-hour period. The number of new cases had begun to steadily drop by late-May; on May 25, the country reported 1,95,994 new cases-its lowest daily increase since April 13, 2021.

Notes

⁶<https://www.bloombergquint.com/business/india-gdp-contracts-a-record-239-in-april-june-quarter#:~:text=The%20Indian%20economy%20contracted%20by,the%20spread%20of%20the%20coronavirus>

⁷<https://www.livemint.com/politics/policy/india-q3-gdp-highlights-11614334282139.htmlhttps://www.bloombergquint.com/business/india-gdp-contracts-a-record-239-in-april-june-quarter#:~:text=The%20Indian%20economy%20contracted%20by,the%20spread%20of%20the%20coronavirus>

¹⁰https://www.business-standard.com/article/economy-policy/recovery-gains-strength-gdp-grows-1-6-in-q4-shrinks-7-3-in-fy21-121060100057_1.html

While there was no imposition of a national lockdown, at the peak of the second wave, almost all states and union territories had some form of state-wide and localised restrictions in the form of total lockdowns, Section 144, weekend lockdowns, night curfews etc. The states and UTs are slated to commence the unlocking process sometime in Mid-June of FY 2021-22. The following table provides areas of concerns observed in COVID 2.0:

Lower concerns	Higher concerns
Job losses: <ul style="list-style-type: none"> Unemployment rate (CMIE) report at ~8% in April 2021 vs. ~6.5% in March 2021 vs. 24% in April 2020 	Loss of life and medical expenses: <ul style="list-style-type: none"> High pace of spread infection and impact felt across all households (Poor, middle class and affluent) Increase medical expenses/loss of income due to death
Movement of goods: <ul style="list-style-type: none"> Localised and calibrated lockdowns in 2021 Clear guidelines for factory operations, movement of goods and people Home deliveries exempted from restrictions Purchasing Manager Index (PMI) declined to 27.4 in April 2020 from 51.8 in March 2020 vs. 55.5 in April 2021 and 55.4 in March 2021 	Newer patterns <ul style="list-style-type: none"> Rural areas also impacted in this wave Fear factor resulting in limited reverse migration, compounding issues A stronger psychological change in purchasing and consumption behaviour for goods and services and increase savings.
Cash flows: <ul style="list-style-type: none"> With business operation timings curtailed, the cash flows have not completely dried up as was the case last year for a wide majority. Complete reliance on savings no longer required 	Back to back year of stress <ul style="list-style-type: none"> Economy wide shocks have not been seen for 2 years in a row Bounce back typically happens with one good year
Liquidity and restructuring <ul style="list-style-type: none"> Timely intervention by RBI on liquidity measures and restructuring 2.0. Provision/extension of resolution framework for COVID affected borrowers. 	

There is a case to be cautiously optimistic on the performance of economy in FY 2021-22 given that the restrictions were more calibrated. Near-term growth dynamics, however, remain crucially contingent on two factors – the pace of relaxation of lockdowns and the pace of vaccinations. While the former will determine the speed of recovery in mobility and broader economic activity, the latter will be important for ensuring that the number of cases remains in check and the lockdown easing is sustained.

High-frequency economic indicators such as NIBRI, mobility trackers, power consumption and railway freight loads are showing early signs of a rebound as the second wave of pandemic cases ebb¹¹ in June 2021. The turn, if it strengthens, will mean that the months of April-May 2021 were worst hit, with the economy set to rebound from June 2021.

Actions taken by the Bank (second wave):

The Bank is continuously monitoring the developments and implementing necessary steps to mitigate the same in light of the second wave. Details of the various initiatives are provided under relevant sections of this disclosure. A summary of the initiatives taken by the Bank is produced below:

- Quick Response Team (QRT) was re-constituted for monitoring and supervising banking operations. A special committee of the Board – Business Continuity Monitoring (BCM) Committee was regularly convened to advise, monitor and assess the social, financial, business, credit and risk impact under the current economic scenario.
- Within the Bank, the number of positive cases among employees has been on a declining trend with the number of positive cases peaking in the month of May 2021. 84% of the positive cases had recovered as at June 8, 2021. 46.3% of Bank personnel have received at least one dose of vaccination with 4.2% of personnel being fully vaccinated as at June 8, 2021.
- The Bank had encouraged its employees to Work from Home (WFH) with an objective to reduce the number of personnel at office premises especially in Regional and Corporate Offices. The Bank has also issued advisories/guidelines related to work timing and officer capacity for its branches in line with the SLBC guidelines. Roster system was implemented for customer facing roles to ensure staff rotation. The Bank will initiate the process of 'Back to Office' as and when the situation is observed to improve and after factoring the state level directions.

- The Bank's doctor-on-call facilities are being actively utilised by the Bank's staff while the confidential counselling support sessions facilitated by a trained counsellor are helping reduce stress and anxiety levels in these testing times.
- During the first wave, the Bank had implemented all the directions provided by RBI vide its circular dated March 27, 2020¹² and May 23, 2020¹³. The Bank had put in place a Board approved policy on providing moratorium on loan repayments to its customers.
- On August 6, 2020, RBI had issued a directive on implementing a resolution framework for COVID-19 related stress¹⁴. The guidelines provide a window under the prudential framework to enable banks/lending institutions to implement a resolution plan in respect of eligible loans, while classifying such exposures as standard, subject to specified conditions. To this effect, the Bank had introduced an internal policy/process framework detailing the manner in which such evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case.
- As part of resolution 1.0, the Bank had completed the restructuring exercise for 3,73,318 accounts amounting to ₹85,218 lakhs in its Microbanking portfolio. The restructuring facility was provided to the borrowers under two modes viz. 1) EMI reduction and tenor change and 2) Moratorium. Restructuring undertaken in MSE and Housing verticals was ₹1,299 Lakhs (78 accounts) and ₹1,372 Lakhs (121 accounts) respectively as at March 31, 2021.
- All COVID related guidelines issued by RBI were monitored during the year and were adhered to.
- In view of the continuing uncertainty caused by the on-going second wave, it is crucial that the Bank remain resilient and proactively raise and conserve capital as a bulwark against unexpected losses. Therefore, while RBI guidelines¹⁵ allowed certain relaxations on payment of dividend on equity shares, the Bank did not declare any dividends on its equity shares as at March 31, 2021.
- On May 5, 2021, RBI issued guidelines¹⁶ that accorded PSL status to the fresh credit extended by Small Finance Banks (SFBs) to registered NBFC-

MFIs and other MFIs (Societies, Trusts etc.) which are members of RBI recognised 'Self-Regulatory Organisation' of the sector and which have a 'Gross Loan Portfolio' of up to ₹50,000 Lakhs as on March 31, 2021, for the purpose of on-lending to individuals. Bank credit as above will be permitted up to 10% of the Bank's total priority sector portfolio as on March 31, 2021. The Bank takes cognisance of the same.

- On May 5, 2021, RBI issued guidelines¹⁷ modifying the rules for utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer. In order to mitigate the adverse impact of COVID-19 related stress on banks, as a measure to enable capital conservation, it has been decided to allow banks to utilise 100% of floating provisions/ countercyclical provisioning buffer held by banks as on December 31, 2020 for making specific provisions for non-performing assets with prior approval of their Boards. Such utilisation is permitted with immediate effect and up to March 31, 2022. As at March 31, 2021, the Bank did not have any floating provisions in its books for such utilisations. However, it is pertinent to note that for the quarter ended December 2020, the Bank did frontload ₹54,700 Lakhs of additional provisioning to cover for the potential stress on accounts of the pandemic, but the same does not qualify as floating provisions as per RBI guidelines.
- On February 5, 2021, RBI¹⁸ allowed Scheduled Commercial Banks to deduct the amount equivalent to credit disbursed to 'New MSME borrowers' from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR). For the purpose of this exemption, 'New MSME borrowers' were defined as those MSME borrowers who have not availed any credit facilities from the banking system as on January 1, 2021. This exemption will be available only up to ₹25 Lakhs per borrower disbursed up to the fortnight ending October 1, 2021, for a period of one year from the date of origination of the loan or the tenure of the loan, whichever is earlier. On May 5, 2021, the exemption was extended for such credits disbursed up to the fortnight ending December 31, 2021. The Bank takes cognisance of the same and will utilise this exemption from the ensuing quarter onwards.

Notes

¹⁴Refer Resolution Framework for COVID-19-related Stress vide RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020.

¹⁵Refer RBI guidelines on Declaration of dividends by banks vide RBI/2021-22/23 DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021.

¹⁶Refer RBI guideline on Priority Sector Lending (PSL) - On-lending by Small Finance Banks (SFBs) to NBFC-MFIs vide RBI/2021-22/27 FIDD.CO.Plan. BC.No.10/04.09.01/2021-22 dated May 5, 2021

¹⁷Refer RBI guideline on Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer vide RBI/2021-22/28 DOR.STR.REC.10/21.04.048/2021-22 dated May 5, 2021.

¹⁸Refer RBI guidelines on Credit to MSME Entrepreneurs vide RBI/2020-21/92 DOR.No.Ret.BC.37/12.01.001/2020-21 dated February 5, 2021.

¹⁹Refer RBI guidelines on Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses and Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)

Notes

¹¹<https://www.bloomberquint.com/business/as-the-second-wave-ebbs-indian-economy-turns-a-corner>

¹²Refer COVID-19 – Regulatory Package issued vide RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020

¹³Refer COVID-19 – Regulatory Package issued vide RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 dated 23rd May 2020.

- With the resurgence of pandemic (second wave) in India during March 2021 and the consequent containment measures to check the spread of the pandemic, the RBI has announced two directions¹⁹ (Resolution framework 2.0 for individuals and small businesses and MSMEs) with an objective of alleviating the potential stress. The dispensation for restructuring existing loans would be without a downgrade in the asset classification subject to certain conditions. This dispensation can be allowed for the credit facilities/investment exposure to those borrowers who were classified as Standard by the lending institution as on March 31, 2021. The last date for invocation of resolution permitted under this window is September 30, 2021 and the resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. To ensure compliance to this framework, the Bank is currently updating its restructuring policy in line with the new directions within the time stipulated. The Bank is also in the process of identifying borrowers who may be extended relief within this dispensation. The details of the same shall be furnished in the ensuing disclosures.

c) Progress in IT and Digital banking

The Bank continues to focus on improving its back-end efficiencies by digitising the processes and automating routine operations.

Digital Marketing Campaigns across various products

To bolster and popularise the Bank's digital banking presence, the Bank has set up processes for lead funnel management to arrive at a benchmark Cost per Acquisition (CPA) across various products. In FY 20-21, the Bank mobilised ₹835 Lakhs of deposits and disbursed ₹400 Lakhs of loans via pure digital media campaigns. The Bank has also opened 1000+ Savings Account/Fixed Deposits accounts on a pilot basis. Additional pilot initiatives with various aggregators are in the offing to further expand sourcing options for the bank.

To drive Existing to Bank (ETB) campaigns via digital means, the Bank has embarked on the journey to have a holistic 360 degree strategy to reach its customers via various channels to drive business in FY 2020-21. To achieve this objective, an Automated Customer Engagement (ACE) platform was launched in October 2020. Since then, 60 campaigns have been executed for Existing to Bank (ETB) customer.

Pilot campaigns to drive and popularise digital repayments were also initiated. In the pilot, 4 Lakhs customers were targeted to adopt digital mode of repayments. This has led to incremental repayment via digital modes of ₹825 Lakhs. Cross-sell pilots were also undertaken which led to 30 Two-Wheeler Loans conversions and 6 Personal Loan conversions. A total of ₹36 Lakhs were disbursed overall across these loan variants.

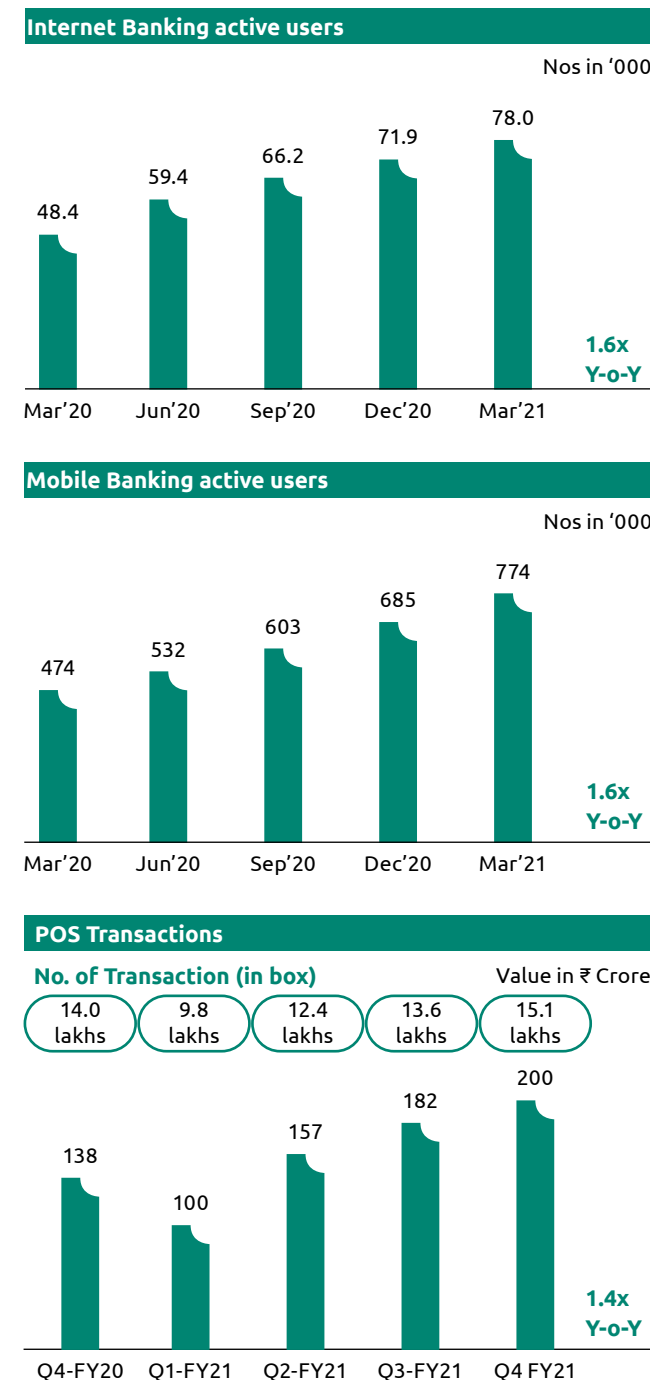
Digital Banking Initiatives

As part of the digital initiatives taken up by the Bank, the on-boarding process of customers has been considerably digitised. Internal processes like statement analysis, document verification, e-agreements, e-mandates have been operationalised in digital mode. The multilingual Chatbot on the Bank's website is slated to be enhanced further to an Intelligent Bot for better lead generation and smoother customer experience. Enhancement of Customer Lifetime Value has been corroborated through the launch of automated customer engagement tools which would help in the implementation of automated Omni channel marketing campaigns to reach out to the customers on their preferred channel at their preferred time. Machine Learning based customer segmentation models have also been developed which have helped identify and target potential customers for cross selling and up selling opportunities.

As an extension to enabling various channels for online repayment, the Bank now generates customised payment links for digital repayments and collections. Digital collections continue to remain stable contributing to average of 18% of Microbanking and Rural banking collections for FY 2020-21. The Bank considers digital repayments as pivotal and a strategic shift in its business model, aimed at further optimising costs and to stave off various mobility restrictions cause by the pandemic. The expanding reach of 'Money Mitra' outlets and Airtel Payments Bank has enabled customers to pay bills at their convenience and has contributed to ~40% of overall collections in Q4 FY21. The Bank went live with offering loan repayment facility for all businesses on Bharat Bill Payment system (BBPS), which has seen substantial uptick with month-on-month growth of 15% overtaking direct cash deposits at collection points. Pilot Testing of tie-ups for institutionalised digital collection/digital lending which had been successful in the previous quarter, have now been activated across pan India. Six such partnerships were made live- 3 for loan repayments and 3 for digital lending to personal loans and MSE customers as at year end.

At the end of Q4 FY21, 12 robotic processes have been automated across business verticals, leading to substantial savings. 15 processes are slated to be automated by Q1 FY22, with a focus of automating 15 processes every quarter.

Increasing digital footprints (2/2)



The Bank had witnessed a steady increase in its transaction processing in the form of IMPS, UPI and NEFT etc. In Q4 of FY21, transactions through UPI saw 3.5 times year-on-year growth whereas transactions undertaken using Internet and Mobile banking (IB/MB) applications have witnessed a 1.6 times growth each on year-on-year basis. In Q4 of FY21 2021, digital transactions constituted 57% of the total transactions, a strong improvement from 35% in the corresponding quarter of FY20.

The Bank received the following awards and recognitions:

- Business Today-KPMG Best Bank and Fintech Jury Award 2020 in innovation, workforce and talent and enterprise resilience (qualitative) for SFB category.
- Indian Banks' Association-16th Annual Banking Technology Award 2021 (SFB category) for Best Digital Financial Inclusion Initiatives.
- IBA-First Runner up: Best Technology Bank of the Year and Best IT Risk and Cyber Security initiatives.
- Jury Recognition Award for Excellence in Cognitive Automation at UiPath Automation Excellence Awards 2020.
- IDEX Legal award 2021-Litigation Department of the Year.
- The Outlook Money Awards – Small Finance Bank of the year (Editor's Choice)
- Inclusive Finance India Award 2020: – SFB for achieving financial inclusion among SFBs.
- Ranked 3rd in India's Best Companies to Work For (GPTWF) for 2020.
- Awarded 'Best Microfinance Bank' by Asia Money.

d) Financial highlights for Q4 of FY 2020-21

Some of the key achievements made for quarter ended March 31, 2021 were as follows:

Key Highlights	Description										
Customer base	<ul style="list-style-type: none">Total outreach: 59.2 Lakhs (56.6 Lakhs in December 2020, 55.3 Lakhs in September 2020, 54.7 Lakhs in June 2020, 54.4 Lakhs in March 2020)										
Loan Portfolio	<ul style="list-style-type: none">Gross Advances at ₹15,13,996 Lakhs in March 2021 (₹13,63,838 Lakhs in December 2020, ₹13,88,970 Lakhs in September 2020, ₹14,36,584 Lakhs in June 2020; ₹14,15,330 Lakhs in March 2020)Non-Microfinance book at: 28.21% in March 2021 (26.83% in December 2020, 24.20% in September 2020, 23.30% in June 2020; 22.74% in March 2020)										
Deposit Balance	<ul style="list-style-type: none">Total Deposits (Retail plus Institutional): ₹13,13,577 Lakhs in March 2021 (₹11,61,700 Lakhs in December 2020, ₹10,742,77 Lakhs in September 2020; ₹11,05,748 Lakhs in June 2020; ₹10,78,048 Lakhs in March 2020)CASA: 20.55% in March 2021 (17.69% in December 2020, 16.47% in September 2020; 14.18% in June 2020; 13.54% in March 2020)Retail: ~47.52% in March 2021 (47.89% in December 2020, 48.91% in September 2020; 44.58% in June 2020; 43.82% in March 2020;										
Portfolio Quality	<ul style="list-style-type: none">Gross Non-Performing Assets (GNPA): 7.1% in March 2021 (0.96% in December 2020, 0.97% in June 2020; 0.97% in March 2020)Net Non-Performing Assets (NNPA): 2.9% in March 2021 (0.05% in December 2020, 0.18% in June 2020; 0.20% in March 2020)										
Employee strength	<ul style="list-style-type: none">16,571 in March 2021 (16,733 in December 2020, 17,370 in June 2020; 17,841 as at March 2020)										
Profitability	<ul style="list-style-type: none">PAT for FY 2020-21: ₹830 Lakhs (₹34,992 Lakhs in FY 2019-20)										
	<table><tr><th></th><th>June 2020</th><th>September 2020</th><th>December 2020</th><th>March 2021</th></tr><tr><td>Quarterly PAT (₹in Lakhs)</td><td>5,465</td><td>9,600</td><td>(27,900)</td><td>13,665</td></tr></table>		June 2020	September 2020	December 2020	March 2021	Quarterly PAT (₹in Lakhs)	5,465	9,600	(27,900)	13,665
	June 2020	September 2020	December 2020	March 2021							
Quarterly PAT (₹in Lakhs)	5,465	9,600	(27,900)	13,665							

The key performance ratios of the Bank were as follows:

Particulars	Mar-20	Jun-20	Sep-20	Dec-20 ²⁰	Mar-21 (Qtr. Ended)	FY 2020-21
Yield	19.88%	19.70%	19.77%	18.60%	15.74%	18.48%
Cost of Funds	7.88%	7.67%	7.37%	7.10%	6.78%	7.24%
Net Interest Margin	11.16%	10.25%	10.23%	9.70%	7.94%	9.51%
Return on Assets (ROA)	1.64%	1.16%	2.01%	-5.80%	2.74%	0.04%
Return on Equity (ROE)	9.32%	6.79%	11.63%	-34.70%	17.33%	0.26%
Cost to Income ratio	64.63%	55.89%	56.57%	62.00%	67.32%	60.32%
Other income/ Total Income	8.91%	3.70%	7.87%	12.70%	15.95%	9.97%

²⁰ Figures year ended

The Cost of Funds has reduced over the quarters largely on account of increased availability of concessional refinance, rising share in retail deposits and fiscal stimulus measures by the government. The reduction in FY21 has been largely on account of increase in the share of CASA deposits from 13.5% of total deposits in March 2020 to 20.5% in March 2021 and repayment of high cost refinance.

The Bank witnessed a dip in its interest yields during the year on account of no interest income earned on borrowers who opted for moratorium. The Net Interest Margin also dipped on account of the reduced yields.

The Bank had front loaded ₹54,700 Lakhs as additional provisioning in anticipation of stress for quarter ended December 2020. The frontloading had resulted in reduced ROA on percentage basis owing to losses booked for that quarter. The Bank has however not made any additional frontloading of provisioning in Q4 of FY 2020-21.

The Bank saw a significant improvement in cost to income ratio during the year on account of rationalisation of costs, cutting down of non-essentials, cost saving initiatives and process improvements.

Nominal increase in top line due to a muted y-o-y loan book growth of 7% coupled with significant increase in credit cost due to prudential provisioning on stressed assets resulted in lower net profit and ROA in FY21 as compared to that in FY20.

4. TABLE DF- 1: SCOPE OF APPLICATION**4.1 Qualitative Disclosures**

Parent Organisation/Holding Company: Ujjivan Financial Services Limited (UFSL)

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

4.1.1 List of group entities considered for consolidation

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

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

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

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

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

5. TABLE DF – 2: CAPITAL STRUCTURE**5.1 Qualitative Disclosures****5.1.1 Equity capital**

The Bank has an authorised capital of ₹2, 50,000 Lakhs in the form of Common Equity qualifying as Tier I capital under the guidelines of RBI. The Bank has an issued, subscribed and paid-up equity capital of ₹1,72,831.42 Lakhs, having 1,72,83,14,205 shares of face value ₹10 each as at March 31, 2021.

The licencing guidelines for SFBs permit the aggregate foreign investment in a private sector bank from all sources up to a maximum of 74% of the paid-up capital (automatic up to 49% and approval route beyond 49% to 74%). By limiting foreign shareholding in the Bank to 4.97% (Foreign Portfolio investors (FPI), Non-Residential Indians (NRI) and Foreign Nationals) as at March 31, 2021, the Bank was compliant with RBI guidelines on SFBs. Further, in compliance with the licencing guidelines, UFSL, the Holding Company, is registered as an NBFC-

The Bank takes cognisance of the same and compliance to the above guidelines will be undertaken as per the timelines prescribed. The shareholding pattern of the Bank as at March 31, 2021 was as follows:

Category of the Shareholder	No. of shares held	%age of shareholding
Promoter	1,44,00,36,800 ²²	83.32
Mutual Funds	6,05,157	0.04
AIFs	4,18,01,833	2.42
Foreign portfolio investors	7,59,31,532	4.39
Resident Individuals/HUF	14,01,26,467	8.11
Others	2,98,12,416	1.72
Total	1,72,83,14,205	100

Notes

²¹Refer RBI on Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014.

²²One Equity Share each is held by Mr. Samit Ghosh, Ms. Carol Furtado, Ms. Sudha Suresh, Mr. Rajat Kumar Singh, Mr. Ittira Davis and Mr. G Premkumar, as nominees on behalf of Ujjivan Financial Services Limited (Promoter), who is the beneficial owner of such Equity Shares.

²³Issued and Paid up equity capital

²⁴Perpetual Non-cumulative Preference Shares

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

Capital Structure- Summary of Tier I & Tier II Capital			
Sr. No.	Instrument	Whether Tier I or II	Amount (₹ in Lakhs)
1	Equity ²³	Tier I	1,72,831.42
2	PNCPS ²⁴	Tier II	20,000
Total			1,92,831.42

5.1.2 Details of PNCPS instruments

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

The claims of the investors in the instruments are:

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

Tier II Series name	Issue Amount (₹ in Lakhs)	Issue date	Date of Redemption	Basel III complaint (Y/N)	Contractual Dividend rate (% p.a.) (on a fixed rate basis)
PNCPS	20,000	09/02/2017	Perpetual	Yes	11% p.a.

5.1.3. Subordinated Debt Instrument

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

5.1.4. Dividend policy

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

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

On April 17, 2020, RBI had issued a special direction²⁵ to all commercial banks on declaration of dividends by banks. RBI had directed that all banks shall not make any further dividend pay-outs from the profits pertaining to the FY ended March 31, 2020 until further instructions. This restriction shall be reassessed by the regulator based on the financial results of banks for the quarter ending September 30, 2020.

Further to the above direction, RBI on December 04, 2020²⁶, has notified that, banks shall not make any dividend payment on equity shares from the profits pertaining to the FY ended March 31, 2020.

In view of the continuing uncertainty caused by the on-going second wave, it is crucial that the Bank remains resilient and proactively raise and conserve capital as a bulwark against unexpected losses. Therefore, while RBI guidelines²⁷ allowed certain relaxations on payment

6. TABLE DF- 3: CAPITAL ADEQUACY

6.1 Qualitative Disclosures

The Bank has been well capitalised since inception and was further augmented after its IPO. As required by RBI in its operating guidelines to SFBs²⁸, the Bank is required to adopt the Standardised approach for Credit Risk and maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 15% segregated as under:

Requirement	Threshold
Minimum Capital Requirement	15%
Minimum Common Equity Tier I	6%
Additional Tier I	1.5%
Minimum Tier I capital	7.5%
Tier II Capital	7.5%
Capital Conservation Buffer	Not applicable
Counter-cyclical capital buffer	Not Applicable
Pre-specified Trigger for conversion of AT I	CET1 at 7%

While SFBs are required to comply with Basel II norms for Capital Adequacy, as would be noted from the table above, some elements of the capital structure, such as Common Equity and Additional Tier I requirement, are from Basel III guidelines. In essence therefore, in the case of SFBs, the Regulator has adopted a hybrid model.

SFBs are not required to have a separate capital charge for Market Risk and Operational Risk for the time being in terms of an RBI communication dated November 8, 2017 (DBR. NBD. No. 4502/16.13.218/2017-18). However, as a good governance practice, and as directed by its Board, the Bank separately computes capital charge for all the Pillar 1 risks viz. Credit, Market and Operational Risk following the Standardised Approach (SA) for Credit Risk, Standardised Duration Approach (SDA) for Market Risk and the Basic Indicator Approach (BIA) for Operational Risk.

In addition to the hybrid model for complying with capital adequacy requirement, for its internal and regulatory reporting, the Bank also complies with certain aspects of Basel III requirement, such as computation and maintenance of RBI prescribed minimum Liquidity Coverage Ratio (LCR) at 90% (revised to 80% vide RBI guideline²⁹ up to

September 30, 2020, subsequent to which 90% up to March 31, 2021 and 100% thereafter) and Leverage Ratio at 4.5%.

The RBI, on March 27, 2020, had decided to defer the implementation of Net Stable Funding Ratio (NSFR) from April 1, 2020 to October 1, 2020, an extension by six months as part of its COVID-19 regulatory package. Further, the Regulator has decided to defer the implementation of NSFR guidelines³⁰ by a further period of six months. These guidelines were to come into effect from April 1, 2021. However, the same has again been deferred by a further period of six months³¹. Accordingly, the NSFR Guidelines shall come into effect from October 1, 2021.

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

The Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'). The Bank's 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 management framework in the internal capital adequacy assessment process for the identification and evaluation of the significance of all risks that the Bank faces, which may have a material adverse impact on its business and financial position. The Bank considers the following as material risks it is exposed to in the course of its business and therefore, factors these while assessing/planning capital:

Credit Risk	Underestimation of Credit Risk (Under ICAAP framework)
Market Risk	Reputational Risk
Operational Risk	Strategic Risk
Interest Rate Risk in Banking Book (IRRBB)	Compliance Risk
Liquidity Risk	People Risk
Concentration Risk	Digital and Technology Risk
Outsourcing Risk	Group Risk ³²

Notes

²⁵Refer RBI guideline on 'Declaration of dividend by banks' issued vide RBI/2019-20/218 DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020

²⁶Refer RBI guideline on 'Declaration of dividend by banks' issued vide RBI/2020-21/75 DOR.BP.BC.No.29/21.02.067/2020-21 dated December 04, 2020

²⁷Refer RBI guidelines on Declaration of dividends by banks vide RBI/2021-22/23 DOR.ACC.REC.7/21.02.067/2021-22 dated 22nd April 2021.

²⁸Refer RBI guidelines on Operating Guidelines for Small Finance Banks issued vide DBR.NBD.No.26/16.13.218/2016-17 dated October 6, 2016

²⁹Refer RBI guideline on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) issued vide RBI/2019-20/217 DOR.BP.BC.No.65/21.04.098/2019-20 dated April 17, 2020

³⁰Refer RBI guideline on Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) issued vide RBI/2020-21/43 DOR.BP.BC.No.16/21.04.098/2020-21 dated September 29, 2020

³¹Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) issued vide RBI/2020-21/95 DOR.No.LRG.BC.40/21.04.098/2020-21 dated February 5, 2021

³²As per RBI guidelines on Guidelines on Management of Intra-Group Transactions and Exposures issued vide RBI/2013-14/487 DBOD.No.BP.BC.96/21.06.102/2013-14 dated February 11, 2014

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 and operational 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 results are put up to the RMCB on a quarterly basis, for their review and guidance. The Bank periodically assesses and refines its stress tests in an effort 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.

6.2 Quantitative Disclosures

6.2.1. Basel II capital calculation

The break-up of Basel II capital funds as at March 31, 2021 was as follows:

		(₹ in Lakhs)
Description	Amount	
Core Equity Tier I Capital - Instruments and Reserves		
Directly issued qualifying common share capital plus related stock surplus (share premium)	1,72,831	
Retained earnings	1,26,992	
A CET1 capital before regulatory adjustments	2,99,824	
Core Equity Tier I Capital - Regulatory Adjustments		
Deferred tax assets arising from temporary differences	20,909	
Intangibles (Prepaid Expenses & Computer Software)	12,647	
Credit Enhancements	0	
Regulatory Adjustments applied to CET1 Capital due to insufficient funds in Tier II to cover deductions	0	
B Total regulatory adjustments to CET1 Capital	33,557	
C CET1 capital (A-B)	2,66,267	
Additional Tier I Capital - Instruments and Reserves		
Preference Shares	20,000	
E AT1 capital before regulatory adjustments	20,000	
Additional Tier I Capital - Regulatory Adjustments		
F Total regulatory adjustments to AT1 Capital	-	
G AT1 Capital	20,000	
H Tier I Capital (C + G)	2,86,267	
Tier II Capital - Instruments and Provisions		
Sub-debt eligible as Tier II capital	0	
General Provisions on Std. Assets admissible as Tier II	13,675	
Investment Fluctuation Reserve	2,051	
I Tier II Capital before regulatory adjustments	15,726	
Tier II Capital - Regulatory Adjustments		
J Total Regulatory Adjustments to Tier II Capital	-	
K Tier II Capital (I - J)	15,726	
L Total Regulatory Capital (H + K)	3,01,993	

Capital Requirements for Various Risks		
Sr. No.	Capital Requirements for various Risks	Amount (₹ in Lakhs)
A	Credit Risk	1,71,299
A.1	For non-sec portfolio	1,71,299
A.2	For Securitized portfolio	NIL
B	Market Risk	220
B.1	For Interest Rate Risk	196
B.2	For Equity Risk	24
B.3	For Forex Risk (including gold)	NIL
B.4	For Commodities Risk	NIL
B.5	For Options risk	NIL
C	Operational Risk	26,538
D	Total Capital Requirement	1,98,057
E	Total Risk Weighted Assets	14,76,463
F	Total capital funds of the bank	3,01,993
G	Capital Adequacy Ratio of the Bank (%)	26.44%

6.2.2. Credit Risk RWA

The detailed break up of Credit RWA is as follows:

		(₹ in Lakhs)
Asset Description	RWA	
Cash and Balances with Reserve Bank of India	0	
Balances with Banks and Money at Call and Short Notice	17,319	
Investments	1,958	
Advances	10,69,668	
Fixed Assets	17,354	
Other Assets	28,331	
Off Balance Sheet	7,365	
Total Credit RWA	11,41,996	

6.2.3. Operational Risk RWA

Although RBI has not mandated SFBs to maintain capital charge for Operational Risk, the Bank has adopted Basic Indicator Approach (BIA) for measuring the capital requirements for Operational risk as applicable to Scheduled Commercial Banks. The Bank has computed its Operational Risk Capital Charge at 15% of the average of gross income for the past three completed years of operation.

The detailed computation is as follows:

Particulars	Mar-19	Mar-20	Mar-21
Net Profit	19,922	34,992	830
Operating Expenses	1,00,335	1,31,858	1,23,008
Provisions and Contingencies	10,980	28,731	80,100
Gross Income	1,31,237	1,95,581	2,03,937
Average (3 years)	1,76,918		
Capital Charge		26,538	
RWA		3,31,722	

6.2.4. Market Risk RWA

As at March 31, 2021, the AFS³³ book consisted of treasury bills), Commercial Papers (CPs) and Certificate of Deposits (CDs) and the HFT³⁴ book consisted of T-bills and Government of India securities. On the basis of SDA³⁵, the capital requirement for market risk reported to the Board from a governance perspective was as under:

		(₹ in Lakhs)
Capital Requirement for Market Risk	Amount	
Interest Rate Risk	196	
Equity Position Risk	24	
Foreign Exchange Risk	--	
Total	220	
Total Market Risk RWA	2,745	

6.2.5. Basel II CRAR (with only Credit RWA and Pillar I risks)

		(₹ in Lakhs)
Particulars	Amount/Ratio (Only Credit RWA)	Amount/ Ratio (all Pillar 1 risks)
Tier I Capital	2,86,267	2,86,267
Tier II Capital	15,726	15,726
Total Capital	3,01,993	3,01,993
Total RWA	11,41,996	14,76,463
CET Ratio	23.32%	18.03%
Tier I Ratio	25.07%	19.39%
Tier II Ratio	1.38%	1.07%
CRAR	26.44%	20.45%

Notes

³³Available for Sale

³⁴Held for Trading

³⁵Standardized Duration Approach

The Bank registered a nominal PAT of ₹830 Lakhs for FY 2020-21 and while the RWA increased to ₹11,41,996 Lakhs (₹10,77,457 Lakhs as at March 2020) which when combined has resulted in a decreased CRAR.

However, it is pertinent to note that the capital adequacy is transitory in nature and is expected to further optimise with higher credit off-take during the last quarter of the FY. The Bank is however comfortably placed in meeting its minimum capital requirements of 15% as per Operating Guidelines for Small Finance Banks.

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

7.1. Qualitative disclosures

7.1.1. Credit Risk Management

Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions.

The Bank has implemented a comprehensive credit risk management architecture. The Board of Directors of the Bank endorses the credit risk strategy and approves the credit risk policies of the Bank. This is done taking into consideration the Bank's risk appetite, derived from perceived risks in the business, 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) guides the development of policies, procedures and systems for managing credit risk, towards implementing the credit risk strategy of the Bank. The RMCB ensures that these are adequate and appropriate to changing business conditions, the structure and needs and the risk appetite of the Bank. 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 in the Bank. 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. 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 Risk Management function in the Bank is clearly demarcated and independent from the operations and business units of the Bank. The Risk Management department is not assigned any business targets.

The Bank's Credit Policy, Credit Risk Management Policy, Credit Manuals, Product Programmes, NPA Management Policy and Interest Rate Policy, form the core in controlling credit risk in various activities and products. These articulate the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. These policies define the Bank's overall credit granting criteria, including the general terms and conditions. The policies/Programmes typically address areas such as target markets/customer segmentation, qualitative and quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms. They take cognisance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the Bank's activities, market dynamics etc.

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). In the backdrop of the pandemic, the Bank is currently enhancing its occupation/industry wise exposure tracker and limits thereof. The enhanced framework is expected to go live by Q4 of this FY.

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. These concentration ceilings and exposure levels are periodically reported to the Credit Risk Management Committee (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.

7.1.2. Definitions of past due and impaired loans

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

- Interest and/or instalment remains overdue for a period of more than 90 days in respect of a Term Loan;
- The account remains out of order for 90 days;
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted. The Bank does not offer Bill Discounting as a product.
- In case of advances granted for Agricultural purposes
 - The instalment or interest thereon remains overdue for two crop seasons for short duration crops
 - The instalment or interest thereon remains overdue for one crop season for long duration crops
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
- In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment. The Bank had no derivative transaction on its books.

7.1.3. Provisioning norms of the Bank

The Board reviews the provisioning norms of the Bank at regular intervals to determine if any enhanced provisioning is required based on credit performance. Despite a history of low Portfolio at Risk (PAR) and delinquencies, the microfinance portfolio of the Bank is unsecured and events (such as demonetisation and the current COVID-19 pandemic) have impacted/are expected to impact the portfolio quality at Bank wide level. Taking cognisance of this and especially since the microfinance portfolio comprised 72% of the loan book as at March 31, 2021, the Bank has always deemed it appropriate to follow a conservative approach to its provisioning policy.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package guidelines dated March 27, 2020 and April 17, 2020, the Bank had granted a moratorium of three months on the

payment of all instalments and / or interest, as applicable, due between March 1, 2020 to May 31, 2020 to all eligible borrowers classified as standard, even if overdue up to 1-89 DPD, as on February 29, 2020 (Opt-out basis). In line with the additional Regulatory Package guidelines dated May 23, 2020, the Bank granted a second three-month moratorium on instalments or interest, as applicable, due between June 1, 2020 and August 31, 2020 to borrowers who opted for this (Opt in basis). For all such accounts where the moratorium is granted, the asset classification remained standard during the moratorium period (i.e. the number of day's past-due shall exclude the moratorium period for the purposes of determining whether an asset is non-performing).

7.1.4. Rescheduled/Restructured loans

RBI had issued two guidelines and one FAQ note post May 23, 2020 for treatment of advances which are as follows:

- RBI has mandated all banks to adopt the Resolution Framework for COVID-19-related Stress³⁶. Considering the impact of COVID-19 pandemic, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, RBI had decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions. The lending institutions shall ensure that the resolution under this facility is extended only to borrowers having stress on account of the pandemic. Further, the lending institutions will be required to assess the viability of the resolution plan, subject to the prudential boundaries laid out in these guidelines.
- Further, RBI had issued a separate guideline for 'Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances dated August 6, 2020. In view of the continued need to support the viable MSME entities on account of the fallout of pandemic and to align these guidelines with the Resolution Framework for COVID-19 – related Stress³⁷ announced for other advances, RBI had directed to extend the scheme permitted in terms of the aforesaid circular. Accordingly, existing loans to MSMEs classified as 'standard' may be restructured without a downgrade in the asset classification, subject to certain conditions.

Notes

³⁶Refer RBI guidelines on Resolution Framework for COVID-19-related Stress dated August 6, 2020

- On October 13, 2020, RBI issued an FAQ on Resolution Framework for COVID-19 related stress. The document provided relevant clarifications such as inclusion of allied agriculture activities, definition of MSME, clarification on microfinance or JLG borrowers etc.

A summary of the requirements are as follows:

MSME Restructuring – COVID-19	Personal Loan – Resolution COVID-19	Other Exposure – Resolution COVID-19
Aggregate Exposure of banks and NBFC to a borrower is up to ₹2,500 Lakhs	Includes Consumer Credit, Housing Loan, LAP, Education loan, Home Improvement Loan	Applicable for any other exposure other than Personal Loan, MSME loan up to ₹2,500 Lakhs, Farm Credit, loan to credit societies, loan to FIs, loan to government, loan to HFCs.
Asset Classification shall be Standard as on March 1, 2020 (1- 89 DPD)	Not applicable to Staff Loan	
Restructuring is to be completed by March 31, 2021.	Asset Classification shall be Standard but not in default for more than 30 days as on March 1, 2020	Asset Classification shall be Standard but not in default for more than 30 days as on March 1, 2020.
GST Registration is required. (Not required for MSMEs exempted from GST Registration)	Resolution is initiated by December 31, 20 and is to be completed within 90 days from invocation Moratorium may be maximum of 2 years	Resolution is initiated by December 31, 2020 and is to be completed within 180 days from invocation Moratorium may be maximum of 2 years.
Loan facility remains standard. Borrower slipped to NPA during March 2, 2020 to Implementation date may be upgraded.	Loan facility remains standard. Borrower slipped to NPA between invocation date to Implementation date may be upgraded.	Loan facility remains standard. Borrower slipped to NPA between invocation dates to Implementation date may be upgraded.
Additional Provision @5% over and above the existing provision.	Provision @10%.	Provision @10%.

Additional considerations:

- In case of personal loans resolved under this facility, half of the above provisions may be written back upon the borrower paying at least 20% of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10% of the residual debt without slipping into NPA subsequently.
- In case of resolution of other exposures, the provisions maintained by the ICA³⁸ signatories (if found applicable) may be reversed as prescribed in point 1. However, in respect of the non-ICA signatories (if found applicable) while half of the provisions may be reversed upon repayment of 20% of the carrying debt, the other half may be reversed upon repayment of another 10% of the carrying debt, subject to the required IRAC provisions being maintained.

To give effect to these guidelines, the Bank has in place a Board approved policy for restructuring and resolution framework for COVID-19 related stressed assets. The policy includes aspects such as the eligibility criterion, asset classification and provisioning norms, conditions for reversal in provisions and asset classification, approach for restructuring at a vertical level, delegation of power/authority and disclosure requirements.

For the Microbanking portfolio, the Bank has completed the restructuring under this framework for 3.73 Lakhs accounts amounting to ₹85,218 Lakhs. A two fold approach was taken

for the one-time restructuring which was as follows:

- Customers who needed a complete recast of the loan with reduction in EMI and tenor extension.
- Customers who were paying with a lag were provided moratorium to make them current.

Out of the total 3.73 Lakhs accounts that have been restructured, the break up for the same is as below

- EMI Reduction and Tenor Extension – 2.19 Lakhs accounts with an OSP of ₹52,623 Lakhs
- Moratorium of 1-2 months – 1.51 Lakhs (OSP of ₹31,568 Lakhs) accounts given only to customers paying with a lag in 1-60 DPD bucket
- In isolated cases Loans were given to SMA borrowers amounting to ₹1,027 Lakhs but these accounts were treated as restructured and additional provision was held.

For the MSE and Housing loans segment, the Bank has completed the identification exercise

that would be subject to restructuring within stipulated timelines. On the restructuring front, the exercise was completed in 78 accounts in MSE amounting to ₹1,299 lakhs, as at March 31, 2021. COVID restructuring has been provided for 121 borrowers in Housing Loans amounting to ₹1,372 lakhs.

With the resurgence of pandemic (second wave) in India during March 2021 and the consequent containment measures to check the spread of the pandemic RBI has announced two directions³⁹ (Resolution framework 2.0 for individuals and small businesses and MSMEs) with the objective of alleviating the potential stress. The above dispensation for restructuring existing loans would be without a downgrade in the asset classification subject to certain conditions. This dispensation can be allowed for the credit facilities / investment exposure to the borrower which was classified as Standard by the lending institution as on March 31, 2021. The last date for invocation of resolution permitted under this window is September 30, 2021 and the resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. To ensure compliance to this framework, the Bank is currently updating its restructuring policy in line with the new directions within the time stipulated. The Bank is also in the process of identifying borrowers who may be extended with this dispensation. The details of the same shall be furnished in the ensuing disclosures.

7.1.5 Credit Risk Monitoring:

7.1.5.1 Micro finance portfolio

The Bank undertakes portfolio monitoring on a periodic basis with specific focus on key portfolio triggers. The Bank has defined quantitative trigger limits with respect to early delinquency rates, On Time Repayment Rates (OTRR) and spurt in business growth. Any exception to the internally defined thresholds is reviewed by the Head of Credit – Microbanking and Rural Banking. The Bank monitors the health of its Microbanking portfolio at branch level through its branch scorecards. These scorecards assess the performance on various parameters such as incremental over-dues, error rates, non-starter cases, collection performance etc. The Bank undertakes its portfolio monitoring separately for Group Loans (GL) and Individual Loans (IL) within the Microbanking segment.

The monitoring framework for Microbanking vertical has been enhanced further in light of the

pandemic. The Bank monitors collection trends at a bucket level separately for the restructured and non-restructured book on a daily basis. The collection team strength has been increased for daily follow up with the customers towards repayment of loans.

The Bank has also chalked out a state wise recovery plan to identify problem states with respect to collections. Where collections are observed to be improved, incremental business is sourced from those states.

Considering that many a time the external environment or factors affect the portfolio, the Bank also monitors area specific communal issues, protests, sub-lending/ring leader 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.

The Bank has developed risk scorecards for objective based credit appraisal and monitoring. This application score card has been integrated with Business Rule Engine (BRE) where every application will have a score generated from BRE which shall be reviewed as part of credit appraisal. This score will be in addition to present BRE rules. The Bank intends to monitor the performance of these scorecards for further fine-tuning of parameters.

7.1.5.2 Housing and Micro and Small Enterprises (MSE) portfolios

Credit risk monitoring for MSE and Secured Housing loans is broadly done at two levels – account level and portfolio level. While regular portfolio reviews are undertaken to assess the health of the portfolio, the Bank 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 actionable.

The Bank has also introduced an Early Warning System (EWS) at an account level for enhanced monitoring. This framework enables the Bank to monitor a borrower's internal/external repayment record and signs of overleveraging efficiently on an on-going basis. Prior to the pandemic, the Bank had launched this framework on a pilot basis encompassing

Notes

³⁷Refer RBI guidelines on Resolution Framework for COVID-19-related Stress dated August 6, 2020.

³⁸Inter Creditor Agreement

Notes

³⁹Refer RBI guidelines on Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses and Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs).

1,000 accounts each in MSE and Housing. This framework has however been put on hold on account of the pandemic and the Bank has made changes to its EWS mechanism by solely relying on external bureau based triggers monitored on a real time basis.

Risk scorecards are developed and implemented for introducing objective based lending. These application scorecards have been integrated with Loan Operating Systems (LOS) where every application will have a score generated from LOS which shall be reviewed as part of credit appraisal. This score will be in addition to present appraisal norms. These scorecards are subject to statistical validation, subsequent to which, the same will be a part of credit decision making.

7.1.5.3 Other Portfolio- FIG, Vehicle Loans, Personal Loans and Rural Banking

The Bank monitors the portfolio performance of other business verticals on a monthly basis. Business, Credit and Risk functions monitor these verticals on key indicators such as logins, turnaround time, ticket size, sanctioned versus disbursement, product performance, PAR and NPA trends etc. Risk department undertakes an independent assessment of the same and submits its findings to the CRMC for further action.

The Bank has introduced an internal rating model for Institutional Lending and Kisan Suvidha Loans (KSL) under Rural Banking.

Development of rating scorecards for Vehicle Loans and Personal loan segments are at different stages of implementation. The Bank has availed of the services of a credit bureau agency for assisting in the development of scorecards for vehicle loans and is at an advanced stage to finalise a vendor for development of scorecards. For personal loans and other agriculture loans under Rural Banking (Kisan Pragati Loans and Vikas Loans), the Bank intends to develop internal scorecards. The Bank intends to move these scorecards into production by June 2021.

The Bank assesses Early Warnings for monitoring FIG loans on a regular basis. For Personal Loans and Vehicle loans, the Bank has subscribed to various bureau reports to provide daily data on changes in credit scores, changes in residential and communication details and increase/decrease in leverage as part of monitoring activities.

The Internal Audit Department also evaluates the adequacy and effectiveness of processes to ensure adherence to various internal and regulatory guidelines and they in turn submit their findings along with recommendations at

appropriate forums within the Bank. Based on the findings, the Bank undertakes the necessary changes to its various product Programmes and credit policies.

7.1.6 Audit

The Bank is subject to have an independent **Internal Audit** department (IAD) under Governance norms mandated by the Reserve Bank of India (RBI). The Audit Department of the Bank complies with the latest RBI circular on Risk Based Internal Audit (RBIA) Framework – Strengthening Governance arrangements dated January 7, 2021. All the staff having requisite skills to audit all areas of the Bank with areas of knowledge and desired skills in Banking Operation, Accounting, Information Technology, Data Analytics and Forensic Investigation etc. The internal audit function and its functionaries are responsible and:

- Accountable and report only to the Board through the Audit Committee of Board (ACB);
- Independent of auditable activities i.e., have no responsibilities related to the first line of defence, the second line of defence and the vigilance function;
- Audit all activities undertaken by the first line of defence, the second line of defence and the vigilance function;

The IAD has its own Audit Policy and Manual approved by the Board. These are annually reviewed and ensured that Regulatory expectations are met. The Internal Audit process of the Bank complements the risk management and monitoring tool as the third line of defence. The IAD has following Audit verticals where in the Risk Based Internal Audit (RBIA) approach has been established. As a control function always striving for improvements in functional knowledge of its staff and work to support the Bank in strengthening control environment. The audit activities by Department are explained below:

- a) **Branch Audit:** The audit is performed at the operational branches, including Banking Correspondents. IAD now has internally developed Risk Control Matrices and assesses the residual risks at the branches. The Department follows a quantitative and qualitative risk assessment for each and every branch audit. This helps the operating and senior management to take appropriate mitigation on the identified risks. Effective October 1, 2020, IAD implemented the Board instructions to provide comprehensive assessment of the control environment in Micro-banking and Branch Banking.

- b) **Credit Audit:** The audit of lending activity covers all the assets, products, process and credit risk department, which enumerates the risks in aggregation. This approach assesses the root cause and focused mitigation plan. Apart from these, loan review mechanism of all accounts beyond a threshold limit as approved by the ACB is also part of Credit Audit. The risk identification, measurement and mitigation from sourcing to monitoring and collection of asset accounts results in continuous improvisation.

- c) **Central Function:** Largely focus on all HO functions/departments, second line of defence, vigilance function and all liability operations. The RBIA approach is in accordance with ICAI and IIA US standards. This encompasses the Governance, Risk Management and Control (GRC) approach in each and every audit and internal review.

- d) **IS Audit:** Assessment of application level risks, IT infrastructure (Network, Operating systems, Database), IT processes/ Operations and IT governance to assure information assets are protected and security risk is mitigated, are covered in this audit activity and/or Integrated audit activities wherein, the IT controls are reviewed, as part of an end-to-end coverage of business process along with General IS controls.

- e) **Concurrent Audit:** As per RBI guidelines on Concurrent Audit System in Commercial Banks, Concurrent audit at branches should cover at least 50% of the advances and 50%

of deposits of a bank. In addition to these, there are specific branches/verticals which fall under the ambit of concurrent audit as per the RBI guidelines.

The Bank has put in place a Board approved separate Concurrent Audit Policy. On September 18, 2019, RBI has revised guidelines on Concurrent Audit and has advised banks to follow the Risk based approach in Concurrent Audit. IAD revised its policy and process which was approved by ACB in January 2020. Effective April 1, 2020, the Branch identification and implementation of Concurrent Audit activity is now in accordance with approach prescribed by RBI. Accordingly, the Bank identified the branches that contributed more than 50% of advances and 50% of deposits of the Bank and these are covered under concurrent audit. In FY 2020-21, 137 branches contributing 60% of Bank's business were covered under Concurrent Audit.

Additionally, few critical processes like Payments and Treasury function are also covered under Concurrent Audit.

In accordance with the IAD policy, all the auditors adhere to the code of ethics of Institute of Internal Auditors (IIA) Inc. As professionals, members of IAD are additionally subjected to the code of ethics of other professional bodies to which they belong like ICAI. IAD members apply and uphold the principles of Integrity, Objectivity, Competency and Confidentiality.

7.1 Quantitative Disclosures

The overall distribution of gross advances as at March 31, 2021 was as under:

Vertical	OSB	Provisions	% Share
Microbanking (includes Rural Banking)	10,86,813	84,060	71.78
Housing	2,05,346	4,005	13.56
MSE	1,29,512	6,132	8.55
Personal Loan	13,931	803	0.92
Vehicle Loan	7,418	93	0.49
Institutional Lending	64,848	324	4.28
Staff Loans	2,175	13	0.14
Loans against deposit	5,285	26	0.35
Less adjustments	1353 ⁴⁰	-	0.09
Total	15,13,996	95,456	100.00

The total provision held as at March 31, 2021 was ₹95,456 Lakhs. The balance available at a book level as at March 31, 2021 was ₹17,180 Lakhs.

Notes

⁴⁰Adjustments on account of interest reversals in NPA accounts.

7.2.1 Exposure summary: Facility type

Exposure Type	Domestic (₹ in Lakhs)	Overseas
Fund Based exposure	20,38,079	--
Non-Fund Based Exposure*	21,862	--
Total	20,59,941	--

*Non-fund based exposure for purpose of computation of CRAR includes undrawn limits of Overdrafts, Secured Housing and MSE customers and Contingent liabilities.

7.2.2 Geographic Distribution of advances (State-wise)

States	Total Advances (in Lakh)	% Share
Assam	35,413	2.34%
Bihar	92,206	6.09%
Chandigarh	2,442	0.16%
Chhattisgarh	8,132	0.54%
Delhi	44,881	2.96%
Goa	1,100	0.07%
Gujarat	1,25,079	8.26%
Haryana	72,177	4.77%
Himachal Pradesh	1,642	0.11%
Jharkhand	31,012	2.05%
Karnataka	2,18,003	14.40%
Kerala	24,459	1.62%
Madhya Pradesh	22,686	1.50%
Maharashtra	1,47,119	9.72%
Meghalaya	1,727	0.11%
Odisha	40,253	2.66%
Pondicherry	10,783	0.71%
Punjab	37,125	2.45%
Rajasthan	64,244	4.24%
Tamil Nadu	2,40,094	15.86%
Tripura	17,198	1.14%
Uttar Pradesh	67,470	4.46%
Uttarakhand	6,675	0.44%
West Bengal	2,02,076	13.35%
Grand Total	15,13,997	100.00%

7.2.3 Advances distribution by activity

Sr. No.	Categories	Disbursements during the Quarter		Outstanding at the end of the Quarter		
		No. of A/cs	Amount disbursed	No. of A/cs	No. of beneficiaries	Balance O/s
1. Priority Sector (I+II+III+IV+V+VI+VII+VIII+IX)		7,56,464	3,16,729	42,62,314	40,51,696	8,27,284
I.	Agriculture (IA+IB+IC+ID)	2,74,359	1,03,123	15,66,274	15,16,087	1,58,547
II.	MSMEs (i)+(ii)+(iii)+(iv)+(v)	6,243	20,193	6,72,045	6,18,743	51,257
III.	Export Credit	-	-	-	-	-
IV.	Education	0	0	2	2	1
V.	Housing	2,130	18,836	1,81,360	1,79,259	1,71,74,989
VI.	Renewable Energy	-	-	-	-	-
VII.	Social Infrastructure	-	-	-	-	-
VIII.	'Others' category under Priority Sector	4,73,732	1,74,577	18,42,633	17,37,605	4,45,729
IX.	Net PSLC					
2. Non-Priority Sector Loans (I+II+III+IV+V)		26,847	56,186.57	2,00,214	1,79,541	6,86,76,829
I.	Agriculture	0	0	71	71	2,25,002

Sr. No.	Categories	Disbursements during the Quarter		Outstanding at the end of the Quarter		
		No. of A/cs	Amount disbursed	No. of A/cs	No. of beneficiaries	Balance O/s
II.	Out of Agriculture, Loans against Negotiable Warehouse Receipts (NWRs)					
III.	Education Loans					
III.	Housing Loans	11,381	12,123	27,597	27,356	1,03,048
IV.	Personal Loans under Non-Priority Sector	3,019	5,654	12,380	12,368	15,992
V.	Other Non-Priority Sector Loans	12,447	38,410	1,60,166	1,39,746	3,42,726
3. Total Loans (1+3)		7,83,311	3,72,915.86	44,62,528	42,31,237	15,14,052.55

7.2.4 Priority Sector Lending (PSL) Compliance

The licencing conditions for SFBs require that PSL composition of a bank's asset book is a minimum of 75% of the total portfolio. Further, the overall PSL achievement of 75% should be maintained as at end of the year and not mandatory at the end of every quarter. The Bank calculates surplus/deficit as provided in Annex IV of the circular RBI/FIDD/2020-21/72 Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated 04.09.2020.

While there is a quarterly monitoring of PSL in total and category-wise, the final compliance to PSL is reckoned on a yearly basis i.e. at the end of the FY. For computing PSL, the Bank takes the ANBC⁴¹ of corresponding quarter of the previous year.

The ANBC as on the corresponding date of the preceding year i.e. March 31, 2020 was ₹14, 35,329.53 Lakhs. The Priority Sector lending was maintained at 57.64% as a percentage of ANBC for quarter ended March 31, 2021. The summary of compliance to PSL norms is as follows:

Sr. No.	Sector wise achievements	Effective ANBC	Total Outstanding	% Achievement
1.	Overall PSL	14,35,329.53	8,27,284.25	57.64
2.	Agriculture	14,35,329.53	1,58,546.53	11.05
3.	Small and Marginal Farmers	14,35,329.53	1,43,635.95	10.01
4.	Non-Corporate Farmers	14,35,329.53	1,58,543.95	11.05
5.	Micro Enterprises	14,35,329.53	38,264.93	2.67
6.	Weaker Sections	14,35,329.53	8,27,284.25	57.64

For the purpose of calculating PSL lending percentage, the average net PSL maintained in Q1, Q2, Q3 and Q4 of FY 2020-21 was ₹9,90,457 Lakhs as against the average ANBC of ₹13,05,299 Lakhs. The average PSL maintained on YTD basis was 75.88%. Alternatively, the average of quarterly achievements (in %) is 77.45%. The details of the calculations are as below:

Particulars	Q1	Q2	Q3	Q4
Gross PSL	12,26,984	11,42,101	11,00,457	12,32,284
PSLC (as until quarter)	-	1,50,000	1,85,000	4,05,000
Net PSL – (x)	12,26,984	9,92,101	9,15,457	8,27,284
ANBC	11,39,416	12,84,727	13,61,723	14,35,330
Target (75% of ANBC) – (y)	8,54,562	9,63,545	10,21,292	10,76,497
Achievement (Net PSL upon ANBC) for the quarter [QPSA]	107.69%	77.22%	67.23%	57.64%
Surplus/Deficit (in lakhs) (x) – (y)	3,72,422	28,556	(1,05,836)	(2,49,213)
Average Surplus (in Lakhs year till date)	3,72,422	2,00,489	98,381	11,482

Notes

⁴¹Adjusted Net Bank Credit

7.2.5 Maturity pattern of assets and liabilities

(₹ in Lakhs)				
Buckets	Loans and advances	Investments	Deposits	Borrowings
Day - 1	154	-	3,065	-
2-7 Days	14,800	-	30,760	-
8-14 Days	27,719	-	23,045	52,214
15-30 Days	43,160	-	34,212	-
31 Days and up to 2 months	79,241	2,489	70,981	62,214
Over 2 months and up to 3 months	77,014	-	94,863	15,380
Over 3 Months and up to 6 months	2,19,058	9,885	1,90,144	40,455
Over 6 Months and up to 1 year	3,51,592	29,173	4,87,761	63,205
Over 1 Year and up to 3 years	3,41,785	11,068	3,74,446	86,264
Over 3 Year and up to 5 years	97,105	15,030	3,621	5,000
Over 5 years	1,97,767	1,83,999	679	-
Total	14,49,395	2,51,645	13,13,577	3,24,732

The Assets to liabilities are in a comfortable and positive position in all maturities cumulatively.

Non-performing assets (NPA)

(₹ in Lakhs)					
Category of Gross NPA	March 2020	June 2020	September 2020	December 2020	March 2021
Sub-standard	12,491	11,144	7,671	3,799	1,01,784
Doubtful	1,056	2,651	4,972	8,089	4,947
Loss	167	188	966	1,171	329
Total	13,714	13,983	13,609	13,058	1,07,060

	March 2020	June 2020	September 2020	December 2020	March 2021
Net NPA	2,749	2,510	1,908	640	42,458

NPA Ratios	March 2020	June 2020	September 2020	December 2020	March 2021
Gross NPA to Gross Advances	0.97%	0.97%	0.98%	0.96%	7.07%
Net NPA to Net Advances	0.20%	0.18%	0.14%	0.05%	2.93%

The Gross Non-Performing Assets have registered a sharp increase as at March 31, 2021 due to removal of the NPA standstill which was earlier mandated by the Honourable Supreme Court. The increase in GNPA is largely on account of the adverse effects of the pandemic.

7.2.6. Movement of Net NPAs

Particulars	March 2020	June 2020	September 2020	December 2020	March 2021
Opening Balance	2,755	2,749	2,749	2,749	2,749
Additions during the period	3,325	312	869	920	42,994
Reductions during the period	3,331	551	1,711	3,029	3,285
Closing Balance	2,749	2,510	1,908	640	42,458

7.2.7 Key Risk factors affecting the credit portfolio and strategy

7.2.7.1 Impact of Second wave

The impact of the recent spike in COVID cases (COVID 2.0) is expected to affect the portfolio performance across verticals largely on account of the mobility restrictions placed by various states.

It is to be noted that while the second wave is more pronounced with higher transmission rates, the restrictions placed by the states are observed to be calibrated with focus on both lives and livelihoods. While the Bank may expect muted collections in the month of April, May and June of the ensuing year, recent readings of the various economic parameters indicate a sharp bounce back post lifting of mobility restrictions. There is also reason to believe that the recovery will be sharp and swift with strong precedents available post lifting of the national lockdown during the first wave. Further, the timely intervention of the Regulator in providing

resolution schemes to borrowers affected by the pandemic should enable reducing distress. Pent up demand for various goods and services is also expected to play a pivotal role in increased business.

The vertical-wise report on the portfolio performance for Q4 is provided hereunder:

7.2.7.2 Microfinance and Rural banking

The Microfinance and Rural banking portfolio, which was affected by the pandemic adversely, had registered signs of strong recovery after December 2020. This was evidenced in the composite collection rates where it was observed to be reaching to almost pre-pandemic levels. The composite collection rates recorded during the quarter were as below:

Vertical	January 2021	February 2021	March 2021
MB & RB	91%	92%	94%

Collection efficiency improved to 94% in March 2021, an increase by 2% from February 2021. By including pre-closure and advance collection, the collection efficiency registered was 105% in the month of March 2021. 11% of collections were undertaken through digital channels. All the states had witnessed good improvement in collection efficiency in Q4 except Goa where collections dropped marginally by 0.4%

A summary of the key issues faced in the following states along with measures adopted by the Bank are as below:

State	Current Status	Action Taken
Assam	<ul style="list-style-type: none"> Election being over, there was speculation on loan waivers; MFI Protest and loan waiver commitment by ruling party in the State; Income impacted for migrant labourers, forced to return to their native place since jobs are unavailable due to the pandemic; Business slow down and income reduction in many occupations due to mobility restrictions in operations till 2 p.m. 	<ul style="list-style-type: none"> Enhanced focus on digital payment; Pre-calling of all customers requesting them to keep the payment ready with them; Pre-calling to know whether the area is allowed for movement or if there are any issues from public.
Punjab	<ul style="list-style-type: none"> Violent protest – Farm Bill, Loan and Interest Waivers and rumors by trade unions and political leaders and influencers causing damage; COVID cases have been gradually increasing. 	<ul style="list-style-type: none"> Reduced the borrower base per officer in critical areas for special focus on collection; Door to Door collection to convince customers to repay; continued with pre-calling prior to center meetings; Encouraged collections through different channels; Mentorship programme for branches for better monitoring; Evangelisation with the help of good customers to create awareness on the importance of having a good credit history; Allocation of accounts to specific channels in order to focus on bucket wise collections.
Maharashtra	<ul style="list-style-type: none"> Micro containment zones increasing day by day in Mumbai Cluster; Several occupations have been impacted due to stringent guidelines by Maharashtra government for controlling the pandemic situation; Migration–local migration / native place only, in anticipation of further stricter guidelines of lockdown in Maharashtra; Severe Field Stress and Violent Agitation. 	<ul style="list-style-type: none"> More focus has been laid on regular collection with an aim to increase it over 99 % in non-OD pool across the branches; Increased number of visits where there are no restriction on public transport; Increase collections through different channels and not only limit to center meetings / door to door collections; Notices are being sent to higher bucket customers.
Tamil Nadu	<ul style="list-style-type: none"> Members expressed concerns over loan waivers promise made by the political parties during elections; Night Curfew, restrictions on inter district movement and Sunday curfews have affected daily wage earners with income reduced >50%. 	<ul style="list-style-type: none"> Increase cashless collection in Containment zones; Mandatory calling of customers before center meeting.

On the restructured portfolio, the Bank monitors the collection performance on a daily basis. Collection post restructuring is undertaken on a war footing to ensure the success of the exercise. No additional restructuring was done in Q4 FY21. The restructuring book constituted 6.8 % of the portfolio as at March 2021 (8.5% in December 2020). The collection efficiency of the restructured book was consistent at 74% as compared to 49% prior to restructuring. While some levels of delinquencies were anticipated and were already factored in for the purpose of front loading ₹54,700 Lakhs of provisioning (in December 2020), it is an imperative that the actual collections rates are aligned to what was envisaged. Any adverse deviation from the collections rates may lead to further slippage to NPA and subsequently warrant additional provisioning.

The Bank intends to continuously introduce/strengthen its collection practices to address the challenges in the FY. Some of the actions which are already initiated/further enhanced are as follows:

- **Strengthening Collection Capacity:** Hiring of additional man power to ensure sustained follow up with each customer.
- **Bucket-wise collection focus:** Clear bifurcation of default cases of the various SMA accounts and assignment between business and collection staff.
- **Multiple Reminders through SMS and Calling:** Customised SMS and calling in vernacular language. Pre-calling to SMA customers before center meeting date by branch staff.
- **Use of data and analytics:** Use of bureau data to identify customers who are paying to others and focus on them.
- **Improve cashless collection:** Provide multiple options to customers to repay – cashless collections through digital payment apps and Airtel payment points.

The composite collection rates recorded during the quarter were as below:

Vertical	January 2021	February 2021	March 2021
Secured MSE	92%	92%	94%
Unsecured MSE	90%	89%	90%

- **Simplified overdue tracker** for field functionaries.
- **Enhanced focus on affected geographies:** Prioritisation of hiring off role staff in these affected states. Mentorship and Supervisory ownership of least collection branches, Co-ordinate with MFIN to balance political issues.

7.2.7.3 MSE⁴²

As at March 31, 2021, there were 11,066 secured MSE accounts and 4,237 Unsecured MSE accounts. During the quarter, the Bank had constituted a special task force with focused attention on the unsecured MSE portfolio to ensure that slippages are contained.

New case log-ins have been above pre-COVID levels with more focus on semi-formal and formal segments.

There were 7,283 Loan Against Property (LAP-SENP-SEP⁴³) accounts with a total book of ₹65,129 Lakhs. Loan Against Property (LAP SENP-SEP) constituted 50.6% of the total MSE portfolio.

There were 1,495 Secured Enterprise Loan (SEL) accounts with a total book of ₹35,208 Lakhs.

Unsecured Overdraft (Progcap partnership) was launched during the year for the purpose of tapping opportunities in financing consumer durable lending. This partnership was backed by First Loss Default guarantee (FLDG). The book has exhibited satisfactory performance.

All regions have witnessed sharp increase in PAR30+ and PAR90+ due to adverse downturn in the economy on accounts of the pandemic. The YTD portfolio⁴⁴ performance has been relatively better off due to policy measures initiated early on by strengthening appraisal parameters. PAR30+ for secured MSE closed at 12.93%, while PAR90+ closed at 9.08% as at March 31, 2021.

During the moratorium period, the Bank had expanded its product basket across businesses. MSE Navnirman Loans were launched during the year to provide immediate financial assistance to borrowers affected by the pandemic. As at March 31, 2021, 1,691 accounts were financed amounting to ₹5,677 Lakhs. The Bank had also launched a scheme for Loan against Rent Receivables (LARR) in September 2020. LARR was specifically targeted at the owners of the Bank's branch premises, who can avail loans against the property rented to the Bank. The Bank has established the necessary systems and processes for the launch of new offerings such as loans under the CTGMSE credit guarantee scheme. The Bank is currently piloting hub based disbursements to expedite disbursements and reduce costs.

On the COVID restructuring front, the exercise was completed in 78 accounts amounting to ₹1,299 lakhs, as at March 31, 2021.

The Bank has focused on process improvements for its MSE vertical. Mobile sourcing solutions (HHD based appraisal) was piloted during the quarter across 5 locations, with full-fledged launch planned in the first quarter of the ensuing year. These improvement measures are intended to improve the turnaround time in the end to end process of origination till disbursement.

7.2.7.4 Affordable Housing

As at March 31, 2021, there were 25,044 Secured Housing Loan (SHL) borrowers with a total book of ₹20,49,90 Lakhs. Q4 of FY 2020-21 witnessed a robust turnaround in terms of volume disbursement and had exceeded all previous pre-pandemic benchmarks. The Bank's housing loan book crossed a milestone of ₹2,00,000 Lakhs as at March 31, 2021.

The composite collection efficiency in Housing borrowers was as follows:

Vertical	January 2021	February 2021	March 2021
Housing Loans	93%	94%	96%

Collections had improved in the month of March across all buckets. On ITD basis, PAR 30 was 5.97% and PAR 90 was 3.61%. COVID restructuring had been provided to 121 borrowers in Housing Loans amounting to ₹1,373 lakhs.

During the quarter, the Bank introduced process improvements in its Housing book with focus on cost saving, process efficiency, increase in productivity. Some of the measures initiated were as follows:

- Digital on-boarding system is now live across branches in Affordable Housing.
- Digital and hub based disbursements are now active helping in the adaptation to the new normal and assuring business continuity. With this model, the Bank has registered a 30% reduction in its disbursal turnaround time.

7.2.7.5 Personal loans

There were 8,321 borrowers with a total book of ₹13,820 Lakhs as on March 31, 2021. PAR30 was ₹1,630 lakhs (11.83%). The composite collection efficiency in Personal loan borrowers, for the quarter was as follows:

Vertical	January 2021	February 2021	March 2021
Personal Loans	89%	89%	96%

Collections have registered an improvement in Q4 across all buckets in Personal Loans. In June-July 2020, the PL credit policy was reviewed and credit appraisal standards were further tightened (PL 2.0) in the backdrop of the pandemic. The Bank has introduced company categorisation, increased minimum bureau scores and income levels and also introduced FOIR as a parameter in its appraisal process.

7.2.7.6 Institutional Lending

As at March 31, 2021, there were 38 borrowers amounting to ₹64,848 Lakhs. The Institutional Lending portfolio was well balanced with individual peak exposure of ₹6,500 Lakhs and average exposure is ₹1,700 lakhs per borrower and all loans, except one were at regular status as of March 31, 2021. Given the continuing stress in the NBFC sector which was exacerbated by the COVID-19 pandemic, the Bank has reviewed its FIG policy and has introduced additional control measures in the areas of exposure caps, strengthening of covenants and has enhanced the EWS mechanism. The Bank is also actively monitoring the developments in one case where payment is delayed.

Notes

⁴²All figures are rounded to the nearest hundred wherever applicable.

⁴³Loan Against Property- Self Employed Non Professional- Self Employed Professional.

⁴⁴Loans sanctioned during FY 2020-21.

7.2.7.7 Vehicle Loans

There were 10,458 Vehicle Loan borrowers with a total book of ₹10,458 Lakhs. In Q4, the Bank has expanded its offerings in the Used Cars category.

The composite collection efficiency in Vehicle loan borrowers, for the quarter, was as follows:

Vertical	January 2021	February 2021	March 2021
Vehicle Loans	96%	83%	96%

The Bank is cognisant of the initial signs of stress in the Electric Three wheeler segment, which had been launched on a pilot basis, but where several customers had slipped into the PAR 30 bucket even after availing moratorium. This segment, which mainly served customers travelling short distances, had been badly affected by the lockdown. After a careful evaluation of this portfolio, the three wheeler business has been suspended temporarily. Overdue contribution has been the highest from this segment.

On the two-wheeler portfolio, the Bank sees an opportunity to expand its reach given the change in preferences observed from shared mobility to individual mobility. The Bank has also reworked its business strategy for further expansion. Two-Wheeler segments comprise 92% of the total vehicle loans. As part of process improvements, the Bank has launched sourcing and appraisal through digital means for its two-wheeler products. Digital on boarding is expected to be 100% in the ensuing quarter.

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

Particulars (On YTD basis)	March 2020	June 2020	September 2020	December 2020	March 2021
Opening Balance	7,030	10,965	10,965	10,965	10,965
Provisions made during the period	10,973	667	1,532	2,549	61,424
Write back of excess provisions	7,039	159	795	1,096	7,787
Closing Balance	10,965	11,473⁴⁵	11,702	12,418	64,601

(₹ in Lakhs)

2.2.9 Provision Coverage Ratio (PCR)

Category	OSB	Provisions	% Share	GNPA	Provi-sions	PCR%
MBRB	10,86,813	84,060	71.8%	84,981	55,617	65.4%
Housing	2,05,346	4,005	13.6%	7,400	2,878	38.9%
MSE	1,29,512	6,132	8.6%	13,283	5,333	40.2%
Personal Loans	13,931	803	0.9%	1,341	740	55.1%
Vehicle Loans	7,418	93	0.5%	52	32	60.8%
FIG	64,848	324	4.3%	0	0	NA
Staff Loans	2,175	13	0.1%	2	2	92.7%
Loans against deposits	5,285	26	0.3%	0	0	NA
Less adjustments	(1,353) ⁴⁶	--	(0.1)%	33	0	NA
Total	15,13,996	95,456	100.0%	1,07,060	64,601	60.3%

(₹ in Lakhs)

With the incipient stress in the Micro and Rural banking portfolio (MB-RB), the Bank has additionally utilised ₹13,000 Lakhs from provisions available in the form of Standard COVID provisions. The utilisation was made against those NPA borrowers who have not made any repayment of their dues and any future repayment was unlikely and in select geographic states with low collections rates.

7.2.10. Non-performing Investments (NPI) (March 2020 to March 2021)

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

7.2.11 Movement of provisions for depreciation on investments (March 2020 to March 2021)

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

Notes

⁴⁵ Without additional COVID provisioning

8. TABLE DF-5: CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

8.1 Qualitative Disclosures

- The Bank has adopted Standardised Approach for computation of capital charge for Credit Risk as per RBI guidelines. These guidelines envisage different risk weights for different asset classes, which have been duly applied.
- The loan book of the Bank predominantly 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 weight is applied.
- Institutional lending is risk-weighted as per ratings assigned by Eligible Credit Rating Agencies (ECRA) as prescribed by RBI.
- As on March 31, 2021, the Bank had a residual outstanding of "grandfathered" loans which comprised 0.13% of its funding book. As per regulatory guidelines, there was an additional risk weight of 25% assigned to this portfolio.
- In terms of circular No. DBR.BP.BC. No.72/08.12.015/2016-17 dated June 7, 2017, the capital charge for claims secured by residential property falling under the category of individual housing loans is assigned differential risk weights based on the size of the loan as well as the loan to value ratio (LTV). As a countercyclical measure, RBI has decided to rationalise the risk weights, irrespective of the amount vide a notification on 16th October 2020. The Bank takes cognisance of the same and these were incorporated for all loans sanctioned after the date of issuance of this circular.
- On October 12, 2020⁴⁷, RBI issued directions for revision in limit for risk weight under the Regulatory Retail portfolio. RBI has now decided that the limit of ₹500 Lakhs for aggregated retail exposure to counterparty shall stand increased to ₹750 Lakhs from the date of this circular. The risk weight of 75 per cent will apply to all fresh exposures and also to existing exposures where

incremental exposure may be taken by the banks up to the revised limit of ₹750 Lakhs. The Bank takes cognisance of the same and these were incorporated for all loans sanctioned after the date of issuance of this circular.

8.2 Quantitative Disclosures

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on December 31, 2020		
Sr. No.	Risk Weight	₹ in Lakhs
1	Below 100% Risk Weight	17,77,204
2	100% Risk Weight	3,47,026
3	More than 100% Risk Weight	312
4	Deductions from CRM ⁴⁸	(64,601)
5	Total	20,59,941

9. TABLE DF-6: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACH

9.1 Qualitative Disclosure

- The Group Loan and Individual Loan portfolio, under microfinance is unsecured. Loans to the Affordable Housing segment are collateralised by a mortgage over the property financed. There are primarily secured product variants under MSE loans and one FLDG backed unsecured loan variant. The residual book of unsecured loans⁴⁹ is discontinued and is being run down and is expected to be fully repaid in the ensuing FY. Loans to Financial Institutions are secured by a charge over book debts which are registered with CERSAI. All Personal Loans are extended on a clean basis; Vehicle loans are collateralised by a charge over the vehicle financed. Gold Loans are secured with the maximum Loan to Value (LTV) being offered at 70% on the value of the ornaments/ jewel proposed to be pledged.
- The Bank accepts Eligible Financial Collateral⁵⁰ in a few instances for risk mitigation under secured Institutional lending and MSE loans. These financial collaterals are netted off for its collateralised transactions under comprehensive approach⁵¹ while computing its Risk Weighted Assets (RWA).
- The Bank regularly reviews the health of the portfolio/ borrowers and work on mitigation of any risk associated with the portfolio or borrower in particular.

Notes

⁴⁶ Adjustments on account of interest suspense account.

⁴⁷ Refer RBI guidelines on Regulatory Retail Portfolio – Revised Limit for Risk Weight issued vide RBI/2020-21/53 DOR.No.BP.BC.23/21.06.201/2020-21 dated October 12, 2020.

⁴⁸ Credit Risk Mitigants (Provision against NPA).

⁴⁹ Unsecured Business Loans and Unsecured Enterprise Loans.

⁵⁰ 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.

⁵¹ Refer Section 7.3 of Master Circular – Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 1, 2015.

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

- Life insurance cover is mandatory for all the borrowers availing of the Bank's microfinance loans. Housing, Two-Wheeler, personal loans borrowers and gold loans are provided with an option to avail of life insurance, though this is not a bundled offering along with the loan products.
- The Bank works with 4 Credit Information Companies (CICs) and ensures 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 also mitigate any concentration risks building in the portfolio.
- A negative list/negative area profile is maintained at a branch level to avoid exposure in those categories.

10. TABLE DF-7: SECURITISATION EXPOSURES: DISCLOSURE FOR STANDARDISED APPROACH

10.1 Qualitative Disclosure

There were no securitisation exposures in the banking book and trading book as at March 31, 2021.

11. TABLE DF-8: MARKET RISK AND LIQUIDITY RISK

11.1 Qualitative Disclosures

11.1.1 Market Risk

The Bank defines Market Risk as the risk of loss in on-balance sheet and off-balance sheet

Investments: The Bank has a Board approved policy to make investments in both SLR⁵² 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), Commercial Paper (CP) and one legacy investment in an unquoted equity. As on March 31, 2021, the investment holdings in various SLR and Non-SLR instruments were as under:

Instrument	₹ in Lakhs		
	Book Value	Market Value	Appreciation / Depreciation
SLR			
G Sec	1,38,058	1,36,691	(1,367)
SDL	82,219	82,207	(12)
T Bills	21,630	21,630	--
TOTAL	2,41,908	2,40,528	(1,380)
Non-SLR			
CP	9,727	9,727	--
Legacy investment (unquoted Equity)	10	17	7
TOTAL	9,737	9,744	7

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 Standardised 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 risks i.e. Credit, Market and Operational Risk.

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

The investment into SLR securities is undertaken for the purpose of regulatory compliance i.e. SLR maintenance and for Asset Liability Management (ALM). Investment in SLR securities is held as both HTM and AFS, though holding in AFS comprises mainly investments in Treasury Bills only. The mandatory requirement for maintenance of SLR as stipulated by RBI was 18.25% of Net Demand and Time Liabilities (NDTL) till April 10, 2020 and 18% thereafter. The RBI had earlier announced a staggered reduction in SLR requirement to be held by banks, reducing every quarter till April 11, 2020. The Bank has complied with the regulatory SLR requirement and has maintained SLR much above the requirement. During the quarter, the average SLR requirement and maintenance was as below:

Month (in ₹ lakhs)	Average SLR requirement	Average SLR maintenance	Average SLR requirement maintained as a % of NDTL
Jan - 2021	2,03,454	3,03,050	26.77%
Feb - 2021	2,01,134	2,52,207	22.57%
Mar - 2021	2,07,382	3,12,515	27.08%

The maintenance of SLR was higher than the mandated requirement in line with its Board directive. In the first instance, this buffer is intended to provide the required cushion for a contingency and forms the basis for Level 1 contingency fund planning. The Bank has used the buffer to raise funds through Repo and Third-Party Repo (TREPS) in times of contingencies. Second, the excess SLR is also intended to provide the cushion to maintain 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. Further, the Bank had also complied with the HTM holding limit⁵³ for all the days for the period during the quarter.

In order to improve the yield of the SLR portfolio, the proportion of T-Bills in the portfolio was reduced to 9% from 13% and the proportion of G-Secs was reduced to 57% from 61%. This was replaced by increasing the proportion of SDL in the portfolio to 34% from 26%. The yield on the SLR Portfolio as on March 31, 2021 was 6.09%.

The investment in non-SLR securities is mainly for short-term cash deployment and for investment income. During the period under review, the Bank had made Non-SLR investments in Commercial Paper (CP) and also had a solitary exposure to an unquoted equity. This unquoted equity investment in the share of M/s Alpha Microfinance for ₹10 Lakhs, is a legacy investment of the Bank and was acquired from the parent company as per a Business Transfer Agreement (BTA) entered into at the time of launch of the Bank. All the Non-SLR investments were categorised as part of the Available for Sale (AFS) portfolio.

Trading: The Bank had commenced trading in Government of India security in Q3 FY 20, in a calibrated manner through its HFT portfolio. While the Bank had initially commenced trading on an intraday basis only, it has now graduated to keeping open positions on an overnight basis as well. Open positions taken by the Bank are progressively being stepped up with the required controls. During the period between October 1, 2020 and March 31, 2021, the Bank had undertaken trading in G-Sec, SDL and T-Bill from its HFT book. The Trading volume as at, March 31, 2021 was ₹35, 23,400 lakhs. 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.

11.1.2 Liquidity and Liquidity Risk Management:

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

In line with the prudent risk management practice, the Bank has in place a Board approved

Notes

⁵²Statutory Liquidity Ratio (SLR).

⁵³In terms of RBI circular No. RBI/2017-18/70 dated 4th October 2017, the limit of HTM holding for the Bank, was 19.5% of NDTL till 1st Sep 2020 and 22% of NDTL thereafter.

Contingency Funding Plan (CFP) in place, which is tested by the Front Office at a quarterly frequency. In all the instances of CFP testing during the quarter, the Bank was successful in generating fund commitment, from various sources, much above the average monthly shortfall.

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 with during the quarter. The Bank has various avenues to leverage upon in mitigating any future liquidity shortfalls. Some of the measures include securitisation, IBPC transactions, term loan facilities from Bank and utilising lines of refinance from NABARD, NHB and SIDBI. The Bank had positive cash flows in the maturity buckets in the 1-30 days' maturity, over and above the regulatory minimum, as at March 31, 2021.

The Bank has deployed a suite of techniques as part of its Liquidity Risk Management. Some of the activities undertaken by the Bank are as follows:

Risk Measurement	Description	Position for Q4 FY 2020-21															
Cash Flow measurement and gap limits	Technique involving a comprehensive tracking of mismatches between outflows and inflows for balance sheet as well as off balance sheet items across different time buckets. The Bank computes the cash flow mismatches using Structural Liquidity Statement ('SLS'). Under SLS, cash flows of assets, liabilities and off-balance sheet items are placed in different time bands based on the residual maturity or based on expected behaviour as per RBI / internal guidelines. The difference between cash inflows and outflows in any given time period measures the bank's liquidity surplus or deficit in that time period.	As at March 31, 2021, the Bank maintained a positive cumulative mismatch indicating surplus liquidity. The cumulative mismatch limits were well within the RBI mandated limits and also within the conservative limits as set internally by the Bank. The position for the first four buckets for which the Regulator has mandated minimum thresholds were as follows: <table border="1"> <thead> <tr> <th>Bucket</th><th>RBI threshold</th><th>Cumulative Mismatch</th></tr> </thead> <tbody> <tr> <td>Day 1</td><td>(5%)</td><td>462.94%</td></tr> <tr> <td>2-7 days</td><td>(10%)</td><td>281.66%</td></tr> <tr> <td>8-14 days</td><td>(15%)</td><td>86.99%</td></tr> <tr> <td>15-30 days</td><td>(20%)</td><td>78.77%</td></tr> </tbody> </table> <p>The bucketing of cash flows as per the maturity buckets is guided by regulatory guidelines and as per ALCO directives.</p>	Bucket	RBI threshold	Cumulative Mismatch	Day 1	(5%)	462.94%	2-7 days	(10%)	281.66%	8-14 days	(15%)	86.99%	15-30 days	(20%)	78.77%
Bucket	RBI threshold	Cumulative Mismatch															
Day 1	(5%)	462.94%															
2-7 days	(10%)	281.66%															
8-14 days	(15%)	86.99%															
15-30 days	(20%)	78.77%															
Behavioural analysis	Banks are required to analyse the behavioural maturity profile of various components of on / off-balance sheet items on the basis of assumptions and trend analysis supported by time series analysis.	During the year, the Bank has undertaken a behavioural study on CASA outflow and the same has been placed to ALCO for further directions. Given the relative short vintage of the Bank, it was deemed appropriate to further refine the assumptions and dataset before deploying these models for bucketing. Presently, the Bank follows the RBI guidelines on bucketing assumptions until significant historical data is available for conducting behavioural studies. After ensuring the availability of data, the Bank will conduct behavioural studies to appropriately bucket products with non-deterministic cash flows.															
Limits on borrowing and lending/ investment	Bank monitors limits prescribed by the Regulator with respect to borrowing and lending in the interbank market.	During the quarter, the Bank was within the prescribed limits for interbank lending, call money borrowing/lending, SGL limits and HTM holding limit.															
Liquidity ratios	Liquidity ratios under stock approach as prescribed by the Regulator are monitored	The liquidity ratios under stock approach were computed and placed to ALCO for their noting.															
Stress Testing	The Bank undertakes stress tests on their Liquidity Coverage Ratio (LCR) and Interest rate risks.	During the quarter, the LCR was above the minimum thresholds under all levels of stress. Further, the impact of interest rate risk and its impact on the market value of equity were also below the regulatory limit of 20%.															
Funding gap analysis	The Bank estimates its short-term liquidity profiles on the basis of business projections and other commitments for planning purposes.	On a monthly basis, the Bank undertakes a detailed analysis on the projected funding requirement for its subsequent month on the basis of business projections and other commitments. This exercise essentially includes inputs on credit and deposit activities encompassing projected disbursements, collections and deposit mobilisation. The Bank has ensured adequate liquidity to meet its commitments during the quarter.															

The prevalent market conditions (relatively low credit take-off) and the measures taken by RBI (on tap availability of funds under TLTRO/SLTRO) have provided comfort over the liquidity position on an overall basis. The availability of excess liquidity in the system is further evidenced in RBI action on temporarily increasing the HTM holding limit to 22% up to March 31, 2022. The Bank has also maintained higher rates in retail and bulk deposits as compared to its peers to further bolster deposit mobilisation.

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

The Bank computes LCR in Indian rupees, the only currency it deals with. HQLA of the Bank consists of cash, unencumbered excess SLR eligible investments, a portion of statutory SLR as allowed under the guidelines, cash balance with RBI in excess of statutory CRR, and high rated corporate bonds issued by entities other than financial institutions.

Net Stable Funding Ratio (NSFR): The RBI, on March 27, 2020, had decided to defer the implementation of Net Stable Funding Ratio (NSFR) from April 1, 2020 to October 1, 2020, an extension by six months as part of its COVID-19 regulatory package. Further, the Regulator has decided to defer the implementation of NSFR guidelines⁵⁴ by a further period of six months. These guidelines were to come into effect from April 1, 2021. However, the same has again been deferred by a further period of six months⁵⁵. Accordingly, the NSFR Guidelines shall come into effect from October 1, 2021.

11.2. Quantitative Disclosures

11.2.1. Liquidity Coverage Ratio (LCR)

Liquidity Coverage Ratio (₹ in Lakhs)					
A	High Quality Liquid Assets	Adjusted Amount (FY 2020-21)			
		Q1 Average	Q2 Average	Q3 Average	Q4 Average
	Level 1 Assets	3,03,577	3,30,008	3,12,961.81	2,88,737
	Level 2 A Assets	-	-	-	--
	Level 2 B Assets	-	-	-	-
B	Total Stock of HQLAs (Adjusted for Capital)	3,03,577	3,30,008	3,12,962	2,88,737
C	Cash Outflows	1,26,080	2,92,842	2,71,895	3,13,785
D	Cash Inflows	59,073	1,06,140	96,640.80	65,088
E	Net Cash flow	67,008	1,86,700	1,75,254	2,48,697
F	25% of Total Cash Outflow	31,520	73,210	67,973.65	78,446
G	Higher of E or F	67,008	1,86,700	1,75,254	2,48,697
	Liquidity Coverage Ratio	453.05%	176.76%	178.58%	116.1%

12. TABLE DF- 9: OPERATIONAL RISK

12.1 Qualitative Disclosures

12.1.1 Operational Risk Management Policy and Governance Structure

Operational Risk is "the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. It excludes Strategic and Reputational Risks but includes Legal Risk". Strategic or Reputational risks are second order effect of Operational Risk. Legal risk includes, however is not limited to, exposure to penalties, fines, punitive damages arising out of supervisory action, civil litigation damages, related legal costs and any private settlements. Operational Risk arises due to errors in processes, frauds and unforeseen natural calamities / events. Though the occurrence of such instances could be less, the impact in value terms could be significant.

For effective management of Operational Risk, the Bank has constituted an Operational Risk Management Committee (ORMC) chaired by MD & CEO with a quorum of Head of Operations, Chief Vigilance Officer, Chief Risk Officer, and Chief Technology Officer with Head of Internal Audit as an observer. This committee which is convened by Chief Risk Officer meets every quarter to provide an oversight on key Operational Risk issues, the summary of which is presented to the RMC of the Board. The ORMC supports the Risk Management Committee (RMC) of the Board and is responsible for implementing the best practices in managing Operational Risk. The Bank has in place a Board approved Operational Risk Management policy to mitigate and manage Operational Risk. The Operational Risk management process is a top-down approach and is driven by strong and sound operating procedures and internal control culture with well-defined reporting and contingency planning. This is a continuing process and the Bank is continuously striving to enhance its processes.

12.1.2. Risk identification, measurement, monitoring and reporting

Following are some of the key techniques applied to manage Operational Risk within the Bank. It involves both a qualitative and quantitative approach.

- **Product and Process reviews:** All new products and processes (including enhancements) are subject to a mandatory comprehensive review by the Operational Risk unit. Post review, observations are raised to the respective functions for including additional controls for the risks identified during the assessment. Subsequent to closure, the new/enhancement to product/process are placed at the Product Approval Committee (PAC) for approval. The Bank continuously reviews and enhances its key processes to adapt to industry best practices. ORMD had reviewed 33 process / products, in the period Q4 FY21.
- **UAT Testing** (including BRD and FSD): For any change management/automation of products and processes, the department owners prepare the Business Requirement Document (BRD). The BRD is reviewed by key control and business functions for further improvements. Subsequently, the same is provided to the IT department within the Bank. The IT department then prepares the Functional Specification Document (FSD) detailing the scope of the project. Once the project is moved to testing stage, Operational Risk department performs the User Acceptance Testing (UAT) along with others to identify gaps in the actual deliverable versus that which was proposed in the BRD. These gaps are further addressed and closed before moving to production. During the quarter, the Bank had undertaken UAT for 42 various activities such as Digital account auto closure for partial KYC customers, AMC charge collection and card repository, Direct tax reforms announced by Finance ministry, PMSVANIDHI loans to GL customers etc.
- **RCSA:** RCSA (Risk and Control Self-Assessment) is a forward looking tool to identify and assess the level of risk inherent in any activity / process, the causes responsible for that risk and the status of existing controls to minimise the risk. Its result provides insight about known as well as potential Operational Risk areas in various process / business lines. Business being the first line of defence is responsible for carrying out RCSA activity as per the plan. Operational Risk being second line of defence is responsible for providing necessary guidance, training and inputs to the first line of defence for carrying out the RCSA. The Bank intends on undertaking RCSA for few critical functions during the FY22 as

per plan that will be presented to ORMC in April 2021. RCSA methodology is being enhanced and presented to ORMC. There is a time bound plan to close the open issues as observed during RCSA and an update is provided to ORMC and RMC-Board at regular intervals.

- **Key Risk Indicators:** During the quarter **18 KRIs** were monitored at an organisation level as part of the Operational Risk Management Framework. The thresholds for the KRIs have been decided upon in consultation with the stakeholders. These KRIs will be analysed on a monthly basis and a comprehensive report will be submitted to the ORMC and Board at quarterly intervals with action plan for closure of open issues. KRIs for the period December 2020 to February 2021, will be presented in the ORMC to be held in April 2021 and will be presented to the Board in May 2021 for their noting and information. In addition to Organisational KRIs, Functional KRIs for Liabilities were monitored for the period December 2020 to February 2021. The Bank is also in the process of enhancing the existing risk monitoring framework by defining Functional KRIs for other key Functions for better monitoring. Red KRIs which breached thresholds were discussed with stakeholders and actionable was presented in ORMC.
- **Loss Data Management** is in place to record material incidents and learn from errors and strengthening existing controls. Incidents are recorded as operational loss and near miss events. This is followed by a Root Cause Analysis (RCA) for critical incidents. EGRC module in SAS is implemented to record all loss events across the Bank. Significantly, the efforts of the Operational Risk team have resulted in greater reporting of operational risk incidents from the branches. The Bank has created a separate General Ledger Code (GLC) to record losses (separate for fraud and non-fraud) on account of these incidents and these are reported to the Board at quarterly intervals. The Bank encourages its personnel to report incidents in an unbiased manner without fear for retribution. The incident reporting process enables creation of loss database as per Basel definitions. The activities broadly include the following:
 - Reconciliation of General Ledgers (GL) to operational loss as recorded in SAS
 - Root Cause Analysis (RCA) of critical events
 - Quarterly loss data submission to Board

The Bank records instances along the Basel defined lines of Operational Risk events and process enhancements arising from these occurrences are tabled at the ORMC.

Loss Dashboard for the FY21 (as at March'21 end):

Basel Risk Event Type – I	Count			Loss in ₹Lakhs		
	Loss	Near Miss	Total	Gross	Net	Ops Loss
Business Disruption and Systems Failures	165	3	168	159.86	69.49	6.02
Clients, Products, and Business Practice	26	2	28	22.96	1.52	1.32
Damage to Physical Assets	85	1	86	24.54	24.54	
Employment Practices and Workplace Safety	0	20	20			
Execution, Delivery, and Process Management	220	32	337*	143.05	24.57	7.94
External Fraud	565	18	583	172.36	85.10	48.90
Internal Fraud	184	1	185	129.15	36.17	26.91
Total as on FY21	1245	77	1407	651.93	241.39	91.09

*Total includes 85 gain events amounting to ₹2.91 Lakhs.

- **Thematic reviews:** While carrying out RCSA, KRIs, UAT testing, incident reporting etc., Operational Risk team identifies few risk indicators warranting a special thematic review of the entire process. This enables the Bank to identify issues and gaps at minute level which are then taken up for rectification. These thematic reviews do not follow standardized risk identification techniques and therefore provide wider scope for a deeper and customised study of issues and gaps. Such thematic studies have enabled the Bank to further refine its existing processes and plug gaps that had been identified.
- **RRU⁵⁶ Scorecard approach:** The Bank has developed an internal scoring mechanism to capture all risk parameters at a granular level within the Bank i.e. branch level. The scorecard includes all facets of branch operations: Liabilities, Microbanking, Housing and MSE loans and other branch related parameters. Branches are categorised as High, Medium or Low risk based on these assessments on monthly basis. Final RRU score includes vertical wise score, dashboard and region wise high risk branches under different business verticals. Once the RRU scoring is done, analysis of high risk branches and major contributing parameters are shared with respective stakeholders in the regions, for the purpose of taking corrective action. Additionally, Operational Risk team during their visits to such high risk branches, discusses the parameters that are impacting their performance. Key policy decisions emerge from these scoring and reviews. The scorecard is continuously enhanced to include relevant parameters for optimising the Operational Risk score. Existing scorecard parameters were reviewed in the current FY and new parameters were incorporated.

The RRU Scorecard for Micro Banking (MB) was discussed with MB team for taking their inputs and this is presently under discussion for finalisation. Similarly, scorecard with the revised

parameters was discussed with Liabilities team. Based on their inputs, changes under LAF pendency, AOF pendency parameters were introduced. Revised scorecard for October till December 2020 was presented to Liabilities team.

Also, the RRU Scorecard for MSE and Housing was discussed with the team for taking their inputs. Based on the discussions, few parameters were reviewed and further enhanced. Following modification have been proposed in MSE score card;

- Area level instead of current branch level score card.

Following enhancement have been proposed in Housing score card;

- Criteria for branch selection: Branches that have minimum 20 live cases and at least 5 cases booked in last 3 months will be considered.
- Credit score: Credit score for those branches which qualify above-mentioned minimum criteria will be considered.
- Loan disbursed DD cancelled: Due to Business dynamics, all DDs ageing above 45 days to be considered instead of current 10 days.
- PDD tracker: To consider PDDs which are 45 days overdue from the recorded due date in the system.
- Additional parameter: Loss of original customer document will be a new parameter that was proposed to be included in the score card.

Total number of parameters that are being tracked presently has increased to 50 (Micro Banking-13, Liabilities – 19, MSE & Housing –

Notes

⁵⁶Risk Review Unit

9 each) from 34 earlier. At present, entire scorecard is being computed manually. The Bank is in the process of automating the scorecard to make it a more effective tool.

- **User Access reviews** are conducted for critical applications to ensure that access and role matrix are well defined and that access is commensurate with the responsibility assigned. In FY 2020-21, User access review of 19 applications had been completed as part of phase 1 along with user access review of production servers. It is proposed to commence phase 2 of user access review for all backend related applications used by the central team at USFB and this is expected to get completed by July'21. Key observations noticed in phase 1 review was shared with respective teams for their feedback and responses. Few of the key observations are:

- There are no signed-off documents available for application wise / role based access provided to users and approval matrix to follow at IT for providing access.
- There is no defined frequency for internal review of access provided to employees / vendor due to which access is not deactivated for employees even after their exit or user has not accessed the application for more than 30 days. (Dormancy Review)
- Presently this activity is completely manual and it needs to be automated, which will then help in tracking the access provided to employees.
- In the absence of monthly review, if the payment is done on user basis then the accuracy of the invoice will not be validated and may not be accurate.
- 20 users are having access to production servers without any approval through Service Request and Role based accesses was not given for the users having accesses to production servers.

A weekly status update is sought from IDAM team to check on progress of fixing the gaps and to ensure closure of observations within agreed TAT.

Operational Risk team has drafted a Policy on User access review covering all the critical aspects of User life cycle starting from activation to de-activation of ID's, Review Frequency, Process to be followed for managing vendor ID's, Process to be followed for user de-activation on exit from organisation. Draft note is under review by stake holders and on receipt of the suggestions and inputs, note will be enhanced further and circulated.

Operational Risk team has initiated a request with individual business teams who manage the applications to have a comprehensive SOP for each of the applications managed by them with role based access given in system and approval matrix to be followed. Final draft note has been circulated to PrAC (Process Approval Committee) members for Trucel, Glow and SMELO and work is in progress for Rupee power application and it is proposed to initiate preparation of SOP for other verticals as well who are managing applications viz., Br.Net, CRM Next etc.

- **Exceptions Handling Mechanism** is a new initiative, which started from July 2020 as guided by NIDM (National Inter Departmental Meeting). List of 27 exception reports was identified and tagged to Operational Risk for initiating the review. 17 exception reports have been extracted so far and reviewed / discussed with relevant stake holders for needful action. All observations have been circulated to relevant stake holders and corrective action has been initiated. Extraction of remaining exception reports is in progress.

- **RCU process:** The Bank has established a monitoring mechanism for identifying and rectifying instances of suspicious customers doing banking business. On a monthly basis, Vigilance department undertakes RCU check from a sampling of liability customers. The outcome of the RCU check provides a commentary on the customer profile. For all cases identified as 'negative', the Operational Risk unit undertakes a special review in consultation with branch personnel and recommends corrections. For customers who are found to be negative after the rectification measures, exit strategies from customers are explored. This mechanism has enabled the Bank to avoid undertaking business relationships with potential anti-social members of society. Account freeze process has been initiated for all the final negative cases as per the new RCU Process after serving adequate notices to the customers.

- **Digital Account Monitoring:** The Bank re-launched Digital SA (Savings Accounts) and TD (Term Deposits) in the month of May 2020 with enhanced monitoring measures around the product. 26311 Digital accounts had been opened till March 31, 2021 since the re-launch. Each account is being eyeballed by the Operational Risk team and observations with respect to demographic details have been shared with business for onwards corrective measures. As a process, Operational Risk team has also been monitoring the transactions done in all digital accounts every fortnight, basis certain pre-defined triggers around value, fraud and velocity. All accounts with

suspected transaction patterns are referred to Vigilance and Compliance team for onwards investigation and action. Additionally, review around common address, email id, match with accounts where regulatory notices are sent etc. is also performed on a regular basis and triggers if any, gets shared with Vigilance and business for onwards action.

- **Branch Assurance:** Branches across regions are reviewed against a checklist devised by the Operational Risk team to ensure adherence to branch processes. The checklist is reviewed and enhanced every quarter to strengthen monitoring. With onset of COVID-19 and lockdown, and physical branch visits curtailed for the time being, the check list has been restructured to ensure that monitoring and review is not eased and can be done on a remote basis, based on reports derived from systems and through remote access and verification of registers. Remote monitoring is the process of checking, verification and identification of process lapse and other operational errors without visiting the branch, by working from remote locations. Critical and repeat observations are shared with the leadership team for remedial / corrective actions. Till March 31, 2021, Operational Risk had reviewed 292 branches which is nearly 50% of the total branches. In the last week of March 2021, Operational Risk had reviewed the existing parameters and additional parameters have been proposed. New revised checklist will be implemented from May 2021 post approval.

- **Outsourcing Risk: 'Outsourcing'** is defined as the Bank's use of a third party (either an affiliated entity within the corporate group or an entity that is external to the corporate group) to perform certain activities on a continuing basis that would normally be undertaken by the Bank itself, now or in the future. The Bank has in place an outsourcing policy which provides guidance on outsourcing certain functions to specialised agencies for increasing efficiency and lower costs. The outsourcing policy is framed in compliance to various RBI guidelines on outsourcing issued from time to time. Key activities undertaken during Outsourcing are as follows:

Post-on boarding risk assessment: All vendors, deemed as material, are subjected to a rigorous pre on boarding risk assessment which is done by both Operational Risk team and the Information Security team and this is repeated at annual intervals. Observations from these risk assessments are then shared with concerned functions for resolution. Post satisfactory responses to the observations raised, CRO approves on boarding of the vendor.

In FY21, pre-on boarding risk assessment of 21 vendors was carried out.

Pre-on boarding risk assessment: All material vendors are also subjected to a periodic post on boarding risk assessment as defined in the policy. This assessment is carried out by Information Security Risk team and Operational Risk team. Observations/gaps are shared with concerned function for rectification and response. These key observations along with department response are placed at ORMC and RMC-B on a quarterly basis.

Master tracker maintenance: Operational Risk team maintains a master tracker of all the outsourcing agreements. Details of agreement renewals are tracked and followed up with the concerned functions for renewal within timelines. Any overdue arrangements / agreements is escalated to ORMC.

Annual review of material vendors: Operational Risk team along with CISO's team carries out annual risk review of material vendors. Annual Review has been completed for key vendors such as FSS and Finacus. Review of rest of the vendors will be carried out by Q4.

Outsourcing done by the Bank is subjected to an annual audit by the Internal Audit team who provide the required compliance certificate to RBI. Annual risk assessment of almost 50 vendors was carried out in FY21.

- **Business Continuity Planning (BCP):** Business Continuity Management Policy is a prerequisite for a bank in minimising the adverse effect on critical areas of Operational Risk with respect to High-Impact and Low-Probability Disruptions, through which a bank maintains confidence levels of its shareholders and satisfies relevant compliance requirements. The plans and procedures are in line with the guidelines issued by the RBI and these are reviewed at regular intervals.

The Business Continuity Management Policy (BCMP) of the Bank provides guidance to ensure continuity of business through implementation of contingency plans to restore normal business functioning of branches if disrupted during any type of disaster / crisis situation to provide continuous and reliable services and delivery of key products to customers.

Bank has established a Business Continuity Management Committee at apex level to monitor the business continuity preparedness on an on-going basis. Further, the Bank's Business Critical Systems undergo periodical disaster recovery drills/tests in order to make

sure that the recovery process becomes more robust and efficient to recover from any disaster / crisis situations. The observations of DR drills along with root cause and learnings are recorded and the same are placed to the IT Strategy Committee of the Board on a quarterly basis. The Bank also has a Board approved Cyber Crisis Management Plan for tackling cyber threat / attack.

Bank reviews BCM policy and plan documents annually and enhances the documents as per the changes made in the Bank's Business Critical processes and activities. Bank also conducts periodic BCP testing considering various Disruptive scenarios which helps to identify the gaps in recovering and resuming the Business Critical processes after the disruptive events. On an ongoing basis, BCP testing for branches which are selected randomly is conducted to ensure that the recovery process becomes more robust and efficient to recover from any disaster / crisis situations. The BCP test results of branches, IT, CTS, and Payments along with their respective observations and recommendations are placed before the ORMC and Risk Management Committee of the Board at every quarter. These learnings are documented in the respective Business Continuity Plan documents and the same are placed to RMCB.

• **Internal Financial Control (IFC) testing:**

This is an annual exercise and done by the Operational Risk team. The team along with concerned stakeholders prepares and enhances Risk and Control Matrixes (RCMs). The financial and operational controls in these RCMs are then put to test by collecting samples from across the review period and from different regions, which are then evaluated for success or failure of the control effectiveness. The critical gaps observed during such testing are discussed with concerned functions for upgrading controls which may include automation of the controls. The result of this evaluation is also presented to ORMC and RMC of Board to update them on effectiveness of the internal controls of the Bank, and take guidance. This result is also shared with the Bank's external auditor to provide insight on adequacy and effectiveness of the controls in the Bank. The IFC testing is also mandatory requirement as per Companies Act, 2013. IFC testing for the concluding FY has been completed for majority of the departments and will be presented to Board in April 2021.

12.1.3 Information Technology and Security Risk

On a regular basis, the Bank disseminates information for creating awareness among

employees on the importance of data-security along with emphasis on the requirements to protect the customer's data. Awareness emails regarding the data loss prevention, smart phone security and how the assets given to employees are supposed to be safeguarded by them, are part of cyber security awareness creation.

The Bank takes cognisance of the increased importance of Data Security. With Business Continuity Management being a critical aspect, the Bank has adhered to intelligence and best practices suggested from the various regulators, organizations like CERT-IN, DSCI, NIST, etc. to ensure Data Security. During the year, that Bank had focused on:

- Increased awareness of all stakeholders
- Adoption of zero trust solutions
- Enhanced logging and monitoring
- Automation of threat intelligence
- Coordinated incident response

The Bank has also enhanced its Incident Management and Cyber Crisis Management Plan to deal with incidents and potential cyber crisis. There is also a policy governing the acceptable usage of information and system assets and policy to ensure continuity of business operations in the event of a disaster.

Given the dynamic nature of risks that the Bank faces, the Bank periodically assesses the risks and develops strategies to ensure that risks are mitigated to an acceptable level. Being technology-oriented, most of the risks are technological in nature and thus the Bank has invested heavily in security technologies. A 24x7 Cyber Security Operations Centre has been established to detect and contain security anomalies. This Cyber SOC is also responsible to actively monitor emerging threats based on intelligence gathering. The Bank has developed a comprehensive awareness program wherein employees are trained during on-boarding, periodic phishing simulations are carried out and awareness mailers are broadcast to both employees and customers. Recent awareness emails pertaining to frauds based on COVID vaccination, spam COVID calls were circulated intending to spread awareness among the employees and keep them abreast of the pertinent COVID frauds.

Phishing simulation pertaining to COVID vaccination provision from the ministry of health was also conducted to check the employees' awareness about the contemporary frauds.

The Bank has enhanced the monitoring capacity by creating use cases to have better alerting on the SIEM (Security Information Event Management) system and further action taken by the Security Operations Centre (SOC). This is intended to avoid any potential delays in detection and response to the Cyber-Attacks.

13. TABLE DF- 10: INTEREST RATE RISK IN BANKING BOOK (IRRBB)

13.1 Qualitative Disclosures

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

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

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

13.2. Quantitative Disclosures

13.2.1. Earnings at Risk (Earnings Perspective)

(₹ in Lakhs)

Interest Rate Risk in the Banking Book (IRRBB)			
Sr. No.	Country	Interest Rate Shock	
		+200 bps shock	-200 bps shock
1	India	(13,263)	13,263
2	Overseas	-	-
		(13,263)	13,263

13.2.2. Economic Value Perspective (MDG Approach)

(₹ in Lakhs)

Category	Items	Amount
A	Equity	2,68,313
B	Computation of Aggregate RSA	19,50,646
C	Computation of Aggregate RSL	16,95,324
D	Weighted Avg. MD of RSL across all currencies	0.87
E	Weighted Avg. MD of RSA across all currencies	1.88
F	MDG	2,55,322
G	Change in MVE as % of equity for 200bps change in interest rate	(43,898)
H	Change in MVE in absolute terms	16.36%

14. TABLE DF-13: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Equity shares

Disclosure template for main features of regulatory capital instruments		
Sr. No.		Equity Shares
1	Issuer	Ujjivan Small Finance Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: INE551W01018
3	Governing law(s) of the instrument	Applicable Indian Statutes and regulatory requirements
	Regulatory treatment	
4	Transitional Basel III rules	Common equity Tier I
5	Post-transitional Basel III rules	Common equity Tier I
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type	Common Shares
8	Amount recognised in regulatory capital (₹ in Lakhs, as of most recent reporting date)	₹1,72,831.42 Lakhs
9	Par value of instrument	₹10/-
10	Accounting classification	Capital

Sr. No.	Disclosure template for main features of regulatory capital instruments
	Equity Shares
11	Original date of issuance <ul style="list-style-type: none"> • ₹0.50 million – July 4, 2016 • ₹1099.868 Million – July 30, 2016 • ₹13,300 Million – February 10, 2017 • ₹140.55 Million – November 11, 2019 • ₹714.29 Million – November 13, 2019 • ₹2,027.03 Million – December 10, 2019 • ₹0.03 Million – November 7, 2020 • ₹0.02 Million – January 19, 2021 • ₹0.04 Million – February 15, 2021 • ₹0.004 Million – March 15, 2021
12	Perpetual or dated
13	Original maturity date
14	Issuer call subject to prior supervisory approval
15	Optional call date, contingent call dates and redemption amount
16	Subsequent call dates, if applicable
	Coupons / dividends
17	Fixed or floating dividend/coupon
18	Coupon rate and any related index
19	Existence of a dividend stopper
20	Fully discretionary, partially discretionary or mandatory
21	Existence of step up or other incentive to redeem
22	Non-cumulative or cumulative
23	Convertible or non-convertible
24	If convertible, conversion trigger(s)
25	If convertible, fully or partially
26	If convertible, conversion rate
27	If convertible, mandatory or optional conversion
28	If convertible, specify instrument type convertible into
29	If convertible, specify issuer of instrument it converts into
30	Write-down feature
31	If write-down, write-down trigger(s)
32	If write-down, full or partial
34	If temporary write-down, description of write-up mechanism
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)
36	Non-compliant transitioned features
37	If yes, specify non-compliant features

During April - March 2021, the Bank made the following allotments:

Date of issue and allotment	Method of allotment	Face value (₹)	Issue price (₹)	Number of equity shares allotted
November 7, 2020	Employee Stock Purchase Scheme	10	35	29,069
January 19, 2021	Employee Stock Option Plan	10	35	20,298
February 15, 2021	Employee Stock Option Plan	10	35	37,229
March 15, 2021	Employee Stock Option Plan	10	35	4,440
Total				91,036

PNCPS

Sr. No.	Disclosure template for main features of regulatory capital instruments
	Preference Shares
1	Issuer
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)
3	Governing law(s) of the instrument
	Regulatory treatment
4	Transitional Basel III rules
5	Post-transitional Basel III rules
6	Eligible at solo/ group/ group & solo

Sr. No.	Disclosure template for main features of regulatory capital instruments
	Preference Shares
7	Instrument type
8	Amount recognised in regulatory capital (₹ in million, as of most recent reporting date)
9	Par value of instrument
10	Accounting classification
11	Original date of issuance
12	Perpetual or dated
13	Original maturity date
14	Issuer call subject to prior supervisory approval
15	Optional call date, contingent call dates and redemption amount
16	Subsequent call dates, if applicable
	Coupons/dividends
17	Fixed or floating dividend/coupon
18	Coupon rate and any related index
19	Existence of a dividend stopper
20	Fully discretionary, partially discretionary or mandatory
21	Existence of step up or other incentive to redeem
22	Non-cumulative or cumulative
23	Convertible or non-convertible
24	If convertible, conversion trigger(s)
25	If convertible, fully or partially
26	If convertible, conversion rate
27	If convertible, mandatory or optional conversion
28	If convertible, specify instrument type convertible into
29	If convertible, specify issuer of instrument it converts into
30	Write-down feature
31	If write-down, write-down trigger(s)
32	If write-down, full or partial
34	If temporary write-down, description of write-up mechanism
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)
36	Non-compliant transitioned features
37	If yes, specify non-compliant features

Perpetual Non-Cumulative Preference shares

₹2,000 Million

₹10/-

Capital

February 10, 2017

Perpetual

No Maturity date

Yes

February 10, 2022

NIL

Dividend

Fixed

11.0%

Yes

Fully discretionary

NIL

Non-Cumulative

Non-Convertible

NA

NA

NA

NA

NA

NA

NA

Yes

PONV trigger & CET1 trigger

Full and Partial

The Issuer shall:

1. Notify holders of preference Shares
2. Cancel any dividend accrued and un paid to as on write down date
3. Without the need for the consent of holders of the PNCPS, write down the face value of the PNCPS by such amount as the Issuer may in its absolute discretion decide. Provided that, in no event shall such amount of write down be less than the amount required to immediately return the Issuer's Common Equity Tier I Ratio (as defined below) to above the CET1 Trigger Event Threshold (as defined below), nor shall such amount of write down exceed the amount which would be required to be written down to ensure that the Common Equity Tier I Ratio is equal to the aggregate of the CET1 Trigger Event Threshold and 2.5%, or such other percentage as may be prescribed by the RBI (the "CET1 Write Down Amount").

Subordinate to the claims of all depositors and general creditors and all capital instruments qualifying Tier II Capital instruments and perpetual debt instruments. Only Superior to Equity Shares

No

NA

15. TABLE DF-14: TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS Equity Shares

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	Paid-up capital is only issued with approval given by Board of Directors

PNCPS

Sr. No.	Particulars	Full Terms and Conditions
1	Type of Instrument	Perpetual Non-Cumulative Preference Shares
2	Terms for Raising PNCPS	Issue of PNCPS for augmenting the overall capital of the Issuer to strengthen the Issuer's capital adequacy and enhance its long-term resources in compliance with the applicable law.
3	Seniority	The claims in respect of the PNCPS, subject to applicable law, will rank: <ol style="list-style-type: none"> Superior to claims of holders of equity shares and Subordinate to the claims of all depositors, term loan borrowings, all capital instruments qualifying as tier II capital and all perpetual debt instruments.
4	Listing	Unlisted.
5	Tenor	The PNCPS shall be perpetual i.e. there is no maturity date and there are no step-ups or any other incentives to redeem the PNCPS.
6	Dividend Payment Frequency	Subject to Dividend Limitation and Loss Absorption, dividend will be payable as per the discretion of the Bank's Board. The Board is empowered to <ol style="list-style-type: none"> Declare Interim Dividend during the FY Declare for subsequent FY (including interim dividends) or Declare dividend during the period between the end of the FY and before conducting the AGM.
7	Dividend Rate	11% per annum or at a rate as specified in terms of RBI Master Circular on Basel III capital regulations.
8	Dividend Stopper	In the event that the Preference shareholders are not paid dividend at the Dividend Rate, there shall be no payment of discretionary dividend on equity shares until the Dividend payments to the shareholders are made in accordance with terms hereof.
9	Put Option	Not Applicable.
10	Call Option	<p>Issuer call: The Issuer may at its sole discretion, subject conditions for Call and Repurchase and exercise of such call option (with a notification to the holders of the PNCPS which shall specify the date fixed for exercise of the call option), exercise a call option on the PNCPS ("Issuer Call"). The Issuer Call may be exercised at the option of the Issuer no earlier than on the fifth anniversary of the Deemed Date of Allotment.</p> <p>Tax Call: If a Tax Event has occurred and is continuing, the Issuer may at its sole discretion, subject to Conditions for Call and Repurchase and notification to the holders of PNCPS of not less than 21 calendar days prior to the date of exercise of such call option (which notification shall specify the date fixed for exercise of the call option), exercise a call option on the PNCPS ("Tax Call"). Provided further that, subject to conditions for Call and Repurchase the Issuer may substitute the PNCPS with capital instruments that are in accordance with the RBI Master Circular on Basel III capital regulations and any other applicable law.</p>

Sr. No.	Particulars	Full Terms and Conditions
		<p>Regulatory Call: If a Regulatory Event has occurred and is continuing, the Issuer may at its sole discretion, subject to Conditions for Call and Repurchase and notification to the holders of PNCPS of not less than 21 calendar days prior to the date of exercise of such call option (which notification shall specify the date fixed for exercise of the call option), exercise a call option on the outstanding PNCPS ("Regulatory Call"). Provided further that, subject to Condition 27 (Conditions for Call and Repurchase) the Issuer may substitute the PNCPS with capital instruments that are in accordance with the RBI Master Circular on Basel III capital regulations and any other applicable law.</p>
11	Repurchase/ Redemption/ Buy-back	The Issuer may subject to Conditions for Call and Repurchase having been satisfied and such repayment being permitted by the RBI Master Circular on Basel III capital regulations, repay the PNCPS by way of repurchase, buy-back or redemption.
12	Loss Absorption	<p>PNCPS should have principal loss absorption through a write-down mechanism which allocates losses to the instrument at a pre-specified trigger point. The write-down will have the following effects:</p> <ol style="list-style-type: none"> Reduce the claim of the PNCPS in case of liquidation; Reduce the amount re-paid when a call over the PNCPS is exercised by the Issuer; and Partially or fully reduce dividend payments on the PNCPS. <p>The specific criteria for such loss absorption through conversion/ write-down/ write-off on breach of pre-specified trigger and the Point of Non-Viability (PONV) will be in accordance with the applicable RBI guidelines. The relevant terms of Annex 16 in Master Circular of Basel III capital regulations shall be deemed to be incorporated herein.</p>
13	Permanent Principal Write-down on PONV Trigger Event	<p>If a PONV Trigger Event occurs, the Issuer shall:</p> <ol style="list-style-type: none"> Notify the holders of the PNCPS; cancel any dividend which is accrued and unpaid on the PNCPS as on the write-down date; and Without the need for the consent of the holders of the PNCPS, write down the outstanding principal of the PNCPS by such amount as may be prescribed by RBI ("PONV Write Down Amount") and subject as is otherwise required by the RBI at the relevant time. The Issuer will affect a write-down within 30 (thirty) days (or such other time as may be prescribed by applicable law) of the PONV Write-Down Amount being determined by the RBI. A Permanent Principal Write-down on PONV Trigger Event may occur on more than one occasion. <p>Unless specifically permitted by applicable law, once the face value of the PNCPS has been written down pursuant to PONV Trigger Event, the PONV Write-Down Amount will not be restored in any circumstances, including where the PONV Trigger Event has ceased to continue.</p>
14	Temporary principal Write-down on CET1 Trigger Event	<p>If a CET1 Trigger Event (as described below) occurs, the Issuer shall:</p> <ol style="list-style-type: none"> Notify the holders of the PNCPS; Cancel any dividend which is accrued and unpaid to as on the write-down date; Without the need for the consent of holders of the PNCPS, write down the face value of the PNCPS by such amount as the Issuer may in its absolute discretion decide. Provided that, in no event shall such amount of write down be less than the amount required to immediately return the Issuer's Common Equity Tier I Ratio to above the CET1 Trigger Event Threshold, nor shall such amount of write down exceed the amount which would be required to be written down to ensure that the Common Equity Tier I Ratio is equal to the aggregate of the CET1 Trigger Event Threshold and 2.5%, or such other percentage as may be prescribed by the RBI (the "CET1 Write Down Amount"). <p>A write-down may occur on more than one occasion. Once the value of a PNCPS has been written down pursuant to this temporary Write down, the value of the PNCPS may only be restored in accordance with condition of reinstatement.</p>

16. TABLE DF-15: DISCLOSURE ON REMUNERATION

18.1 Remuneration – Qualitative disclosures

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

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

Name: Nomination and Remuneration Committee

Composition of Nomination and Remuneration Committee as on March 31st, 2021:

Sr. No.	Name of director	Designation/Category
1.	Mr. Mahadev Lakshminarayanan	Chairperson – Independent Director
2.	Ms. Mona Kachhwaha	Member – Non-Executive, Non-Independent Director
3.	Mr. Prabal Kumar Sen	Member – Independent Director
4.	Mr. Harish Devarajan	Member – Additional Director (Independent)
5.	Mr. Ittira Davis	Member – Additional Director (Non-Executive, Non-Independent)

Following are the main terms of reference of the Committee:

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

The Nomination and Remuneration Committee, while formulating the above policy, ensures that:

- (i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run our Bank successfully;
 - (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Bank and its goals.
2. Formulating criteria for evaluation of performance of independent directors and the Board of Directors;
 3. To ensure 'fit and proper' status of proposed/ existing Directors;

4. Devising a policy on diversity of Board of Directors;

5. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

6. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of directors their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance. The Bank shall disclose the remuneration policy and the evaluation criteria in its annual report;

7. Analysing, monitoring and reviewing various human resource and compensation matters;

8. Determining the Bank's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;

9. Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;

10. Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;

11. Recommending to the Board, all remuneration, in whatever form, payable to senior management;

12. Administering, monitoring and formulating detailed terms and conditions of the Employees' Stock Option Scheme of the Bank, *inter-alia*, including the following:

- a) Determining the eligibility of employees;
- b) The quantum of option to be granted under the Employees' Stock Option Scheme per Employee and in aggregate;
- c) The exercise price of the option granted;

- d) The conditions under which option may vest in employee and may lapse in case of termination of employment for misconduct;

- e) The exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;

- f) The specified time period within which the employee shall exercise the vested option in the event of termination or resignation of an Employee;

- g) The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;

- h) Re-pricing of the options which are not exercised, whether or not they have been vested if stock option rendered unattractive due to fall in the Market Price of the Shares;

- i) Formulating and implementing the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the Compensation Committee:

- The number and the price of stock option shall be adjusted in a manner such that total value of the Option to the Employee remains the same after the Corporate Action;
- For this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad may be considered;
- The Vesting Period and the life of the option shall be left unaltered as far as possible to protect the rights of the Employee who is granted such option;

- j) The grant, vest and exercise of option in case of Employees who are on long leave;

- k) Allow exercise of unvested options on such terms and conditions as it may deem fit;

- l) The procedure for cashless exercise of options;

- m) Forfeiture/cancellation of options granted;

- n) Framing of suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, by the ESOP trust, the Bank and its employees, as applicable;

- o) All other issues incidental to the implementation of Employees' Stock Option Scheme; and

- p) Construing and interpreting the Plan and any agreements defining the rights and obligations of the Bank and eligible employees under the Plan, and pre-scribing, amending and/or rescinding rules and regulations relating to the administration of the Plan.

13. Administering, monitoring and formulating detailed terms and conditions of the Employee Stock Purchase Scheme of the Bank;

14. Conducting due diligence as to the credentials of any director before his or her appointment/ re-appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI;

15. To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Bank subject to the provision of the law and their service contract;

16. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

17. To develop a succession plan for the Board and to regularly review the plan;

18. To approve Job descriptions & KRA's of Senior Managers and Business Line Managers on an annual basis;

19. To review Performance of the senior/business line managers by NRC on an annual basis;

20. Overseeing the framing, review and implementation of the Bank's Compensation Policy for Whole Time Directors/ Chief Executive Officers / Risk Takers and Control function staff for ensuring effective alignment between remuneration and risks;

21. To recommend to the board, all remuneration, in whatever form, payable to senior management;

22. Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:

1. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
2. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.

23. Carrying out any other function as is mandated by the Board from time to time and/or enforced/mandated by any statutory notification, amendment or modification, as may be applicable; and

24. Review regularly and approve the Bank's programme for executive and employee development;

25. Review and implement the various HR policies and manual of the Bank;

26. Develop, review and approve the principles guiding the Bank's executive compensation philosophies;

27. 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 organisation development; and

28. Performing such other functions as may be necessary or appropriate for the performance of its duties.

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

• A description of the scope of the Bank's remuneration policy (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 organisation.

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 March 31, 2021 was 16,571.

b) Information relating to the design and structure of remuneration processes. Disclosure should include:

• An overview of the key features and objectives of remuneration policy.

The Compensation Policy and Nomination & Remuneration Policy has been laid out keeping the following perspectives into considerations:

- a) Our Compensation principles should support us in achieving our mission of providing a full range of financial services to the economically active poor of India who are not adequately served (unserved and underserved) by financial institutions. Therein, this policy should support us to attract and retain talent and skills required to consolidate the organisation's purpose and ideology.
- b) The pay structure and amounts shall always conform to applicable Income Tax and other similar statutes.
- c) All practices of Ujjivan SFB shall comply with applicable labour laws.
- d) The pay structure should be standardized for a level of employees.
- e) Elements eligible for tax exemption may be introduced at appropriate levels to enable employees take applicable tax breaks. Amounts related to certain benefits may undergo change due to change in grade/ roles/ function/ state/ region in the organisation.
- f) The compensation structure shall be easy to understand for all levels of employees.
- g) The compensation policy is designed to promote meritocracy in the organisation i.e. other things

being equal, performers in a given role are expected to earn more than his/her peer group.

- h) 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.

There were no changes to the compensation policy of the Bank in FY 2020-21.

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

The Bank periodically benchmarks its remuneration practices against the market. Compensation ranges in alignment to market pay are derived and reviewed periodically. Remuneration payable for each function is independent of amounts payable to other function as is the market practice. Further, performance metrics for the Risk and Compliance function are completely unrelated to deliverables of any other business function. The deliverables of the risk function are periodically reviewed by the Risk Committee of the Board ensuring due independence. Thus, the remuneration payable (which is linked to performance) is differentiated as well.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes.

- Structurally, the Control functions such as Credit, Risk and Vigilance are independent of the business functions and each other, thereby ensuring independent oversight from various aspects on the business functions.
- The Bank ensures that staff engaged in financial and 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.

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

- A discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance.
- The compensation policy is designed to promote meritocracy within the Bank i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.
- The Bank shall, from time to time benchmark its compensation practices against identified market participants to define its pay structure and pay levels.

• The merit and increments are finalised and approved by the National Human Resources Committee (NHRC) at annual intervals, basis organisation's budgets and accomplishments as well as market reality.

• The Bank believes in paying its employees in an equitable and fair manner basis the incumbent's Role, Personal Profile (Education/Experience etc.) as well as Performance on the Job.

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

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

The Bank reviews metrics of all business units on a periodic basis and makes necessary changes to metrics to ensure satisfaction with the defined metrics and performance business outcomes across the stakeholder spectrum including investors, customers, regulator and employees. The Bank, particularly at Corporate and senior levels takes a balanced approach to performance management. High performance of an individual/ department is 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.

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

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

(b) Ujjivan believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options of the Bank are distributed amongst employee's basis their criticality and performance from time to time, at the discretion of the management.

(c) Stock option schemes at Ujjivan vest in a staggered manner. Besides the statutory

requirement of grant and 1 year vesting, the total set of options vest in various tranches for up to a period of 5 years.

- (d) **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.
- (e) **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.**

Description of the different forms of variable remuneration that the bank utilises and the rationale for using the same

Variable Compensation at Ujjivan has the following distinct forms:

A. – Cash Variable Pay

1. Statutory Bonus
2. Performance Pay – Performance Bonus and Monthly Variable Pay
3. Rewards & Recognition

The policy has been laid out keeping the following perspectives into considerations:

- The Variable pay structure and amounts shall always conform to applicable Income Tax statutes, Labour Laws, Regulatory Requirements, any other applicable statutes and prevalent market practice.
- It is designed to promote meritocracy in the organisation 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 of Ujjivan Small Finance 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: Ujjivan shall design schemes and practices from time to time to celebrate employees/ departmental/ organisational success. These celebrations may include offering tokens of appreciation to employees as defined in specific schemes. Fairness of application and transparency of communication shall be the hallmark of all such schemes. These will be subject to income tax laws, as applicable. Examples of such schemes may include: Long Service Awards (currently at one, three, five, seven and ten years. of completion of service with Ujjivan), Functional R&R Schemes; Organisational Rewards Schemes such as: Service Champion; Process Excellence; Customer Connect Awards; Above and Beyond; etc.

B. – Non-cash Variable Pay

Ujjivan believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options 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.

16.2. Quantitative Disclosures		
Sr. No.	Quantitative Disclosures (Covers only Whole Time Directors/ CEO/ Other Risk Takers)	Numbers
1	Number of meetings held by the Nomination and Remuneration Committee during the FY and remuneration paid to its members.	Total Meeting Held: 8 Total sitting fee paid: ₹13.70 Lakhs
2	Number of employees having received a variable remuneration award during the year.	6 employees MD & CEO, Head – Treasury, Current and Ex-Chief Credit Officer (CCO), Head – Liabilities and Head – Micro and Rural Banking.
3	Number and total amount of sign-on awards made during the FY.	₹37.99 Lakhs
4	Details of guaranteed bonus, if any, paid as joining/sign on bonus.	NIL
5	Details of severance pay, in addition to accrued benefits, if any.	₹74.10 Lakhs (Made to Ex-MD)
6	Total amount of outstanding deferred remuneration , split into cash, shares and share-linked instruments and other forms.	> Cash : NIL > ESPS shares: NIL > ESOP grants : 2,54,874 MD & CEO, Head – Treasury, Chief Credit Officer (CCO), Head - Liabilities and Head – Micro & Rural Banking.
7	Total amount of deferred remuneration paid out in the FY.	NIL
8	Breakdown of amount of remuneration awards for the FY to show fixed and variable, deferred and non-deferred.	> Fixed gross : ₹491.98 Lakhs > Variable deferred : ₹NIL Fixed gross of the following employees : MD & CEO, Head – Treasury, Current and Ex-Chief Credit Officer (CCO), Head – Liabilities and Head – Micro and Rural Banking.
9	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	NIL
10	Total amount of reductions during the FY due to ex- post explicit adjustments.	NIL
11	Total amount of reductions during the FY due to ex- post implicit adjustments.	NIL

17. TABLE DF – 16: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE

Summary comparison of accounting assets versus leverage ratio exposure measure		(₹ in Lakhs)
Sr. No.	Item	Amount
1	Total consolidated assets as per published financial statements	15,16,490
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	3,93,355
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)	1,28,200
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	11,607
7	Other Adjustments	-33,557
8	Leverage ratio exposure	20,16,096

17. TABLE DF – 17: LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

(₹ in Lakhs)

Table DF-18: Leverage ratio common disclosure template		
Sr. No.	Item	Amount
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	19,09,845
	Domestic Sovereign	2,41,853
	Banks in India	86,597
	Corporates	64,848
	Exposure to default fund contribution of CCPs	58
	Other Exposure to CCPs	
	Others	15,16,490
2	(Asset amounts deducted in determining Basel III Tier I capital)	(33,557)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	18,76,289
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0
5	Add-on amounts for PFE associated with all derivatives transactions	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivative exposures (sum of lines 4 to 10)	0
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,28,200
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	Total securities financing transaction exposures (sum of lines 12 to 15)	1,28,200
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	21,862
18	(Adjustments for conversion to credit equivalent amounts)	10,255
19	Off-balance sheet items (sum of lines 17 and 18)	11,607
Capital and total exposures		
20	Tier I capital	2,86,267
21	Total exposures (sum of lines 3, 11, 16 and 19)	20,16,096
Leverage ratio		
22	Basel III leverage ratio	14.20%

Presently the contribution of Tier I capital to Total Basel II capital is 94.79%. The business model of the Bank is relatively simple with a significant portion as fund-based assets. Gross advances were primarily in the nature of term loans. Since the exposure to Securities Financing Transactions (SFT) and Off Balance Items are presently low, the Leverage ratio is well above the benchmark of >4.5%.

Directors' Report

Dear Stakeholders,

On behalf of the Board of Directors (the "Board") of Ujjivan Small Finance Bank Limited (the "Bank or Ujjivan"), it is our immense pleasure to present the 5th Annual Report of the Bank along with the Audited Financial Statements and Auditor's Report thereon for the FY 2020-21.

OVERVIEW AND STATE OF AFFAIRS OF THE BANK

During the FY 2020-21, the Bank rebound from the initial setback in the business observed in the 1st quarter due to COVID-19 lockdown and delivered a record high business volume in the 4th quarter. With the opening up of markets gradually from the 2nd quarter, volumes picked up across asset and deposit businesses reaching pre-COVID level by end of the 3rd quarter of FY 2020-21. The Bank closed the FY 2020-21 on a high note, with the last quarter showing tremendous growth across businesses. In the first half of the FY 2020-21, the Bank took a cautious approach towards microfinance lending in select pockets and increased focus on collections post lockdown. The Bank also took a measured approach towards its Micro and Small Enterprises ("MSEs") lending in certain stressed segments and shifted its focus towards lending to semi-formal and formal segments for better portfolio quality. During the FY 2020-21, the Emergency Credit Line Guarantee Scheme ("ECLGS") helped the MSE business ramp up after a muted 1st Quarter. The Bank maintained a cautious stance in its Institutional lending business, lending to "AA" rated entities without having any adverse impact on the vertical level Net Interest Margin. The Personal Loans lending business volumes had increased on account of good traction coming from branches and saw limited traction in lending through fin-tech partnerships, DSA and digital acquisitions until the 4th quarter of FY 2020-21. Business volumes under the Housing vertical saw a steady ramp up with improved approval rates, despite restricted segments and stringent credit policy. Bank's Assets Under Management ("AUM") registered a 7% y-o-y growth in FY 2020-21 over the previous year. Despite a slowdown in business momentum in the first half on account of the pandemic, the Bank witnessed significant y-o-y growth in Housing (35%) and MSE (31%) while the microfinance book stayed relatively flat. The new businesses of Personal Loan and Vehicle loans gradually scaled up in the year under review and now constitute 1.4% of the Bank's portfolio compared to 0.64% a year ago.

During FY 2020-21, Bank's deposit book recorded 22% y-o-y growth driven by new retail customers. 6.6 Lakhs new retail deposit customers were on-boarded during the FY 2020-21. CASA grew by 85% y-o-y, closing at 21% of the total deposit book as of March 31, 2021, against 14% on March 31, 2020.

The Bank offered a moratorium commencing from March, 2020 to August, 2020 and also undertook restructuring as per the RBI guidelines for eligible customers in Micro Banking, MSE and Housing segments. The focus remained on portfolio management and collections with the strengthening of collection efforts with additional staff, tele-calling, adoption of digital and alternate collection channels like Airtel Payment points, PayTm, Instamojo, Setu and CC Avenue. There has been a continuous improvement in the collection efficiency post moratorium with the overall collection efficiency improving from 69% in August, 2020 to 94% in March, 2021. The Bank implemented restructuring for 3.7 Lakhs accounts worth ₹852 Crores in the Micro Banking segment, 121 accounts worth ₹14 Crores in Housing and 76 accounts worth ₹13 Crores in the MSE segment. The restructured book witnessed improved collection efficiency of 74% against 49% witnessed pre-restructuring. The Bank took a call to maintain prudential provisioning on its portfolio, with total provisions covering 6.3% of the overall portfolio against 1.6% in the previous year.

In a bid to diversify its product suite, the Bank launched several new products and services attuned to the need of the customers. The Bank launched Gold Loans, PM SVANIDHI (street vendor loans) and scaled up the Kisan Pragati Card product for the Micro Banking customers. The Bank had launched Navnirman Loans (ECLGS) to support its MSE customers in an effort to help them rebuild their livelihoods and recover from the pandemic impact. Loan Against Rent Receivables product was also introduced for the Landlords of the Bank's branches and the Bank also ventured into the Supply Chain Finance segment through its first Fintech partnership. Micro & Mini Commercial Cargo Vehicle product was launched to leverage the growing demand for vehicles in this segment. The Bank also launched the "Garima Savings Account" a Savings Bank Account catering to the financial needs of the women segment. To ease the mechanism of repayment in times of the pandemic, the Bank launched various modes of cashless EMI payment. Bank had partnered with Airtel Payments Bank, PayNearBy, and API based digital repayment via Bharat Bill Payment System. During the 4th quarter of FY 2020-21, 11% of the customers had paid their EMI via cashless modes. Cashless collections continue to remain stable contributing to an average 18% of Micro Banking and Rural Banking for FY 2020-21.

The Bank operated its premises with the strictest safety standards in line with the State Level Bankers' Committee and local guidelines, limiting staff turnout and offering work from home for backend staff. The Bank constituted a Quick Response Team (QRT) to monitor the situation on the ground and provide guidelines during the pandemic to all the employees of the Bank. Bank has continued to maintain a strong connection with its customers and staff, especially during the pandemic.

The Bank stayed committed to its Corporate Social Responsibility ("CSR") initiatives and spent more than ₹5.50 Crores during the FY 2020-21 on several impactful activities focused on pandemic relief, disaster and flood relief, promoting education, and livelihood support. One of the key initiatives of FY 2020-21 was the "COVID relief" which involved the distribution of more than 3.40 Lakhs Masks, 8,000 PPE kits, more than 13,700 dry ration, 4 ICU beds were also provided to CMC Vellore hospital & 5 information kiosks were installed at OPDs of St. John's Hospital, Bengaluru.

Bank educated more than 3,57,000 beneficiaries including the general public and trained its customers on COVID-19 symptoms, precautions, nearby testing centres and insurance schemes by the Government of India.

The Bank's total customer base grew by 13% y-o-y totalling 59.24 Lakhs while Deposit customers increased by 36% making a total of 55.85 Lakhs.

As of March 31, 2021, the Bank operated a network of 575 Banking Outlets ("BOs"), including 144 in Unbanked Rural Centre ("URC") locations, complying with the RBI prescribed norm of 25% of the BOs to be situated in URCs and 491 ATMs including 53 Automated Cash Recyclers.

The Bank was adequately capitalised with a CRAR of 26.44% as of March 31, 2021 and its funding position stayed comfortable throughout the year under review. The Bank took a prudent call to build a sufficient liquidity buffer in the wake of the COVID-19 situation.

FINANCIAL PERFORMANCE

Summary of Financial Performance

Particulars	₹ in Crores	
	FY 2020-21	FY 2019-20
Revenue from Operations	2,806.07	2,703.60
Other Income	310.82	322.21
Less: Operational Expenses	404.49	527.46
Personnel Expenses	748.78	718.49
Profit/loss before Depreciation, Finance Costs, Exceptional items, Provisions and Tax Expense	1,963.61	1,779.86
Less: Depreciation/ Amortisation/ Impairment	76.80	72.63
Profit/loss before Finance Costs, Exceptional items, Provisions and Tax Expense	1,886.81	1,707.23
Less: Finance Costs	1,077.51	1,070.01
Profit/loss before Provisions, Exceptional items and Tax Expense	809.30	637.23
Less: Provisions & Contingencies	799.10	170.99
Add/(less): Exceptional items	0	0
Profit/loss before Tax Expense	10.20	466.24
Less: Tax Expense (Current & Deferred)	1.90	116.32
Profit/loss for the year (1)	8.30	349.92
Total Comprehensive Income/loss (2)	-	-
Total (1+2)	8.30	349.92
Balance of profit/loss for earlier years	362.01	118.36
Less: Transfer to Debenture Redemption Reserve	-	-
Less: Transfer to Statutory Reserves	2.07	87.48
Less: Transfer to investment Fluctuation Reserve	5.28	5.53
Less: Transfer to Capital Reserves	19.33	-
Less: Dividend paid on Equity Shares	-	-
Less: Dividend paid on Preference Shares	-	11.00
Less: Dividend Distribution Tax	-	2.26
Balance carried forward	343.63	362.01

For FY 2020-21, the Net Profit is ₹8.30 Crores against ₹349.92 Crores in the FY 2019-20. Pre-provision operating profit stands at ₹809.30 Crores against ₹637.23 Crores in FY 2019-20.

Highlights of the FY 2020-21:

- Profit After Tax of the Bank for the FY 2020-21 stands at ₹8.30 Crores.
- Overall Portfolio at Risk stands a 14.89% against 1.95% in March, 2020.
- Net Non-Performing Assets at 2.93% against 0.20% in March, 2020.
- The Cost of funds of the Bank reduced from 8.20% in FY 2019-20 to 7.24% in FY 2020-21.
- The Deposit book stood at ₹13,136 Crores. CASA stood at ₹2,699 Crores. The retail book stood at ₹6,242 Crores and Institutional book at ₹6,894 Crores. Certificate of deposits stood at ₹407 Crores.
- Cost to Income Ratio reduced to 60.32%, from 67.42% in FY 2019-20 on account of rationalisation of costs, cutting down of non-essentials, cost-saving initiatives and process improvements.

Profitability: Pre-provision operating profits is ₹809.30 Crores and Post-tax profits – ₹8.30 Crores for FY 2020-21.

The Bank's Board was strengthened on joining of 6 (Six) directors during the FY 2020-21 and 3 (Three) Directors had resigned from the Board including Mr. Biswamohan Mahapatra, the Part-time Chairman and Independent Director of the Bank.

Key Ratios: (Comparative ratios are annualised)

Particulars	FY 2020-21	FY 2019-20
Interest income as a percentage to working funds	14.67%	17.09%
Non-interest income as a percentage to working funds	1.62%	2.04%
Operating profit as a percentage to working funds	4.23%	4.03%
Business (deposits plus gross advances) per employee (₹ in thousands)	13,772	12,564
Profit per employee (₹ in thousands)	4.82	214.72
EPS (Basic) (₹)	0.05	2.19
EPS (Diluted) (₹)	0.05	2.18

TRANSFER TO RESERVES

A. Statutory Reserve

The Bank has transferred ₹2.07 Crores to statutory reserves pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI circular dated September 23, 2000, as amended from time to time.

B. Investment Fluctuation Reserve ("IFR")

The Bank has made an appropriation of ₹5.28 Crores, as compared to ₹5.53 Crores in FY 2019-20, out of profits for the FY 2020-21 to the IFR pursuant to the RBI notification RBI/2017-18/147 DBR.No.BP. BC.102/21.04.048/2017-18 dated April 02, 2018.

DIVIDEND

The Bank has formulated and implemented a Dividend Distribution Policy pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and RBI Requirements with an objective to appropriately reward shareholders through dividends for reposing their confidence in the Bank while retaining the capital required for supporting future business growth. The said Policy is available on the website of the Bank at www.ujjivansfb.in/corporate-governance-policies.

A. Equity Dividend

With a view to conserve capital in an environment of heightened uncertainty caused by the COVID-19 pandemic, the Board of the Bank has not proposed any dividend on the equity shares for the FY 2020-21.

B. Preference Dividend

During the FY 2020-21, no dividend was declared on the preference shares issued by the Bank.

CHANGE IN THE NATURE OF BUSINESS

There was no change in the nature of business of the Bank during FY 2020-21.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments have occurred after the closure of the FY 2020-21 till the date of this report, which might have affected the financial position of the Bank. In the wake of the COVID-19 pandemic situation which had an impact on the portfolio quality, the Bank made a prudential provision to the tune of ₹172 Crores, providing coverage to 6.31% of the gross book as against 1.62% in the previous financial year. The Bank also maintained a healthy Provisioning Coverage Ratio of 60.34% as of March 31, 2021.

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 2020-21.

CAPITAL AND DEBT STRUCTURE

A. Changes in Capital Structure

There was no change in the Authorised Capital of the Bank during the FY 2020-21, however, the Bank had allotted equity shares under its Employee Stock Option Plan-2019 ("ESOP 2019 Scheme") and Employee Stock Purchase Scheme-2019 ("ESPS 2019 Scheme")

B. Issue of Equity Shares or Other Convertible Securities

During the FY 2020-21, the Bank had made 4 (Four) allotments of equity shares aggregating to 91,036 under its ESOP 2019 Scheme and ESPS 2019 Scheme:

Date of issue and allotment	Method of allotment	Face value (₹)	Issue price (₹)	Number of equity shares allotted
November 07, 2020	Employee Stock Purchase Scheme	10	35	29,069
January 19, 2021	Employee Stock Option Plan	10	35	20,298
February 15, 2021	Employee Stock Option Plan	10	35	37,229
March 15, 2021	Employee Stock Option Plan	10	35	4,440
Total				91,036

C. Issue of Equity Shares With Differential Rights and/or Sweat Equity Shares

During the FY 2020-21, 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, Companies Act, 2013 and rules made thereunder and relevant guidance notes and accounting standards.

As on March 31, 2021, 4,11,03,649 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 2020-21, 3,04,549 number of options were granted on November 02, 2020 at the rate of ₹30.75 per stock option to selected employees of the Bank.

No change has been made in the ESOP 2019 Scheme during the FY 2020-21.

Particulars	Details
Options granted	4,11,03,649
Options vested	81,70,136
Options exercised	61,967
The total number of shares arising as a result of exercise of options	61,967
Options lapsed	<ul style="list-style-type: none"> 33,88,135 lapsed options as of June 30, 2020 got added back to the ESOP 2019 Scheme pool. 26,02,991 options have lapsed from July 01, 2020-March 31, 2021.
The exercise price	₹35 per stock option (granted to employees on August 08, 2019 and to Managing Director and CEO on December 04, 2019) ₹30.75 per stock option (granted to 6 employees on November 02, 2020)
Variation in terms of options	Nil
Money realised by exercise of options	₹21,68,845 (Exercise price collected) ₹39,268 (Perquisite tax collected)
Total number of options in force	3,50,50,556 (81,70,136 Vested options + 2,68,80,420 Unvested options)

Particulars	Details	
Employee-wise detail of options granted to:		
Key Managerial Personnel*	Name of KMP	Option Grante
	Mr. Nitin Chugh	37,98,69
	Ms. Upma Goel	1,56,98
	Mr. Chanchal Kumar	82,97
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	Mr. Rajiv Kumar Pathak	52,75
	Mr. Dheemant Mansukh Thacker	42,51
	Mr. Pradeep Kumar	34,75
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	

*No stock options were granted during the FY 2020-21.

The disclosures as required under Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 read with Circular CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 issued by SEBI are available on the website of the Bank at 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, 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 *pari-passu* 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. The Bank has allotted 1,40,55,097 equity shares under Upfront Scheme in FY 2019-20 and 29,069 equity shares under Monthly Scheme during FY 2020-21.

Particulars	Details																										
Total number of equity shares allotted under ESPS 2019 Scheme under upfront scheme	1,40,55,097																										
Total number of equity shares allotted pursuant to the ESPS 2019 Scheme under monthly scheme	29,069																										
Employee-wise details of the Equity Shares that were issued to Key Managerial Personnel:																											
Key Managerial Personnel*																											
	<table><tr><th>Name of KMP</th><th>Shares Issued</th></tr><tr><td>Mr. Nitin Chugh</td><td>Nil</td></tr><tr><td>Ms. Upma Goel</td><td>1,04,355</td></tr><tr><td>Mr. Chanchal Kumar</td><td>14,252</td></tr><tr><td>Mr. Ashok Kumar Razdan</td><td>6,000</td></tr><tr><td>Mr. Prasanta Kumar Nayak</td><td>3,000</td></tr><tr><td>Ms. Sneha Kavanadala Sridhara</td><td>2,196</td></tr><tr><td>Ms. Suman Roshini</td><td>2,056</td></tr><tr><td>Ms. Suzanne Prabhu Braggs</td><td>2,000</td></tr><tr><td>Ms. Mriganka Mistry</td><td>1,817</td></tr><tr><td>Mr. K M Nagarathnamma</td><td>1,714</td></tr><tr><td>Mr. Janmejaya Kumar</td><td>1,600</td></tr><tr><td>Ms. Ambiya Raju Naik</td><td>1,508</td></tr></table>	Name of KMP	Shares Issued	Mr. Nitin Chugh	Nil	Ms. Upma Goel	1,04,355	Mr. Chanchal Kumar	14,252	Mr. Ashok Kumar Razdan	6,000	Mr. Prasanta Kumar Nayak	3,000	Ms. Sneha Kavanadala Sridhara	2,196	Ms. Suman Roshini	2,056	Ms. Suzanne Prabhu Braggs	2,000	Ms. Mriganka Mistry	1,817	Mr. K M Nagarathnamma	1,714	Mr. Janmejaya Kumar	1,600	Ms. Ambiya Raju Naik	1,508
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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																											

*No equity shares were allotted during the FY 2020-21.

The disclosures as required under Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 read with Circular CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 issued by the SEBI are available on the website of the Bank at www.ujjivansfb.in.

E. Issue of Debentures, Bonds or any Non-Convertible Securities or Warrants

During the FY 2020-21, the Bank has neither issued any debenture, bonds, non-convertible securities nor any warrants.

DILUTION OF PROMOTER'S SHAREHOLDING

In terms of the RBI In-Principle Approval, RBI Final Approval and Guidelines for licencing of "Small Finance Banks" in the private sector issued by RBI on November 27, 2014 ("SFB Licencing Guidelines"), the Bank was required to list its equity shares on the Stock Exchange within 3 (Three) years from the date of commencement of business i.e. by January 31, 2020.

Bank's equity shares got listed on Stock Exchanges on December 12, 2019 well within the prescribed timeline in accordance with SFB Licencing Guidelines.

CREDIT RATING

Credit ratings assigned to Long Term Bank Facilities and Certificate of Deposit Programme of the Bank during the FY 2020-21:

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	407.63 (reduced from 1,386.31)	CARE A+; Stable	06-09-2017	Reaffirmed "CARE A+; Stable" on 07-07-2020
Certificate of Deposit Programme	CRISIL Ratings Limited	2,500	CRISIL A1+	26-02-2018	Reaffirmed "A1+" on 25-02-2021

Further, the rating on the Short Term Fixed Deposits Programme, which was put on 'notice of withdrawal' in February, 2020, was withdrawn in line with applicable CRISIL's Policy during the FY 2020-21.

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 Fifth financial year there were no amounts due for transfer to IEPF. Further, as of March 31, 2021, there was no shareholder who has not encashed/claimed the dividend amount and there is no unclaimed dividend amount lying with the Bank.

Further, Bank has to dilute the Promoter's Shareholding to 40% within 5 (Five) years from the date of commencement of business i.e. by January 31, 2022.

Bank has constituted Promoter Shareholding Dilution Committee (a Board level Committee for Dilution) to comply with the aforesaid regulatory condition relating to dilution of Promoter Shareholding. The said Committee met 4 (Four) times during the FY 2020-21.

The Bank is committed to comply with the condition relating to dilution of Promoter shareholding to 40% within the prescribed timelines and is evaluating various options to comply with the aforesaid dilution requirement.

CAPITAL ADEQUACY

The Bank is subject to the Basel II Capital Adequacy guidelines (NCAF) stipulated by RBI. The CRAR of the Bank is calculated as per the standardised approach for Credit Risk.

CRAR of the Bank has been calculated on the basis of Basel II guidelines. The CRAR of the Bank as of March 31, 2021 using Risk Weighted Assets for credit risk exposures, as required under the operating guidelines of RBI for Small Finance Banks, stood at 26.44% including 25.06% Tier 1 Capital, as against the minimum capital adequacy requirements of 15%.

BOARD AND KEY MANAGERIAL PERSONNEL

The Board was duly constituted during the FY 2020-21 and the changes that took place in the Board composition are as follows:

A. Appointments

1. Mr. Umang Bedi

DIN: 02432920

The Board appointed Mr. Umang Bedi, in its meeting held on March 23, 2020, as an Additional Director (Independent) of the Bank w.e.f. April 01, 2020 to hold office up to the date of the 4th Annual General Meeting ("AGM") of members of the Bank.

Further, he was appointed as Director (Independent) pursuant to a resolution passed by the members of the Bank in the 4th AGM held on September 02, 2020 for a term of 5 (Five) consecutive years commencing April 01, 2020 up to March 31, 2025.

He meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 16(1) (b) of SEBI Listing Regulations. He also meets the fit and proper criteria as prescribed under the applicable RBI Circular.

In terms of Section 152 of the Companies Act, 2013, he is not liable to retire by rotation.

Rationale for his appointment:

The Board noted that Mr. Umang Bedi is an iconic leader who has co-founded Daily hunt; India's largest local language content & news discovery platform across 14 Indian languages. He has phenomenal technological acumen and foresight. His guidance and direction will be very valuable in achieving the Bank's mission of creating a state-of-the-art mass market bank.

His brief Profile is available on the website of the Bank at www.ujjivansfb.in/board-of-director.

2. Ms. Rajni Mishra

DIN: 08386001

The Board appointed Ms. Rajni Mishra, in its meeting held on December 15, 2020, as an Additional Director (Independent) of the Bank w.e.f. December 16, 2020 to hold office up to the date of 5th AGM.

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.

In terms of Section 152 of the Companies Act, 2013, she is not liable to retire by rotation.

Rationale for her appointment:

She has been a career banker for nearly four decades, with State Bank of India as well as its Associate Banks where she has handled varied assignments and diverse portfolios, gaining exposure in Branch Administration, Corporate Credit, Forex Treasury, Vigilance, Audit & Inspection etc. She is the Chairperson and Independent Director on the Board of M/s. NCL Buildtek Limited, Hyderabad, a leading manufacturer of building materials and a Group Company of M/s. NCL Industries (erstwhile Nagarjuna Cement Limited). She has completed M. Com (Gold Medalist) from M S University, Vadodara.

Her brief Profile is available on the website of the Bank at www.ujjivansfb.in/board-of-director.

3. Mr. Ittira Davis

DIN: 06442816

The Board appointed Mr. Ittira Davis, in its meeting held on March 13, 2021, as an Additional Director

(Non-executive, Non-independent) of the Bank w.e.f. March 13, 2021 to hold office up to the date of 5th AGM.

He also meets the fit and proper criteria as prescribed under the applicable RBI Circular.

Rationale for his appointment:

He is an international banker with over 40 years of banking experience having worked extensively in the Middle East and Europe. He was with the Europe Arab Bank from July 2008 to October 2012 initially as the Managing Director – Corporate and Institutional Banking and then as an Executive Director. He has previously worked with Citibank in India and the Arab Bank Group in the Middle East. He has been associated with Ujjivan since March 2015 and played a pivotal role in its transition into a Small Finance Bank. Later, he was the Chief Operating Officer of the Bank until June 2018. Mr. Ittira Davis was the MD & CEO of Ujjivan Financial Services Limited from July 2018 and has resigned as MD & CEO on March 12, 2021. He has completed Post-Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad.

4. Mr. Rajesh Kumar Jogi

DIN: 03341036

The Board appointed Mr. Rajesh Kumar Jogi, in its meeting held on March 13, 2021, as an Additional Director (Non-executive, Non-independent) of the Bank w.e.f. March 13, 2021 to hold office up to the date of 5th AGM and his office is liable to retire by rotation.

He also meets the fit and proper criteria as prescribed under the applicable RBI Circular.

Rationale for his appointment:

Mr. Rajesh Kumar Jogi is a seasoned risk management professional and has over 27 years of experience in banking, which includes 10 years with NatWest Group India (erstwhile Royal Bank of Scotland) and 17 years with Citibank N.A. He held the position of Head of Risk for India and also led Asia Pacific Risk for the NatWest Group from 2016 through 2017 where he was responsible for all risk disciplines across NatWest Group India and has been a member of the Bank's Executive Committees in India. He has also held Executive Directorship positions on the Boards of various NatWest Group India legal entities and he was also the Chief Risk Officer at RBS Bank (India). Mr. Jogi is a Chartered Accountant and has completed Advanced Management Programme from Harvard Business School.

His brief Profile is available on the website of the Bank at www.ujjivansfb.in/board-of-director.

5. Mr. Harish Devarajan**DIN:** 00080245

The Board appointed Mr. Harish Devarajan, in its meeting held on March 13, 2021, as an Additional Director (Independent) of the Bank w.e.f. March 13, 2021 to hold office up to the date of 5th AGM.

He meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 16(1) (b) of SEBI Listing Regulations. He also meets the fit and proper criteria as prescribed under the applicable RBI Circular.

In terms of Section 152 of the Companies Act, 2013, he is not liable to retire by rotation.

Rationale for his appointment:

Mr. Harish Devarajan has more than 35 years of experience in the corporate and consulting sectors and has been associated with TVS Sundram Fasteners Ltd. and Hindustan Unilever Ltd. He has rich experience in Change management in a global business context having worked in Unilever UK as a Global Project Manager – Enterprise Culture. He has been a free-lance Organisation Consultant and Leadership Coach since 2008, when he started his own consulting practice company “People Unlimited”. Harish is a past President of the National HRD Network, Bengaluru Chapter and was also honoured with the “Exemplary Leader Award” as part of the Employer Branding Awards, India 2007 (recognising excellence in Human Resources) and with the “Most Talented Coaching Leader” award at the World Coaching Congress 2017. Mr. Devarajan is a Commerce Graduate from Madras University and has completed PGDPM&IR, XLRI from Jamshedpur.

6. Dr. Umesh Bellur**DIN:** 08626165

The Board appointed Dr. Umesh Bellur, in its meeting held on March 13, 2021, as an Additional Director (Independent) of the Bank w.e.f. March 13, 2021 to hold office up to the date of 5th AGM.

He meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 16(1)(b) of SEBI Listing Regulations. He also meets the fit and proper criteria as prescribed under the applicable RBI Circular.

In terms of Section 152 of the Companies Act, 2013, he is not liable to retire by rotation.

Rationale for his appointment:

Dr. Umesh Bellur is the Chairman of the Department of Computer Science and Engineering at IIT Bombay and has experience of 8 years as a professor in the Department of Computer Science and Engineering

at IIT Bombay. He carries a diverse profile and has worked with various organisations including TCSI Corp, Oracle Corp, Covad Comm. Corp, Collation Inc. in California. He is a member of the Technology Advisory Board for The Securities and Exchange Board of India, State Bank of India, Clearing Corporation of India and National Securities Depository India. Board member at MySetu and Tutelez.com - both startups incubating at SINE, IIT Bombay. Dr. Bellur is an engineer from Bengaluru University and holds a Ph.D from Syracuse University, USA.

His brief Profile is available on the website of the Bank at www.ujjivansfb.in/board-of-director.

B. Resignations**1. Ms. Vandana Viswanathan****DIN:** 05192578

She had resigned as an Independent Director w.e.f. November 15, 2020.

Reason for Resignation: She had resigned due to personal reasons and confirmed to the Bank that there were no other material reasons for her resignation.

2. Mr. Jayanta Kumar Basu**DIN:** 01268046

He retired by rotation in previous AGM held on September 02, 2020 and was reappointed as Director (Non-Executive, Non-Independent) and subsequently resigned as the Director (Non-Executive, Non-Independent) on January 20, 2021 (end of Business Hours).

Reason for Resignation: He had resigned due to personal reasons and confirmed to the Bank that there were no other material reasons for his resignation.

3. Mr. Biswamohan Mahapatra**DIN:** 06990345

He had resigned as the Part-Time Chairman and Independent Director on February 19, 2021 (close of Business Hours).

Reason for Resignation: He had resigned due to personal reasons and confirmed to the Bank that there were no other material reasons for his resignation.

C. Key Managerial Personnel

As on March 31, 2021, pursuant to Section 203 of the Companies Act, 2013, Mr. Nitin Chugh, Managing Director and CEO, Ms. Upma Goel, Chief Financial Officer and Mr. Chanchal Kumar, Company Secretary and Compliance Officer are the Key Managerial Personnel (“KMP”) of the Bank.

1. Mr. Nitin Chugh**DIN:** 01884659

Mr. Nitin Chugh was appointed as Managing Director and CEO of the Bank for a period of 3 (Three) years commencing December 01, 2019.

In terms of Section 203 of the Companies Act, 2013, the Board had appointed him as KMP of the Bank for the period co-terminus with his tenure as Managing Director and CEO of the Bank.

2. Ms. Upma Goel

Ms. Upma Goel was appointed as Chief Financial Officer and KMP of the Bank w.e.f. February 01, 2017.

3. Mr. Chanchal Kumar

Mr. Chanchal Kumar was appointed as Company Secretary, KMP and Compliance Officer in terms of Regulation 6 of the SEBI Listing Regulations of the Bank w.e.f. March 24, 2018.

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

The Bank has received declarations from its Independent Directors confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI Listing Regulations and that they have complied with the code of conduct for independent directors as prescribed under Schedule IV of the Companies Act, 2013.

Further, pursuant to Regulation 25(8) of the SEBI Listing Regulations, the Independent Directors of the Bank 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 independent judgement 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 test 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 9 (Nine) times during the FY 2020-21. The meetings of the Board 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 part of the Annual Report of the Bank for the FY 2020-21.

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.

As on March 31, 2021, the Bank had 13 (Thirteen)* 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 Wilful 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.	Promoter Shareholding Dilution Committee	No	No	No
13.	Business Continuity Monitoring Committee	No	No	No

* The Human Resource and Compensation Committee of the Board was merged with the Nomination and Remuneration Committee w.e.f. February 04, 2021.

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 part of the Annual Report of the Bank for the FY 2020-21.

RECOMMENDATIONS OF AUDIT COMMITTEE

During the FY 2020-21, 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.

Performance evaluation criteria for Board, Board Committees and Individual Directors were approved by the Nomination and Remuneration Committee and the Board in its meeting held on January 19, 2021 and February 03, 2021 respectively. The performance evaluation was carried on in the meetings of the Nomination and Remuneration Committee and of the Board held on March 26, 2021.

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 performances of the Board and Board Committees were evaluated after seeking inputs from all the directors.

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

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

In a separate meeting of Independent Directors held on March 26, 2021, 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 Managing Director and CEO is in conformity with the RBI approval and within the limit prescribed under Section 197 of the Companies Act, 2013 read with Schedule V thereto.

The remuneration of Non-executive directors was paid 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**.

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

During the FY 2020-21, Mr. Nitin Chugh, Managing Director and 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 2020-21.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

Complying with Regulation 25(7) of SEBI Listing Regulations and RBI guidelines, Familiarisation Programmes were conducted during the FY 2020-21 to give an overview and introduction to the Independent Directors about the Bank's business and operations.

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

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 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, 2021.

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.

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.

RISK MANAGEMENT

The Risk Management Committee ("RMC") of the Board consists of experienced directors from a diverse backgrounds who bring in the best risk practices to the Bank. The RMC comprises of 5 (Five) directors out of which 2 (two) 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, Operational Risk Management Committee and Asset Liability and Market Risk Committee. These committees are entrusted with the task to identify measure, mitigate and monitor various risks.

The frequency, members and the quorum required for these management level committees are furnished in the respective risk policies. These committees meet at regular intervals to assess and monitor the level of risk pertaining to market, credit and operations.

The Bank has identified the following risks that are material in nature and therefore may threaten the existence of the Bank:

1. Credit Risk
2. Operational Risk
3. Market Risk

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

1. Liquidity Risk
2. Information Security Risk
3. IT Risk
4. Outsourcing Risk
5. Concentration Risk
6. Compliance Risk
7. Interest Rate Risk
8. Reputational Risk
9. Strategic Risk

The Bank's risk management framework is based on a clear understanding of the above risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with international best practices. The Bank has oversight on all the risks through regular monitoring of Key Risk Indicators and benchmarks against each type of risk.

Further, the Board reviews the risk management framework of the Bank and verifies adherence to various risk parameters and compliances at quarterly intervals. The RMC approves all its risk-related policies, including the quarterly/ half-yearly/ annual review reports of major Risks.

The Bank has in place an effective risk management policy(s) that highlights the functions, implementation and role of the Committee and the Board.

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

Mr. Sanjay Kao – Head of Human Resources
Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
6th Block, Koramangala, Bengaluru – 560 095,
Karnataka
E-mail: sanjay.kao@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 Managing Director and CEO of the Bank

Mr. Nitin Chugh
Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
6th Block, Koramangala, Bengaluru – 560 095,
Karnataka
E-mail: nitin.chugh@ujjivan.com

Name and Address of the Chairperson of the Audit Committee

Mr. Mahadev Lakshminarayanan
26, 25th Main, Near LIC Apartments, J P Nagar 1st Phase,
Bengaluru South, Bengaluru – 560 078,
Karnataka
E-mail: m.lakshminarayanan@ujjivan.com

During the FY 2020-21, 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.

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 2020-21	1
Number of Whistle-Blower Complaint received during the FY 2020-21	12
Number of Whistle-Blower Complaint resolved during the FY 2020-21	12
Number of Whistle-Blower Complaint at the end of the FY 2020-21	1

ADEQUACY OF INTERNAL FINANCIAL 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.

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

The Bank has, in all material respects, an adequate internal financial controls system which was considerably enhanced during the FY 2020-21 and such internal financial controls were operating effectively based on the internal control criteria established by the Bank considering the essential components of internal control stated in the guidance note on audit of internal control over financial reporting issued by the Institute of Chartered Accountants of India.

FRAUDS REPORTED BY THE AUDITORS

During the FY 2020-21, 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 2020-21.

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 2020-21.

DEPOSITS

The Chapter V of the Companies Act, 2013 does not apply to the Bank. During the FY 2020-21, 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 2020-21.

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.

However, during the FY 2020-21, the Bank has acquired 200 equity shares of the face value of ₹10 each fully paid-up, of Vishvakarma Payments Private Limited ("Vishvakarma") at ₹10 per equity share.

Vishvakarma was incorporated on March 25, 2021 to make an application to RBI for setting up a pan-India New Umbrella Entity (NUE) for retail payments. Subject to RBI approval of the application for the NUE, the main business of Vishvakarma would be to operate a Pan-India New Umbrella Entity for retail payment systems, as would be allowed/authorised by RBI.

The details of the investments are disclosed in Schedule-8 of the Financial Statement as per applicable provisions of the Banking Regulation Act, 1949.

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 2020-21 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.

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, 2021 the Bank had duly constituted CSR Committee with 4 (Four) Directors out of which 3 (Three) are Independent Directors including the Chairperson of the Committee. The details of the changes in the composition of the CSR Committee during the FY 2020-21 have been provided in the Corporate Governance Report which forms part of the Annual Report of the Bank for the FY 2020-21.

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.

The detailed Annual Report on the CSR activities for the FY 2020-21 is annexed to this Report as **Annexure-2**.

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

A. Conservation of Energy

The Bank was exploring the feasibility of using solar energy and had initiated necessary action for the same. However, it was put on hold due to the ongoing pandemic situation.

B. Technology Absorption

1. Robotic Process Automation (“RPA”) in reconciliation of UPI and IMPS transactions:

The Bank has started using RPA for the reconciliation of UPI and IMPS transactions, thereby obviating the necessity for human intervention in the reconciliation process of UPI and IMPS transactions. Before the implementation of RPA, reconciliation used to be outsourced to a vendor; by introducing RPA, the Bank has brought the reconciliation process in-house, eliminated the need for human intervention and saved ₹1.05 Crores in outsourcing costs during the FY 2020-21.

2. Letters, Notices and Statements in PDF Format through E-mails and Bitly Links:

The Bank has started sending letters, notices and statements to customers through electronic mode in the FY 2020-21. The documents were sent in PDF format which was delivered either through E-mail or through Bitly links sent via SMS. Further, the Bank stopped sending debit card PIN's through paper mailers for a certain

category of customers. All these initiatives reduced the consumption of paper drastically. These ‘go green’ initiative has reduced the carbon footprint of the Bank and resulted in a saving of ₹46.25 Lakhs during the FY 2020-21. During the last 4 months of FY 2020-21, 72% of the documents were sent through this route only.

C. Foreign Exchange Earnings and Outgo

During the FY 2020-21, the Bank took its first steps in the direction of foreign remittance. 48 transactions adding up to USD 3.75 Lakhs were processed by the Bank during the period. It resulted in an exchange income of ₹2.45 Lakhs for the Bank. Total Foreign Exchange Outgo was USD 25,667.37 during the FY 2020-21.

SIGNIFICANT AND MATERIAL ORDERS BY THE REGULATORS OR COURTS OR TRIBUNALS

During the FY 2020-21, 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 3rd AGM, held on July 12, 2019, reappointed M/s. MSKA & Associates, Chartered Accountants (ICAI FRN: 105047W) as statutory auditors of the Bank for the period of 3 (Three) financial years until the conclusion of 6th (Sixth) AGM of the Bank to be held in the FY 2022-23, subject to the annual approval of RBI.

RBI vide its letter dated June 17, 2020 had accorded its approval for the appointment of M/s. MSKA & Associates as Statutory Auditor of the Bank for FY 2020-21.

The Auditor's Report on the financial statements of the Bank for the FY 2020-21 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 2020-21.

In terms of “Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)” issued by the RBI on April 27, 2021, the tenure of appointment of statutory auditors shall be for a continuous period of three years. Accordingly, the tenure of M/s MSKA & Associates, statutory auditors, shall conclude in the ensuing AGM.

The Bank is having assets size of more than ₹15,000 Crores as on March 31, 2021. Therefore, pursuant to the aforesaid Guidelines, the Bank is required to appoint joint statutory auditors.

The Bank shall take necessary steps for the appointment of joint statutory auditors of the Bank in compliance with the provisions of the Companies Act, 2013 and Rules made thereunder and aforesaid RBI Guidelines.

B. Secretarial Auditor

Mr. K. Jayachandran, Practicing Company Secretary (ACS No.: 11309 and Certificate of Practice No.: 4031) was appointed as the Secretarial Auditor of the Bank in the meeting of the Board held on July 31, 2020 to conduct Secretarial Audit of the Bank for the FY 2020-21 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 contains the following observation:

The Bank was required to spend Rs. 5,56,43,742/- (Rupees Five Crores Fifty Six Lakhs Forty Three Thousand Seven Hundred and Forty Two) which includes Rs. 60,77,240 (Rupees Sixty Lakhs Seventy Seven Thousand Two Hundred and Forty) carried forward from the previous financial year 2019-20, towards its Corporate Social Responsibility(CSR) obligation during the Financial Year 2020-21. The Bank has spent Rs. 5,53,38,438/- (Rupees Five Crores Fifty Three Lakhs Thirty Eight Thousand Four Hundred and Thirty Eight) and Rs. 3,05,304/- (Rupees Three Lakh Five Thousand Three Hundred and Four) was remaining as unspent CSR amount as on 31st March, 2021 and an amount of Rs. 3,06,000 (Rupees Three Lakh Six Thousand) was transferred to PM Care Fund on 30th April, 2021.

Board's Response:

An amount of ₹3,05,304, which is 0.5% of the total CSR amount to be spent, was not spent due to unavoidable operational delays. The Bank as per proviso to Section 135(5) of Companies Act, 2013, had transferred an amount of ₹3,06,000 to PM CARES fund specified under Schedule VII on April 30, 2021.

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 2020-21 is available on the Bank's website at 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.

- Bank was **ranked No.3** amongst **India's Best Companies to Work for 2020** as per the study conducted by **Great Place To Work® Institute and Economic Times across 20 industries**.

- Recognised among **‘The Laureates’**- organisations that have ranked for 10 years or more in the Top 100.

- Recognised as **‘Best in Small Finance Bank’** and **‘Best among all organisations with more than 10,000 employees’** for inspiring trust among its employees, for instilling pride in them, for creating an environment within the workplace that promotes camaraderie and for many other reasons that make the Bank one of India's Best Companies to Work for.

- Bank has also been recognised among **‘India's 50 Best Workplaces for Women 2020’**. It strongly believes this was made possible because of its employees who carry the passion with the purpose to serve the unserved and underserved.

Due to Bank's constant effort to create a better work environment for employees, it was recognised as a great employer year on year. Bank has always emphasised and walked the path of having an open and transparent culture between its leaders and employees. Being a diversified workforce with a presence in 24 states and union territories, it had various forums for leaders and employees to connect. This ensures that opinions from employees are heard and this makes them feel empowered. Though, the pandemic created uncertainty and many travel restrictions, Bank's Leadership Team including Managing Director and CEO continued to connect with the employees virtually.

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 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 un-served and underserved customers and transform to a bank serving the mass market”, the Bank has been balancing its dual objectives of “social” and “financial goals since its inception. “Responsible financing”, “ethical values” and “transparency” in all its dealings with its customers, lenders, investors and employees” have been the cornerstone of its operations. Transparency in the decision-making process has been providing comfort to all stakeholders, particularly the customers, lenders and investors.

The Report on Corporate Governance for FY 2020-21 as per Regulation 34(3) read with Schedule V of the SEBI Listing Regulations forms part of the Annual Report of the Bank for FY 2020-21.

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 Report containing the requisite details as per Regulation 34(2) of the SEBI Listing Regulations forms part of the Annual Report for the FY 2020-21 and is also disclosed on the Bank’s website at 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 2020-21.

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 2020-21:

Number of Complaints	Number of Complaints Resolved	Number of Complaints Pending for Resolution
7	4	3

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 is 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.

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 For Independent Director
10. Policy on Archival of Documents
11. Record Retention 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 Mr. 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 2020-21.

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 Report of the Bank which forms part of the Annual Report for the FY 2020-21.

A. Customers Relationship

During FY 2020-21, the Bank has undertaken several new initiatives to improve customer service and to strengthen internal processes on providing timely and satisfactory resolution for customer queries, requests and complaints. The Bank has also taken efforts to stay connected with customers during the pandemic and has implemented several digital initiatives to ensure uninterrupted banking services. Key customer service initiatives and highlights are listed below:

- Under the “Janata Connect” programme, various business teams connected to more than 62 Lakhs customers (including repeat calls) during the lock-down period to check whether they are safe during the pandemic and also made them aware

of the symptoms and preventive measures of COVID-19. This effort was much appreciated by the customers.

- Bank had also taken efforts to promote usage of the Aarogya Setu Application by displaying it as a banner on the Bank’s website to spread maximum awareness of the said Application among the general public.
- A Paperless delivery mechanism was initiated for welcome kits/ agreement copies for MSE and Housing loans through E-mail to avoid courier delays.
- “Manage Card Service Feature” was launched, that empowers the customers to control their debit card as it allows the card owner to disable (toggle off)/ enable (toggle on) their card and customer is also given the choice to set his/her transactions limits for each channel (ATM, POS & E-com). The facility can be used through mobile banking, internet banking or ATM.
- SMS in regional languages were sent for promoting SMS/Miss call Banking facility for more than 6,000 customers who had recently placed balance enquiry with phone-banking, to improve the usage of self-service channels.
- A Virtual customer meet was organised by the Bank on August 11, 2020 from 5.00 p.m. to 6.00 p.m., addressed by and CEO to directly connect with the customers for seeking their feedback about Bank’s products and services during the COVID-19 Pandemic outbreak and countrywide lockdown. Another virtual session with customers was addressed by the Head of Branch Banking and National Manager-Service Quality in March, 2021. The efforts of the leadership team of the Bank in directly connecting to the last mile was much appreciated by customers.
- The Bank made the loan EMI payment facility available through multiple modes- both physical and digital modes by partnering with Airtel Payments, establishing Business Correspondence Network through Money Mitra and enabling EMI payments through BBPS platform via popular apps like Google Pay, PhonePe, PayTM etc.
- In absence of a physical “Monthly Customer Service Meeting” at Branches, the branches connected with customers through phone calls for seeking their feedback on accessing banking services during the pandemic. More than 2 Lakhs customers were contacted during the FY 2020-21 with different agendas of creating awareness against fraudsters, availability of nomination facility, usage of digital platforms, moratorium scheme, etc.
- Created customer awareness on social engineering fraud using mobile numbers similar to Bank’s toll-free number through display on comprehensive notice board at branches.

- To augment the customer safety in cheque payments and reduce instances of fraud occurring on account of tampering of cheque leaves, the Bank implemented Positive Pay System for cheque clearance in line with the RBI circular on Positive Pay System for Cheque Truncation System. Under the Positive Pay system, the issuer of the high-value cheques (₹50,000/- and above) can reconfirm the cheque issuance electronically, through Mobile Banking/ Internet Banking/ Phone Banking.
- "Aajeevan – Life Events Based Banking Services" – a Programme that provides complete banking solutions for every stage of customers' lives, was launched, enabling them to navigate through banking transactions during critical phases of their lives with ease. The Programme enables us to support our customers in an empathetic, efficient and meaningful way, differentiating the Bank from other financial service providers.

B. Health and Safety

In lieu of the COVID-19 outbreak across the country, the Bank prioritised the health and safety of its employees, along with making the best efforts to ensure business continuity. In addition to introducing Work From Home and facility for remote desktops for employees, the Bank went ahead to extend support in the following ways:

- One time grant of ₹30,000 per employee from the Ujjivan Welfare and Relief Trust was provided, in case employees and/or family members who stay with them and were financially dependent, tested positive for COVID-19. This was extended till September, 2020.
- Introduction of COVID-19 insurance for employees in Grade B and C.
- Inclusion of COVID-19 cover in Group Health Insurance.
- The facility of 'Doctor On Site' from registered medical practitioners.
- Unlimited Audio & Video Consultation of General Physician and Dietician for employee and their families using 'Doctor On Call'.
- Salary advance for medical exigencies.

SHIFTING OF REGISTERED OFFICE

To exercise better administrative and economic control and to enable the Bank to rationalise and streamline its operations as well as the management of affairs, the Bank has shifted its Registered Office from New Delhi, the NCT of Delhi to Bengaluru, the State of Karnataka w.e.f. December 04, 2020.

OTHER DISCLOSURES

- 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.
- 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 2020-21.
- 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 2020-21 and look forward to their continued support in future.

For and on behalf of the Board of Directors

Sd/-
Nitin Chugh
Managing Director and CEO
DIN: 01884659

Place: Bengaluru
Date: May 18, 2021

Sd/-
Rajni Mishra
Additional Director
DIN: 08386001

Annexure-1

INFORMATION IN TERMS OF RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Remuneration details of Directors, KMPs, employees

Sr. No.	Particulars	Disclosures	
1.	The ratio of the remuneration of each director to the median remuneration of the employees of the Bank for the FY 2020-21	55.12 X	
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the FY 2020-21	KMP	% increase in remuneration
		Managing Director	0%
		CFO	5%
		CS	7%
3.	The percentage increase in the median remuneration of employees in the FY 2020-21	5.82%	
4.	The number of permanent employees on the rolls of Bank as on March 31, 2021	16,571	
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	5.82%: 2.69%	
6.	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes	

INFORMATION AS PER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

The names of the top ten employees in terms of remuneration drawn as on March 31, 2021:

Employee Name	Designation and nature of Employment	Remuneration in FY 2020-21 (₹ in Lakhs)	Nature of employment, whether contractual or otherwise	Educational Qualification	Experience in Years	Date of Commencement of Employment	Age	Last Employment held	% of equity shares held along with his spouse and dependent children	Whether relative of any director
Nitin Chugh	Managing Director and CEO	139.54	Appointed by RBI	MBA	28	01/12/2019	50	HDFC Bank Ltd.	Nil	No
Rajeev Padmanabh Pawar	Head of Treasury	99.40	Permanent	MBA	30	20/01/2020	52	Edelweiss Financial Services Ltd.	Nil	No
Carol Kripanayana Furtado	Head of Operations & Service Quality	95.60	Permanent	MBA	23	01/02/2017	50	Bank Muscat	0.01*	No
Jayanti Shrinivas Murty	Head of Liabilities	86.17	Permanent	M.Sc.	25	18/04/2020	51	Bandhan Bank Ltd.	Nil	No
Upma Goel	Chief Financial Officer	84.14	Permanent	CA	25	01/02/2017	52	Larsen and Toubro Holding Ltd.	0.01	No
Sanjay Kao	Head of Human Resources	80.64	Permanent	PGDBM	38	12/02/2018	63	Dunia Finance	Negligible	No
Kalyanaraman M**	Chief Credit Officer	76.99	Separated	PGDM	31	16/09/2019	55	Equitas Small Finance Bank Ltd.	Nil	No
Rajiv Kumar Pathak	Business Head - MSE	69.86	Permanent	Diploma in Business Administration	22	19/05/2020	44	HDFC Bank Ltd.	Nil	No
Venkat Krishnan Veeramoni	Chief Technology Officer	61.12	Permanent	MCA	21	11/06/2020	46	Utkarsh Small Finance Ltd.	Nil	No
Ashish Goel	Chief Credit Officer	18.61	Permanent	PGDM	26	01/02/2021	49	ICICI Bank Ltd.	Nil	No

*1 (One) equity share is held for and on behalf of Ujjivan Financial Services Limited.

** Ceased to be Chief Credit Officer w.e.f. January 15, 2021 due to resignation.

STATEMENT SHOWING THE NAME OF EVERY EMPLOYEE OF THE BANK, WHO

- a) if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two Lakhs rupees;

Employee Name	Designation and nature of Employment	Remuneration in FY 2020-21 (₹ in Lakhs)	Nature of employment, whether contractual or otherwise	Educational Qualification	Experience in Years	Date of Commencement of Employment	Age	Last Employment held	% of equity shares held along with his spouse and dependent children	Whether relative of any director
Nitin Chugh	Managing Director and CEO	139.54	Appointed by RBI	MBA	28	01/12/2019	50	HDFC Bank Ltd.	Nil	No

- b) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakhs and fifty thousand rupees per month;

Employee Name	Designation and nature of Employment	Remuneration in financial year 2019-20 (₹ in Lakhs)	Nature of employment, whether contractual or otherwise	Educational Qualification	Experience in Years	Date of Commencement of Employment	Age	Last Employment held	% of equity shares held	Whether relative of any director
Ashish Goel	Chief Credit Officer	18.61	Permanent	PGDM	36	01/02/2021	49	ICICI Bank Ltd.	Nil	No

- c) If employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Bank.

None

For and on behalf of the Board of Directors

Sd/-

Nitin Chugh

Managing Director and CEO

DIN: 01884659

Sd/-

Rajni Mishra

Additional Director

DIN: 08386001

Place: Bengaluru

Date: May 18, 2021

Annexure-2

THE ANNUAL REPORT ON CSR ACTIVITIES FOR FINANCIAL YEAR 2020-21

1. Brief outline on CSR Policy of the Company:

The CSR policy of the Bank is focused towards enabling a better life for the unserved and underserved sections of the society. Bank's CSR activities are based on the principles of sustainability, accountability, promotion of human rights and respects interest of all stakeholders, especially the disadvantaged, vulnerable and marginalised and promotes environment protection, inclusive growth and equitable development. The Bank has constituted a CSR Committee pursuant to Section 135 of the Companies Act, 2013 and Rules made thereunder to ensure Bank's efforts are channelised towards initiatives that drive maximum benefit to the end beneficiaries.

The Bank strongly believes that business cannot be successful when the society around it fails. The Bank constantly strives to ensure strong corporate culture which emphasises on integrating CSR values with business objectives. The Corporate Social Responsibility Policy ("CSR Policy") of the Bank sets out the broad framework for guiding Bank's CSR activities. It outlines the governance structure, operating framework, monitoring mechanism, and CSR activities that would be undertaken. The CSR Committee is the governing body that articulates the scope of CSR activities and ensures compliance with the CSR Policy. The Bank's CSR activities are largely focused in the areas of eradicating hunger, poverty, promoting preventive health care and making available safe drinking water, promoting education, including special education, employment enhancing vocational skill training for women, promoting gender equality, programmes for empowering women, projects for environmental protection, disaster relief and any other projects/ programmes as it deems fit from time to time.

2. Composition of CSR Committee:

Sr. No.	Name of director	Designation/Category	Number of Meetings of CSR Committee held during the Year	Number of meetings of CSR Committee attended during the year
1.	Ms. Vandana Viswanathan ¹	Ex-Chairperson – Independent Director	5	3
2.	Mr. Mahadev Lakshminarayanan ²	Ex-Chairman – Independent Director	5	2
3.	Mr. Nandlal Sarda ³	Ex-Member – Independent Director	5	5
4.	Ms. Rajni Mishra ⁴	Chairperson – Additional Director (Independent)	5	1
5.	Mr. Ittira Davis ⁵	Member – Additional Director (Non-executive, Non-independent)	5	-
6.	Mr. Prabal Kumar Sen	Member – Independent Director	5	5
7.	Mr. Harish Devarajan ⁶	Member – Additional Director (Independent)	5	-

¹Ms. Vandana Viswanathan post her resignation as a director, ceased to be the Chairperson and Member of the Committee w.e.f. November 15, 2020. There were three meetings of the Committee held during her tenor in the Bank.

²Mr. Mahadev Lakshminarayanan was appointed as the Chairman of the Committee w.e.f. November 17, 2020 and he ceased to be the Chairman w.e.f. February 25, 2021 and member the Committee w.e.f. March 27, 2021. There were two meetings of the Committee held during his tenor of Committee Membership.

³Mr. Nandlal Sarda ceased to be the member of the Committee w.e.f. March 27, 2021.

⁴Ms. Rajni Mishra was appointed as a member of the Committee w.e.f. February 03, 2021 and as the Chairperson w.e.f. February 25, 2021. There was one meeting of CSR Committee held post she joined as a member of the Committee.

⁵Mr. Ittira Davis was appointed as a member of the Committee w.e.f. March 27, 2021. No meeting of the Committee was held after he joined the Committee as a member.

⁶Mr. Harish Devarajan was appointed as a member of the Committee w.e.f. March 27, 2021. No meeting of the CSR Committee was held after he joined the Committee as a member.

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company.

www.ujjivansfb.in

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).

Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sr. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
1.	NA	NA	NA
Total			

6. Average net profit of the Company as per Section 135(5). – ₹2,47,83,25,110

7. (a) Two percent of average net profit of the Company as per Section 135(5) – ₹4,95,66,502

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years – carry forwarded amount from FY 2019-20 for spending during FY 2020-21. – ₹60,77,240 (amount unspent during the FY 2019-20)

(c) Amount required to be set off for the financial year, if any – Nil

(d) Total CSR obligation for the financial year (7a+7b-7c). – ₹5,56,43,742

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹5,53,38,438	-		PM CARES Fund	₹3,06,000	April 30, 2021

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency
1.	Vidhya Ganga, e-learning / digital education Programme	Promoting Education	Yes	Karnataka, Dharwad	6 months	30,00,000	30,00,000	NA	No	E-Vidyaloka Trust ¹ was approved prior to April 01, 2021
2.	Food aid to inmates affected with HIV/ Leprosy	Eradicating hunger, poverty and malnutrition	Yes	Karnataka, Bengaluru	6 months	4,70,820	4,70,820	NA	No	Sumanahalli Society ² was approved prior to April 01, 2021
3.	Livelihood Training for People with disabilities	Employment enhancing vocation skills and livelihood enhancement projects for differently abled	Yes	Karnataka, Bengaluru	1 year	8,25,000	8,25,000	NA	No	Cheshire Disability trust ³ was approved prior to April 01, 2021
4.	Community Development – Chote Kadam Programme	Promoting education, promoting health, Preventive health care, sanitisation, making available safe drinking water, rural development, empowering women	Yes	12 states, Assam, Delhi, Gujarat, Haryana, Jharkhand, Karnataka, Maharashtra, Orissa, Tamil nadu, Uttar pradesh, Uttarakhand, West Bengal	2 years	1,13,63,000	1,13,63,000	Nil	No	Parinaam Foundation was approved prior to April 01, 2021
Total							1,56,58,820	1,56,58,820		

As on the end of FY 2020-21

- E-Vidyaloka Trust¹ was able to spend and utilise ₹16,30,000 out of the amount allocated and the remaining amount shall be spent and utilised by them by May, 2021.
- Sumanahalli Society² was able to spend and utilise ₹1,25,725 out of the amount allocated and the remaining amount shall be spent and utilised by them by June, 2021.
- Cheshire Disability Trust³ was able to spend and utilise ₹1,17,200 out of the amount allocated and the remaining amount shall be spent and utilised by them by February, 2022.

There has been delay in complete utilisation of allocated amount owing to pandemic, lockdown restrictions and consequent practical challenges in monitoring and implementation of CSR projects.

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/No)	Location of the project (State/District)	Amount spent for the project (in ₹)	Mode of implementation – Direct (Yes/No)	Mode of implementation – Through implementing agency Name/CSR registration number
1.	COVID-19 Relief Activities by the Bank	Promoting health care including preventive health care. Eradicating hunger, poverty and malnutrition,	Yes	Pan India in 19 states and UT	1,47,87,720	Yes	
2.	COVID-19 Relief – COVID Education	Promoting education, including special education, preventive health care and sanitation, empowering women	Yes	Pan India in 17 states and UT	19,38,499	No	Parinaam Foundation NA (Project was approved prior to April 01, 2021)
3.	COVID-19 Relief – Provide ICU unit	Promoting health care including preventive health care	Yes	Tamilnadu, Vellore	77,09,744	No	CMC Vellore Hospital NA (Project was approved prior to April 01, 2021)
4.	COVID-19 Relief – PPE kit for doctors & other medical staff	Promoting health care including preventive health care and sanitation	Yes	Maharashtra, Mumbai	45,00,000	No	Give India Foundation NA (Project was approved prior to April 01, 2021)
5.	Community Development – Vocational training and Dry ration supply	Promoting Education, vocational training, Eradicating hunger, poverty and malnutrition	Yes	West Bengal, Kolkata	11,88,101	No	Calcutta Social Project, NA (Project was approved prior to April 01, 2021)
6.	Community Development – Provide Digital information kiosks	Promoting Education, promoting health care preventive health care, sanitisation,	Yes	Karnataka, Bengaluru	5,34,900	No	St. John's Hospital NA (Project was approved prior to April 01, 2021)
7.	Community Development – Books and bags for Samrala Govt. Girls School	Promoting Education, Promoting gender equality,	Yes	Punjab, Ludhiana	3,03,524	No	Samrala-Govt. Sr. Secondary NA (Project was approved prior to April 01, 2021)
8.	Disaster Relief – Flood and winter relief	Disaster management, including relief, rehabilitation	Yes	West Bengal Tamil Nadu Haryana Delhi Uttar Pradesh Punjab Assam	85,92,333	Yes	
9.	Swachh neighbourhood	Promoting health care including preventive health care and sanitation	Yes	Karnataka	1,24,797	Yes	
		Total			3,96,79,618		

(d) Amount spent in Administrative Overheads – Nil

(e) Amount spent on Impact Assessment, if applicable – Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) - ₹5,53,38,438 (₹3,06,000 was subsequently transferred to PM CARES Fund on April 30, 2021)

(g) Excess amount for set off, if any – nil

Sr. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the Company as per Section 135(5)	₹5,56,43,742*
(ii)	Total amount spent for the Financial Year	₹5,56,44,438**
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

* Including ₹60,77,240 unspent amount carried forwards from the previous year.

** Including ₹3,06,000 which was subsequently transferred to PM CARES Fund on April 30, 2021.

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under Section 135 (6) (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹)
			Name of the Fund	Amount (in ₹)	Date of transfer	
1.	FY 2019-20	N.A.	₹60,77,240	N.A.	N.A.	Nil
2.	-	-	-	-	-	-
3.	-	-	-	-	-	-
	Total	-	₹60,77,240	-	-	-

Amount of ₹60,77,240 unspent during FY 2019-20 was fully spent during the FY 2020-21.

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1) Sr. No.	(2) Project ID	(3) Name of the Project	(4) Financial Year in which the project was commenced	(5) Project duration	(6) Total amount allocated for the project (in ₹)	(7) Amount spent on the project in the reporting Financial Year (in ₹)	(8) Cumulative amount spent at the end of reporting Financial Year (in ₹)	(9) Status of the project – Completed / Ongoing
1.	-	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year – Nil

(asset-wise details).

- Date of creation or acquisition of the capital asset(s).
- Amount of CSR spent for creation or acquisition of capital asset.
- Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.
- Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

11. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per Section 135(5).

The Bank was required to spend ₹5,56,43,742 during the FY 2020-21 which includes ₹4,95,66,502 two per cent of the average net profit for preceding 3 years and ₹60,77,240 unspent amount carry forwarded from previous Financial Year i.e. FY 2019-20.

The Bank has spent ₹5,53,38,438 on various CSR projects, which accounts to 99.5% of total CSR amount of ₹5,56,43,742 to be spent during FY 2020-21. An amount of ₹3,05,304, which is 0.5% of total CSR amount to be spent, was not spent due to unavoidable operational delays. The Bank as per proviso to Section 135(5) of Companies Act, 2013, had transferred an amount of ₹3,06,000 to PM CARES fund specified under Schedule VII on April 30, 2021. The overall CSR amount spent by the Bank during the FY 2020-21 (including amount transferred to PM CARES fund) is ₹5,56,44,438.

For UJJIVAN SMALL FINANCE BANK LIMITED

Sd/-
Nitin Chugh
Managing Director and CEO
DIN: 01884659

Sd/-
Rajni Mishra
Chairperson-CSR Committee
DIN: 08386001

Place: Bengaluru
Date: May 18, 2021

Annexure-3

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED March 31, 2021
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
UJJIVAN SMALL FINANCE BANK LIMITED
Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
6th Block, Koramangala, Bengaluru – 560 095, Karnataka.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UJJIVAN SMALL FINANCE BANK LIMITED** having CIN: L65110KA2016PLC142162 (hereinafter called the “Bank/ Company”). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts, statutory compliances and expressing my opinion thereon.

Based on my verification of the Bank's Books, Papers, Minute Books, Forms and Returns filed and other records maintained by the Bank and also the information provided by the Bank, its Officers, Agents and Authorised Representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Bank has, during the Audit Period covering the Financial Year ended on March 31, 2021 complied with the statutory provisions listed hereunder and also that the Bank has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the Bank for the Financial Year ended on March 31, 2021 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

- (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (was not applicable to the Bank during the period under review)
- (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (f) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (was not applicable to the Bank during the period under review)
- (i) The Securities and Exchange Board of India (Buyback of Securities), Regulations, 2018; (was not applicable to the Bank during the period under review) and
- (j) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; (was not applicable to the Bank during the period under review).

- (vi) Following laws, Norms and Directions as applicable specifically to Small Finance Banks in the Private Sector (SFB):

- (a) The Reserve Bank of India Act, 1934;
- (b) The Banking Regulation Act, 1949 and notifications and circulars issued by the Reserve Bank of India from time to time;
- (c) The Guidelines for Licencing of Small Finance Banks in the Private Sector;
- (d) Operating Guidelines for Small Finance Banks;
- (e) The Payment and Settlement Systems Act, 2007;
- (f) Deposit Insurance and Credit Guarantee Corporation Act, 1961;
- (g) Prevention of Money-Laundering Act, 2002 and The Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions) Rules, 2005; and
- (h) Negotiable Instruments Act, 1881.

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

- (i) The Listing Agreements entered into by the Bank with BSE Limited and National Stock Exchange of India Limited; and
- (ii) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India.

During the period under review the Bank has complied with the applicable provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above and labour laws subject to the following observation:

1. The Bank was required to spend ₹5,56,43,742/- (Rupees Five Crores Fifty Six Lakhs Forty Three Thousand Seven Hundred and Forty Two) which includes ₹60,77,240 (Rupees Sixty Lakhs Seventy Seven Thousand Two Hundred and Forty) carried forward from the previous financial year 2019-20, towards its Corporate Social Responsibility(CSR) obligation during the Financial Year 2020-21. The Bank has spent ₹5,53,38,438/- (Rupees Five Crores Fifty Three Lakhs Thirty Eight Thousand Four Hundred and Thirty Eight) and ₹3,05,304/- (Rupees Three Lakh Five Thousand Three Hundred and Four) was remaining as unspent CSR amount as on 31st March, 2021 and an amount of ₹3,06,000 (Rupees Three Lakh Six Thousand) was transferred to PM Care Fund on 30th April, 2021.

I further report that:

Due to COVID-19 pandemic and lockdown, we were not able to physically verify few documents and registers during our Audit and in such cases we have carried out the audit based on electronic documents/soft copies provided by the Bank to us.

Based on the information provided by the Bank, its officers and authorised representatives, during the conduct of the audit and also on the review of the Details, Records, Documents and Papers provided, in my opinion, adequate systems and processes and control mechanism exist in the Bank to monitor and to ensure compliance with applicable general laws like Labour Laws, Competition Law and Environmental Law including the filing of returns with the Reserve Bank India.

The compliance of applicable financial laws, like direct and indirect tax laws, have not been reviewed in this Audit since the same are subject to review by statutory financial audit and other designated professionals.

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-executive Directors and Independent Directors including Women Directors based on the approval from the Reserve Bank of India, wherever applicable.

The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and Rules made thereunder, Banking Regulation Act, 1949, the Guidelines for Licencing of Small Finance Banks in the Private Sector and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Adequate notices were given to all directors to schedule the Board Meetings, Agenda and detailed Notes on Agenda were sent at least seven days in advance and at least one Independent Director was present wherein the Board meetings were held at a shorter notice to transact urgent matters and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions were carried out unanimously and there were no dissenting views.

There were adequate systems and processes in the Bank which is commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the Bank:

1. Has entered into all related party transactions on arm's length basis with its related parties and the Bank has obtained necessary approvals from the Audit Committee and Board of Directors.

2. Has shifted its Registered Office from the NCT of Delhi to its Corporate Office situated at Grape Garden, No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala, Bengaluru – 560095, Karnataka, India and accordingly the Company has altered the provisions of its Memorandum of Association and has obtained necessary approvals from the Board of Directors, Members and Central Government and other concerned authorities.
- to Regulation 12 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 in the 4th Annual General Meeting held on September 02, 2020.

This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

3. Has issued and allotted 91,036 (Ninety One Thousand Thirty Six) Equity shares under Ujjivan Small Finance Bank – Employee Stock Purchase Scheme, 2019 ("ESPS 2019 Scheme") and Ujjivan Small Finance Bank – Employee Stock Option Plan, 2019 ("ESOP 2019 Scheme") to eligible employees of the Bank.

Place: Bengaluru
Date: May 18, 2021

Sd/-
K. Jayachandran
Company Secretary
ACS No.: 11309/CP No.: 4031
UDIN: A011309C000339527
Peer Review No.: 784/2020

4. Ujjivan Small Finance Bank – Employee Stock Purchase Scheme, 2019 ("ESPS 2019 Scheme") and Ujjivan Small Finance Bank – Employee Stock Option Plan, 2019 ("ESOP 2019 Scheme") were ratified by the Members by way of Special Resolution pursuant

Annexure A

To,
The Members,
UJJIVAN SMALL FINANCE BANK LIMITED
CIN: L65110KA2016PLC142162
Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
6th Block, Koramangala, Bengaluru – 560 095, Karnataka.

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

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

Place: Bengaluru
Date: May 18, 2021

Sd/-
K. Jayachandran
Company Secretary
ACS No.: 11309/CP No.: 4031
UDIN: A011309C000339527
Peer Review No.: 784/2020

Annexure-4

Brief description of Policies/Code

Sr. No.	Policy Name	Brief Description
1.	Policy for Determination of Materiality of Event/ Information for Disclosures	<ol style="list-style-type: none"> The Bank in compliance with Regulation 30 of SEBI Listing Regulations, has implemented the Policy for determination of materiality of events / information for disclosures. Objective of the Policy is <ol style="list-style-type: none"> To ensure that the Bank complies with the SEBI Listing Regulations To ensure that the information disclosed by the Bank is timely and transparent. To ensure that corporate documents and public statements are accurate and do not contain any misrepresentation. To protect the confidentiality of Material / Price sensitive information within the framework of the Bank's disclosure obligations. To provide a charter that supports and fosters confidence in the quality and integrity of information released by the Bank. To ensure uniformity in the Bank's approach to disclosures, raise awareness and reduce the risk of selective disclosures.
2.	Code of Conduct for Prevention of Insider Trading and Code of Fair Disclosure and Conduct	The Bank pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015, has formulated and implemented the Code to elucidate and inform all the Designated Persons of the Bank that they have a responsibility and duty to preserve the confidentiality of all unpublished price sensitive information obtained in the ordinary course of business and in association with the Bank. No Designated Person shall use his or her position to gain personal benefit or to provide benefit to any third party.
3.	Corporate Social Responsibility Policy	<ol style="list-style-type: none"> Bank has framed this Policy as per Section 135 of the Companies Act, 2013 and Companies (CSR Policy) Rules, 2014. The following are the objectives of the Policy: <ol style="list-style-type: none"> To comply with the statutory and regulatory requirements pertaining to CSR. To define what CSR means to the Bank and the approach for the same. To lay down the guidelines & mechanism to carry out CSR Programme/project & to report the work in reporting format as prescribed by the Rules in the Act. To constitute review mechanism of monitoring the progress of CSR projects/ programmes and implementation of CSR policy by CSR Committee. To ensure that the surplus arising of CSR projects/ programmes/ activities shall not form part of the business profit of the Bank Financial and other controls and systems and Economic features of the market and competitive environment
4.	Nomination and Remuneration Policy	<ol style="list-style-type: none"> 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, accountability to its customers, government and other shareholders. The Bank's activities are carried out in accordance with good corporate practices and the Bank is constantly striving to better them and adopt the best practices. This policy seeks to document the practices and procedures to be followed by the Bank for appointment of directors and their remuneration. The key objectives of this Policy are as under: <ol style="list-style-type: none"> Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors before their appointment. Institutionalise a mechanism for the appointment/ removal/ dismissal of directors and lay down selection criteria for appointment of director. Formulate criteria for determining qualifications, positive attributes and independence of directors. Retain, motivate and promote talent and to ensure long-term sustainability of talented KMP. Devise a policy on Board diversity. Develop and regularly review succession plan for the Board. Formulate the criteria for evaluation of performance of all the Directors on the Board. Establish standards on compensation/ remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry. Define internal guidelines for payment of perquisites to the directors and KMP.

Sr. No.	Policy Name	Brief Description
5.	Policy on Board Diversity	<ol style="list-style-type: none"> The Bank believes that Board diversity plays very important role in the transparency in the decision making process in the Boardroom. The purpose and objective of this Policy is to comply with the SEBI Listing Regulations and ensure the diversity of thought, experience, knowledge, perspective and gender in the Board. The Bank promotes social diversity and professional diversity in the Boardroom. The primary objective of this Policy is to provide a framework and set standards for having a diversified Board with ability to base its decisions after evaluating multiple options as compared to homogeneous Boards and help improve the performance of the Bank significantly.
6.	Policy on Code of Conduct	<ol style="list-style-type: none"> Bank expects all its employees, directors (including independent directors) and senior management to act in accordance with high professional and ethical standards. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 also requires listed entities to adopt a formal code of conduct for directors on the Board and senior management. This Code of Conduct attempts to set forth the guiding principles and values on which the Bank's employees shall operate and conduct business with various stakeholders of the Bank, government and regulatory agencies, media, and anyone else with whom the Bank is connected. The Bank recognises that maintaining the trust and confidence of all its stakeholders is crucial to its continued growth and success. The Code sets the standards to be adopted by all employees and outlines the duties of the directors of the Board and also described guidelines of professional conduct, role and functions and duties of the Independent Directors.
7.	Related Party Transaction Policy	<ol style="list-style-type: none"> The Bank has framed and implemented the Policy pursuant to the requirement of Regulation 23 (1) of the SEBI Listing Regulations. The Board, on the recommendation of the Audit Committee, has adopted this Policy along with associated procedures for regulating Related Party Transactions, in line with the requirements of the Companies Act and SEBI Listing Regulations. The Policy seeks to define a mechanism to handle Related Party Transactions ("RPT") in order to ensure the transparency, substantive and procedural fairness of such transactions and that the RPT is being entered in accordance with provisions of applicable laws. The Policy also seeks to provide guidance on identification of related parties and basis on which materiality of RPT will be determined and the proper conduct and documentation of all RPT. This Policy is intended to ensure that proper review, approval, monitoring, reporting and disclosure processes are in place for all transactions between the Bank and its Related Parties. The Policy specifically provides the review and approval mechanism of Related Party Transactions keeping in mind the potential or actual conflict of interest that may arise as a result of such transactions.
8.	Dividend Distribution Policy	<ol style="list-style-type: none"> The Bank has formulated this Policy in compliance with Regulation 43A of the SEBI Listing Regulations and RBI Requirements. 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 Bank shall consider and comply with the Policy while declaring any dividend on equity shares or preference shares issued by the Bank. In the event of a conflict between the Policy and the Regulatory guidelines, the Regulatory guidelines will prevail. The Bank shall pay dividend on equity shares or preference shares only after ensuring compliance with the Companies Act, 2013, Banking Regulation Act, 1949 and Guidelines/circulars issued by RBI, SEBI Listing Regulations and Secretarial Standard-3 issued by the Institute of Company Secretaries of India.
9.	Familiarisation Programme For Independent Director	<ol style="list-style-type: none"> The Programme aims to provide insights into the Bank to enable the independent directors to understand their roles, rights, responsibilities in the Bank and get updated on the business and operations of the Bank that would facilitate the directors to contribute significantly to the Bank. The Bank has formulated this familiarisation programme for the Independent Director with the objective of giving insight into: <ol style="list-style-type: none"> Nature of Business of the Bank and business environment in which it operates Business model of the Bank Organisation structure Structure of Board and Board Committees Role and responsibilities of the Board Committees and Senior Management Delegation of powers to various authorities by the Board Regulatory Framework applicable to the Bank Strategic Plan including Vision, Mission and Values of the Bank Cyber-safe environment and awareness about fine nuances of the cyber threats.

Sr. No.	Policy Name	Brief Description
10.	Policy on Archival of Documents	<ol style="list-style-type: none"> The purpose and objective of the Policy is to comply with Regulation 30(8) of SEBI Listing Regulations. The Bank shall ensure that all the information shall be hosted under “Disclosures to Stock Exchanges” section of the website of the Bank for a period of 5 (Five) years and thereafter will be archived for a period of 1 (One) year and shall be hosted under “past event/information” section of the website of the Bank.
11.	Record Retention and Maintenance Policy	<ol style="list-style-type: none"> Record retention and maintenance is concerned with the selection, classification, storage, retrieval and timely destruction of information. This requires a structured approach in order to comply with the applicable laws and regulations and to meet business needs. This Policy governs the obligations and responsibilities of all staff at the Bank in relation to the management of official records. Under this policy, each department has an obligation to maintain official records and keep them in good order and condition. This obligation applies not only to the capture, storage, maintenance and disposal of physical records, but also to records in electronic form. Proper retention practices shall enable compliance with regulatory and statutory requirement and contribute to more efficient business processes. The purpose of this Policy is to ensure that all necessary records and documents of the Bank are adequately protected and maintained and to ensure that the records that are no longer required or are of no value are discarded at the proper time.
12.	Whistle-Blower Policy	<ol style="list-style-type: none"> The Bank in compliance with Section 177 of Companies Act, 2013 and Regulation 22 of SEBI Listing Regulations, has established vigil mechanism by way of whistle-blower policy for its directors and employee to report instance of unethical practices, illegal activities and/or actual or suspected fraud or violation of the Bank's code of conduct or ethics policy. The vigil mechanism provide for adequate safeguard against victimisation of persons who avail the mechanism and also provide for direct access to the chairperson of Audit Committee in appropriate cases.
13.	Terms and Conditions of Appointment of Independent Directors	<ol style="list-style-type: none"> The Bank has formulated the Terms and Conditions of Appointment of Independent Directors pursuant to the provisions of Schedule IV to the Companies Act, 2013. It prescribes Terms of Appointment, Role, Duties and Responsibilities, Remuneration and Training & Development among other things.

For and on behalf of the Board of Directors

Sd/-
Nitin Chugh
 Managing Director and CEO
DIN: 01884659

Place: Bengaluru
Date: May 18, 2021

Sd/-
Rajni Mishra
 Additional Director
DIN: 08386001

Annexure-5

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

[Pursuant to Regulation 34 read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]]

Corporate Identity No.: L65110KA2016PLC142162
Nominal Capital: ₹25, 00,00,00,000/-

To,
 The Members of
UJJIVAN SMALL FINANCE BANK LIMITED
 Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
 6th Block, Koramangala, Bengaluru – 560 095, Karnataka.

I have examined all the relevant records of “**UJJIVAN SMALL FINANCE BANK LIMITED**” (“**Bank**”) for the purpose of certifying compliance of the conditions of the Corporate Governance as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) for the Financial Year ended 31st March, 2021. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance.

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

In my opinion and to the best of my information and according to the explanations and information furnished to me, I certify that the Bank has complied with all the mandatory conditions of Corporate Governance as stipulated in the aforesaid Listing Regulations. As regards Discretionary Requirements specified in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has complied with items C and E.

Sd/-
K. Jayachandran
 Company Secretary
ACS No.: 11309/CP No.: 4031
UDIN: A011309C000339527
Peer Review No.: 784/2020

Place: Bengaluru
Date: May 18, 2021

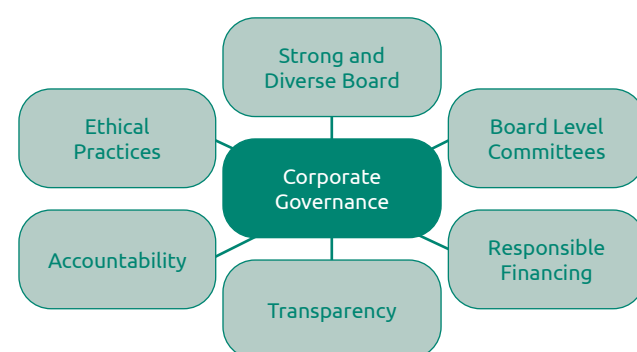
Corporate Governance Report

BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

Ujjivan Small Finance Bank Limited ("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 and other stakeholders. Bank's activities are carried out in accordance with good corporate practices and Bank is constantly striving to make them better and adopt the best practices.

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

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



The detailed Report on Corporate Governance for the FY 2020-21, as per Regulation 34(3) read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), is set out below:

1. The Board of Directors ("Board")

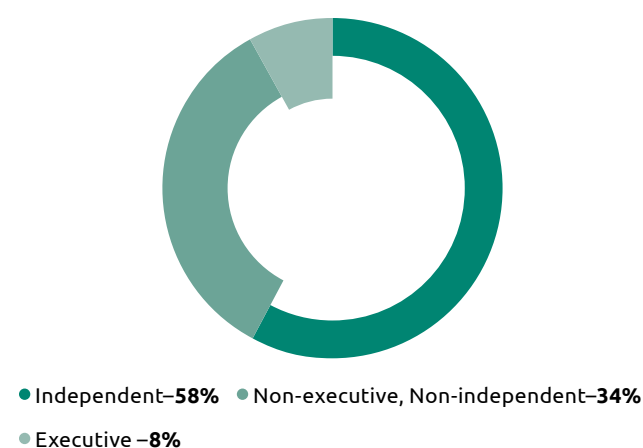
The Board plays a crucial role in guiding and overseeing how the management serves the interests of stakeholders. This is reflected in the Bank's governance practices, under which it strives to maintain an effective, informed and independent Board. The Bank continuously reviews its governance

practices and benchmarks itself to best practices in the industry.

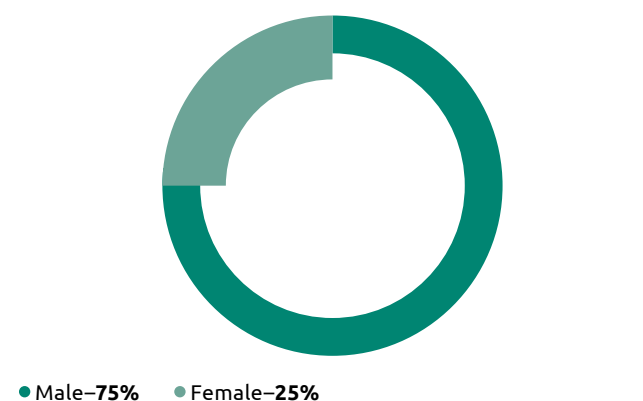
The composition of Board is in conformity with SEBI Listing Regulations, Banking Regulation Act, 1949 and Companies Act, 2013 ("Act"). The Bank has an experienced, diverse and a well-informed Board. The composition of the Board as on March 31, 2021 includes 7 (seven) Independent Directors including 1 (One) Woman Director, 4 (Four) Non-executive, Non-independent Directors including 2 (Two) women directors and 1 (One) Executive Director.

Composition of the Board as on March 31, 2021:

(Category-wise)



(Gender-wise)



The brief profile of directors is available on Bank's website at www.ujjivansfb.in.

- a) The name and category of the directors on the Board, their attendance at the Board Meetings held during the FY 2020-21 and at the last Annual General Meeting ("AGM") and the number of directorships and committee chairpersonships/memberships held by them in other public companies as on March 31, 2021 are given below. Other directorships do not include directorships in private limited companies, foreign companies and companies under Section 8 of the Act. Chairpersonships/memberships of Board Committees shall include Audit Committee and Stakeholders Relationship Committee only.

Name of the Director	Category	No. of Board Meetings during the FY 2020-21			Whether attended last AGM	No. of directorships in other Public Companies		No. of Committee positions held in other Public Companies	
		Held	Entitled to attend	Attended		Chairperson	Member	Chairperson	Member
Mr. Biswamohan Mahapatra ¹	Ex - Part-time Chairman and Independent Director	9	7	7	Yes	-	-	-	-
Mr. Nitin Chugh	Managing Director-Executive Director	9	9	9	Yes	0	0	0	0
Ms. Mona Kachwaha	Non-executive, Non-independent Director	9	9	9	Yes	0	2	0	3
Mr. Jayanta Kumar Basu ²	Non-executive, Non-independent Director	9	6	6	Yes	-	-	-	-
Mr. Ittira Davis ³	Additional Director-Non-executive, Non-independent	9	1	1	NA	0	0	0	0
Mr. Rajesh Kumar Jogi ⁴	Additional Director-Non-executive, Non-independent	9	1	1	NA	0	1	0	0
Ms. Chitra K Alai	Nominee Director-Non-executive, Non-independent	9	9	4	Yes	0	0	0	0
Ms. Vandana Viswanathan ⁵	Independent Director	9	5	4	Yes	-	-	-	-
Mr. Nandlal Sarda	Independent Director	9	9	9	Yes	0	2	0	3
Mr. Mahadev Lakshminarayanan	Independent Director	9	9	9	Yes	1	1	1	1
Mr. Prabal Kumar Sen	Independent Director	9	9	9	Yes	0	0	0	0
Mr. Umang Bedi ⁶	Independent Director	9	9	9	Yes	0	0	0	0
Ms. Rajni Mishra ⁷	Additional Director-Independent	9	3	3	NA	1	1	1	1
Mr. Harish Devarajan ⁸	Additional Director-Independent	9	1	1	NA	0	0	0	0
Mr. Umesh Bellur ⁹	Additional Director - Independent	9	1	0	NA	0	1	0	2

¹Resigned on February 19, 2021(close of Business Hours).

²Resigned on January 20, 2021(end of Business Hours).

³Appointed w.e.f. March 13, 2021.

⁴Appointed w.e.f. March 13, 2021.

⁵Resigned w.e.f. November 15, 2020.

⁶Appointed w.e.f. April 01, 2020.

⁷Appointed w.e.f. December 16, 2020.

⁸Appointed w.e.f. March 13, 2021.

⁹Appointed w.e.f. March 13, 2021.

- b) Name of the listed entities where the following directors of the Bank are director and their category of directorship as on March 31, 2021:

Name of the Director	Name of the listed entity	Category of directorship
Mr. Nandlal Sarda	Cybertech Systems and Software Limited	Independent Director
Ms. Mona Kachhwaha	Ujjivan Financial Services Limited	Independent Director
Mr. Mahadev Lakshminarayanan	Aspinwall and Company Limited	Independent Director
Mr. Umesh Bellur	Central Depository Services (India) Limited	Independent Director
Mr. Rajesh Kumar Jogi	Ujjivan Financial Services Limited	Independent Director

c) During the FY 2020-21, 9 (Nine) meetings of the Board were held on following dates:

Sr. No.	Date of Board meeting	Total number of directors	Number of directors present
1.	May 19, 2020	10	9
2.	July 10, 2020	10	10
3.	July 31, 2020	10	9
4.	November 03, 2020	10	8
5.	November 07, 2020	10	10
6.	December 15, 2020	9	9
7.	February 03, 2021	9	8
8.	March 13, 2021	8	8
9.	March 26, 2021	12	10

There has not been a time gap of more than 120 (One Hundred and Twenty) days between any two consecutive Board meetings.

d) None of the directors are related to each other.

e) Mr. Ittira Davis, Additional Director (Non-executive, Non-independent), holds 2,00,000 equity shares in the Bank and 1 equity share for and on behalf of Ujjivan Financial Services Limited as on March 31, 2021 and Mr. Nitin Chugh, Managing Director and CEO of the Bank, holds 3,798,697 stock options as on March 31, 2021.

f) Complying with Regulation 25(7) of SEBI Listing Regulations and RBI guidelines, Familiarisation Programmes were conducted during the FY 2020-21 to give an overview and introduction to the Independent Directors about the Bank's business and operations. Induction sessions were held for newly inducted board members with various business heads and head of departments of support functions.

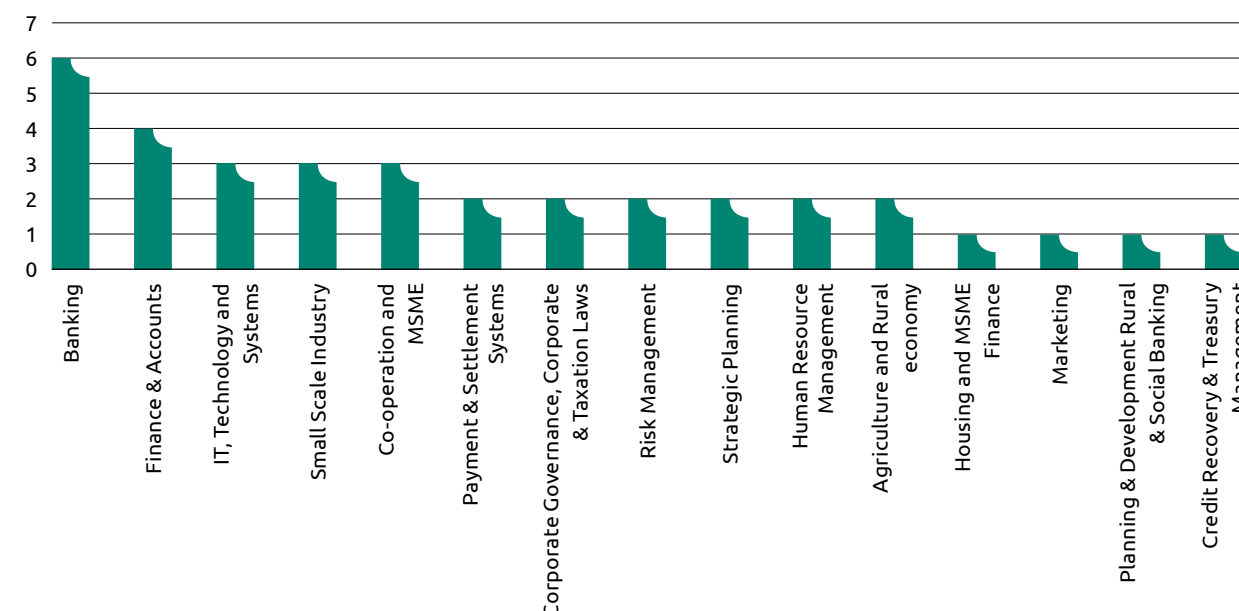
The details of such programmes are available on the website of the Bank at www.ujjivansfb.in.

g) In compliance with Section 10A and other applicable provisions of the Banking Regulation Act, 1949 and other laws applicable to the Bank, as on March 31, 2021, the Bank has a well-diversified Board having requisite skills, expertise and competencies.

The Board has identified core skills/ expertise/ competencies in the area of Banking and Finance, Human Resource Management, Accountancy and Taxation, Information Technology, Micro Finance, Agriculture, Small Scale Industry and Rural Economy which are required in the context of Bank's business to function effectively.

h) The Bank has an enriched Board with the following skills, expertise and competencies:

Sr. No.	Name of the Director	Core Skills/Expertise/Competencies
1.	Mr. Nitin Chugh	Banking, Marketing, Strategic Planning, Payment & Settlement Systems
2.	Ms. Mona Kachhwaha	Micro Finance, Housing Finance, MSME Finance, Private Equity and Banking
3.	Mr. Nandlal Sarda	Information Technology, Technology and Systems
4.	Mr. Prabal Kumar Sen	Agriculture, Rural Economy, Research, Planning & Development and Rural and Social Banking
5.	Mr. Mahadev Lakshminarayanan	Accountancy, Taxation and Finance, Corporate Governance, Taxation Laws, Corporate Laws, SEBI related Laws/Regulations and RBI Regulations
6.	Mr. Umang Bedi	Co-operation, Small Scale Industry, Technology and Systems and Banking
7.	Ms. Chitra K Alai	Banking, Small Scale Industry and MSME
8.	Ms. Rajni Mishra	Banking, Accountancy, Finance, Agriculture and Rural economy, Small Scale Industry, Risk Management, Human Resources, Business Management, Credit Recovery & Treasury Management
9.	Mr. Ittira Davis	Banking, Finance and Strategic Planning
10.	Mr. Rajesh Kumar Jogi	Accountancy, Finance, Economics, Risk Management, Taxation Laws, Corporate Laws, SEBI related Laws/Regulations and RBI Regulations
11.	Mr. Harish Devarajan	Human Resource Management
12.	Mr. Umesh Bellur	Information Technology, Technology and Systems, Payment & Settlement Systems



i) In the opinion of the Board, all the independent directors of the Bank meet the criteria of independence laid down under the Act and SEBI Listing Regulations and are independent of Bank's Management Team. At the time of appointment and at the beginning of each financial year and whenever any change occurs which may affect their independence, the independent directors submit a self-declaration confirming their independence and compliance with various eligibility criteria, among other disclosures. All such declarations are placed before the Board for its information, review and noting.

j) Except as stated below, no Independent Director of the Bank has resigned before the expiry of his/her tenure during the FY 2020-21:

Ms. Vandana Viswanathan
DIN: 05192578

She had resigned as an Independent Director w.e.f. November 15, 2020.

Reason for Resignation: She had resigned due to personal reasons and confirmed to the Bank that there were no other material reasons for her resignation.

Mr. Jayanta Kumar Basu
DIN: 01268046

He had resigned as the Director (Non-executive, Non-independent) on January 20, 2021 (end of Business Hours).

Reason for Resignation: He had resigned due to personal reasons and confirmed to the Bank that there were no other material reasons for his resignation.

Mr. Biswamohan Mahapatra
DIN: 06990345

He had resigned as the Part-Time Chairman and Independent Director on February 19, 2021 (close of Business Hours).

Reason for Resignation: He has resigned due to personal reasons and confirmed to the Bank that there were no other material reasons for his resignation.

k) Every director has duly informed the Bank about the committee positions he/she occupies in other companies.

l) None of the directors of the Bank are members of more than 10 (Ten) committees or chairpersons of more than 5 (Five) committees (Audit Committee and Stakeholders Relationship Committee) across all public limited companies in which they are director.

m) None of the directors of the Bank are director in more than 7 (Seven) listed entities.

2. Board Committees as on March 31, 2021



*Special Committee of the Board for Monitoring High Value Frauds

A. AUDIT COMMITTEE

- a) The Bank has constituted the Audit Committee in line with the provisions of Section 177 of the Act, applicable RBI Guidelines and Regulation 18 of the SEBI Listing Regulations.



Mr. Mahadev Lakshminarayanan
Chairperson of the Audit Committee

Brief profile: Mahadev Lakshminarayanan is an Independent Director of the Bank. He holds a bachelor's degree in Science from Kerala University and is a Chartered Accountant from the Institute of Chartered Accountants of India. He was previously a partner at Deloitte Haskins & Sells LLP and Fraser & Ross and is currently Chairman of the Board of Directors of Aspinwall and Company Limited.

Nature of Expertise: Accountancy, Taxation and Finance, Corporate Governance, Taxation Laws, Corporate Laws, SEBI related Laws/Regulations and RBI Regulations.

- b) The composition of the Audit Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Mahadev Lakshminarayanan	Chairperson—Independent Director	7	7	100
2.	Mr. Nandlal Sarda	Member—Independent Director	7	7	100
3.	Mr. Jayanta Kumar Basu ¹	Ex-Member—Non- executive, Non-independent Director	5	5	100
4.	Mr. Biswamohan Mahapatra ²	Ex-Member—Independent Director	6	6	100
5.	Ms. Mona Kachhwaha ³	Ex-Member—Non- executive, Non-independent Director	1	1	100
6.	Mr. Umesh Bellur ⁴	Member—Additional Director (Independent)	-	-	-
7.	Mr. Rajesh Kumar Jogi ⁵	Member—Additional Director (Non-executive, Non-independent)	-	-	-

¹Appointed as a Member of the Committee w.e.f. April 01, 2020 and moved out of Committee w.e.f. January 20, 2021 (end of Business Hours) due to resignation.

²Moved out of the Committee w.e.f. February 19, 2021 (close of Business Hours) due to resignation.

³Appointed as a Member of the Committee w.e.f. February 25, 2021 and moved out of the Committee w.e.f. March 27, 2021.

⁴Appointed as Member of the Committee w.e.f. March 27, 2021.

⁵Appointed as Member of the Committee w.e.f. March 27, 2021.

The members of the Audit Committee are financially literate and have expertise in finance and have knowledge of accounting and financial management.

- c) During the FY 2020-21, 7 (Seven) meetings of the Audit Committee were held on the following dates:

Date of the Audit Committee Meeting	Total number of members	Number of members present
May 19, 2020	4	4
July 31, 2020	4	4
October 15, 2020	4	4
October 28, 2020	4	4
November 07, 2020	4	4
February 03, 2021	3	3
March 26, 2021	3	3

- d) The terms of reference of the Audit Committee are in accordance with the Act, applicable RBI Guidelines and SEBI Listing Regulations.

- e) The following are the key terms of reference of the Audit Committee:

1. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, replacement, reappointment, remuneration and terms of appointment of auditors of the Bank;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

4. Reviewing, with the management, the annual financial statement and auditor's report thereon before submission to the Board for approval, with particular reference to:

- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report, in terms of the Companies Act, 2013;
- Changes, if any, in accounting policies and practices and reasons for the same;
- Major accounting entries involving estimates based on the exercise of judgement by management;
- Significant adjustments made in the financial statements arising out of audit findings;
- Compliance with listing and other legal requirements relating to financial statement;
- Disclosure of any related party transactions; and
- Qualifications and modified opinion(s) in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;

6. Laying down the criteria for granting omnibus approval in accordance with the Bank's policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;

7. Examination of the financial statement and auditors' report thereon;

8. Monitoring the end use of funds raised through public offers and related matters;	holders, shareholders (in case of non-payment of declared dividends) and creditors;	(5) the appointment, removal and terms of remuneration of the internal auditor;	g) Compliance report on directives issued by the Audit Committee/ Board/ RBI;
9. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the issue document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;	21. To establish a vigil mechanism for directors and employees to report their genuine concerns or grievances;	(6) statement of deviations as and when becomes applicable:	h) Report on compliance of Corporate Governance Requirements under SEBI Listing Regulations and other guidelines issued by SEBI from time to time;
10. Review and monitor the auditor's independence and performance, and effectiveness of audit process;	22. To review the functioning of the whistle-blower mechanism;	a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI Listing Regulations.	i) Report on compliance of regulatory requirement of Regulators in Host Countries in respect of overseas branches;
11. Approval or any subsequent modification of transactions of the Bank with related parties provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Bank subject to such conditions as may be prescribed;	23. To ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Bank;	b) annual statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice in terms of SEBI Listing Regulations.	j) Review of Frauds (frauds of ₹1 Crore and above to be reviewed as and when reported);
12. Scrutiny of inter-corporate loans and investments;	24. Periodic inspection report submitted by the RBI and certificates/ returns/ reports to the RBI pertaining to the Audit Committee function;	The role of the Audit Committee also includes the following:	k) Review of financial results for the quarter;
13. Valuation of undertakings or assets of the Bank, wherever it is necessary;	25. Annual Tax Audit statement and auditors report thereon;	a) Exposure to sensitive sectors i.e. capital market & real estate;	l) Review of information on violations by various functionaries in the exercise of discretionary powers;
14. Evaluation of internal financial controls and risk management systems;	26. Quarterly Board oversight updates to be provided by Internal Audit and Compliance;	b) KYC / AML Guidelines - (i) Review of implementation (ii) Review of compliance of concurrent audit reports with respect to adherence to KYC / AML guidelines at branches;	m) Information in respect of equity share holdings in borrower companies more than 30% of their paid-up capital;
15. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;	27. Approval of appointment of chief financial officer (i.e. the whole-time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;	c) Review of housekeeping – particularly balancing and reconciliation of long outstanding entries Suspense/ Sundries/ Drafts payable/ paid/ Funds in Transit/ Clearing/ SGL/ CSGl accounts;	n) Status of implementation of Ghosh and Jilani Committee reports;
16. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;	28. Carrying out any other function as may be required /mandated as per the provisions of the Companies Act, 2013, SEBI Listing Regulations and/or any other applicable laws;	d) Review of compliance in respect of the Annual Financial Inspection conducted by RBI (Audit Committee shall review this on ongoing basis till the Bank furnishes full compliance. It should closely monitor persisting deficiencies pointed out in RBI Inspection Reports);	o) Detailed report on fraudulent transactions relating to Internet Banking through phishing attacks pointing out in particular the deficiencies in the existing systems and steps taken by the IT department to prevent such cases;
17. Discussion with internal auditors of any significant findings and follow up there on;	29. Reviewing the utilisation of loan and/or advances from investment by the holding company in the subsidiary exceeding ₹100 Crores or 10% of the asset size of the subsidiary, whichever is lower including existing loans/ advances/ investments.	e) Review of Audit plan and status of achievement thereof;	p) Change in accounting policy and practices which may have significant bearing on financial statements. A confirmation that accounting policies are in compliance with accounting standards and RBI guidelines;
18. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;	The Audit Committee shall mandatorily review the following information:	f) Review of significant Audit Findings of the following audits along with the compliance thereof – (i) LFAR (ii) Concurrent Audit (iii) Internal Inspection (iv) I.S. Audit of Data Centre (v) Treasury and Derivatives (vi) Management Audit at Controlling Offices/Head Offices (vii) Audit of Service Branches (viii) Currency Chest (ix) FEMA Audit of branches authorised to deal in foreign exchange, etc.;	q) Review of IS Audit Policy;
19. Discussion with statutory auditors, internal auditors, and secretarial auditors about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;	(1) management discussion and analysis of financial condition and results of operations;		r) Review of transactions with related parties;
20. To look into the reasons for substantial defaults in the payment to the depositors, debenture	(2) statement of significant related party transactions (as defined by the Audit Committee), submitted by management;		s) Review of accounting policies/systems of the Bank with a view to ensuring greater transparency in the bank's accounts and adequacy of accounting standards;
	(3) management letters/letters of internal control weaknesses issued by the statutory auditors;		t) Review of the Bank's financial and risk management policies;
	(4) internal audit reports relating to internal control weaknesses;		

- u) Appointment of statutory auditors and review of performance – both for domestic and overseas operations, if any;
- v) Penalties imposed/penal action taken against bank under various laws and statutes and action taken for corrective measures;
- w) Review of report on Revenue leakage detected by Internal/External Auditors and status of recovery thereof – reasons for undercharges and steps taken to prevent revenue leakage; and
- x) Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:
 1. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
 2. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.

The Nomination Committee has power of formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending a policy relating to the remuneration and appointment of the directors, key managerial personnel and senior management.



Mr. Mahadev Lakshminarayanan
Chairperson of the Nomination Committee

Brief profile: Mahadev Lakshminarayanan is an Independent Director of the Bank. He holds a bachelor's degree in Science from Kerala University and is a Chartered Accountant from the Institute of Chartered Accountants of India. He was previously a partner at Deloitte Haskins & Sells LLP and Fraser & Ross and is currently Chairman of the board of Directors of Aspinwall and Company Limited.

Nature of Expertise: Accountancy, Taxation and Finance, Corporate Governance, Taxation Laws, Corporate Laws, SEBI related Laws/Regulations and RBI Regulations.

B. NOMINATION AND REMUNERATION COMMITTEE (NOMINATION COMMITTEE)

- a) The Bank has constituted a Nomination Committee as per the requirements of Section 178 of the Act, Regulation 19 of SEBI Listing Regulations and applicable RBI guidelines.
- b) The composition of the Nomination Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Mahadev Lakshminarayanan ¹	Chairperson—Independent Director	5	5	100
2.	Mr. Prabal Kumar Sen	Member—Independent Director	8	8	100
3.	Ms. Vandana Viswanathan ²	Ex-Chairperson - Independent Director	3	3	100
4.	Mr. Jayanta Kumar Basu ³	Ex-Member—Non— executive, Non-independent Director	5	5	100
5.	Mr. Biswamohan Mahapatra ⁴	Ex-Member— Independent Director	6	6	100
6.	Ms. Mona Kachhwaha ⁵	Member— Non- executive, Non-independent Director	2	2	100
7.	Mr. Harish Devarajan ⁶	Member—Additional Director (Independent)	-	-	-
8.	Mr. Ittira Davis ⁷	Member— Additional Director (Non-executive, Non-independent)	-	-	-

¹Appointed as a Chairperson of the Committee w.e.f. November 17, 2020.

²Moved out of the Committee w.e.f. November 15, 2020 due to resignation.

³Moved out of the Committee w.e.f. January 20, 2021 (end of Business Hours) due to resignation.

⁴Moved out of the Committee w.e.f. February 19, 2021 (close of Business Hours) due to resignation.

⁵Appointed as a Member of the Committee w.e.f. February 25, 2021.

⁶Appointed as a Member of the Committee w.e.f. March 27, 2021.

⁷Appointed as a Member of the Committee w.e.f. March 27, 2021.

- c) All the members of the Nomination Committee are non-executive directors, and three out of five members of the Nomination Committee are independent directors as on March 31, 2021.
- d) The Chairperson of the Nomination Committee is an Independent Director. The Human Resource & Compensation Committee was merged with Nomination Committee w.e.f. February 04, 2021.
- e) During the FY 2020-21, 8 (Eight) meetings of the Nomination Committee were held on the following dates:

Date of the Nomination Committee Meeting	Total number of members	Number of members present
May 18, 2020	4	4
July 30, 2020	4	4
November 02, 2020	4	4
December 15, 2020	4	4
January 19, 2021	4	4
January 28, 2021	3	3
March 08, 2021	3	3
March 26, 2021	3	3

- f) The following are the key terms of reference of the Nomination Committee:
 1. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees.

The Nomination Committee, while formulating the above policy, will ensure that –

- (i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Bank successfully;
- (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Bank and its goals;
- 2. Formulating criteria for evaluation of performance of independent directors and the Board;

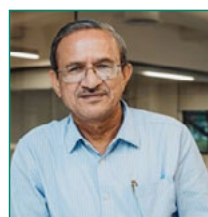
- 3. To ensure 'fit and proper' status of proposed/ existing directors;
- 4. Devising a policy on diversity of the Board;
- 5. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- 6. Identifying persons who are qualified to become directors in accordance with the criteria laid down, and recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination Committee or by an independent external agency and review its implementation and compliance. The Bank shall disclose the remuneration policy and the evaluation criteria in its annual report;
- 7. Analysing, monitoring and reviewing various human resource and compensation matters;
- 8. Determining the Bank's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
- 9. Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;
- 10. Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- 11. Recommending to the Board, all remuneration, in whatever form, payable to senior management;
- 12. Administering, monitoring and formulating detailed terms and conditions of the Employee Stock Option Plan of the Bank, *inter-alia*, including the following:
 - a) Determining the eligibility of employees;
 - b) the quantum of option to be granted under the said Plan per employee and in aggregate;
 - c) the exercise price of the option granted;

<div><div>d) the conditions under which option may vest in employee and may lapse in case of termination of employment for misconduct;</div><div>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;</div><div>f) the specified time period within which the employee shall exercise the vested option in the event of termination or resignation of an employee;</div><div>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;</div><div>h) Re-pricing of the options which are not exercised, whether or not they have been vested if stock option rendered unattractive due to fall in the Market Price of the Shares;</div><div>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 Nomination Committee:<ul style="list-style-type: none">the number and the price of stock option shall be adjusted in a manner such that total value of the option to the employee remains the same after the Corporate Action;for this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad may be considered;the Vesting Period and the life of the option shall be left unaltered as far as possible to protect the rights of the employee who is granted such option;</div><div>j) the grant, vest and exercise of option in case of employees who are on long leave;</div><div>k) allow exercise of unvested options on such terms and conditions as it may deem fit;</div><div>l) the procedure for cashless exercise of options;</div><div>m) Forfeiture/cancellation of options granted;</div></div>	<div><div>n) Framing of suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, by the ESOP trust, the Bank and its employees, as applicable;</div><div>o) All other issues incidental to the implementation of the Plan; and</div><div>p) construing and interpreting the Plan and any agreements defining the rights and obligations of the Bank and eligible employees under the Plan, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Plan.</div><div>13. Administering, monitoring and formulating detailed terms and conditions of the Employee Stock Purchase Scheme of the Bank;</div><div>14. Conducting due diligence as to the credentials of any director before his or her appointment/re-appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI;</div><div>15. To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Bank subject to the provision of the law and their service contract;</div><div>16. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;</div><div>17. To develop a succession plan for the Board and to regularly review the plan;</div><div>18. To approve Job descriptions & KRA's of Senior Managers and Business Line Managers on an annual basis;</div><div>19. To review performance of the senior/business line managers on an annual basis;</div><div>20. Overseeing the framing, review and implementation of the Bank's Compensation Policy for Whole Time Directors/ Chief Executive Officers/ Risk Takers and Control function staff for ensuring effective alignment between remuneration and risks;</div><div>21. To recommend to the Board, all remuneration, in whatever form, payable to senior management;</div></div>	<div><div>22. Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:<div><div>1. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and</div><div>2. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.</div></div></div><div>23. Carrying out any other function as is mandated by the Board from time to time and/or enforced/ mandated by any statutory notification, amendment or modification, as may be applicable;</div><div>24. Review regularly and approve the Bank's Programme for executive and employee development;</div><div>25. Review and implement the various HR policies and manual of the Bank;</div><div>26. Develop, review and approve the principles guiding the Bank's executive compensation philosophies;</div><div>27. 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 organisation development; and</div><div>IV. Disclosure on Board evaluation pursuant to SEBI circular No. EBI/HO/CFD/CMD/CIR/P/ 2018/79 dated May 10, 2018:</div></div>	<div><div>28. Performing such other functions as may be necessary or appropriate for the performance of its duties.</div><div>g) Bank has a well-defined Nomination and Remuneration Policy which covers <i>inter alia</i> the criteria of evaluation of directors and the Board, the remuneration of directors / KMPs and other senior management of the Bank. The Policy is available on the website of the Bank at www.ujjivansfb.in.</div><div>h) In compliance with Section 178 of the Act and SEBI Listing Regulations, in the meeting held on March 26, 2021 the Board has carried out, an annual evaluation of its own performance as well as the performance of its committees and individual directors as per the criteria laid down by the Nomination Committee, which includes the following:<div><div>I. The Board: Composition, structure, meetings, functions, management and professional development, ethics and compliance among others.</div><div>II. The Committees: Mandate & Composition, effectiveness, structure, meetings, independence of the committee, contribution in decision making of the Board, among others.</div><div>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.</div></div></div></div>				
		<table><tr><th>Particulars</th><th>Key Observations</th></tr><tr><td>Observation of the Board evaluation carried out for the FY 2020-21</td><td><div><div>a) The Board supervised the Bank through the tough COVID times in a very professional manner and steered the Bank through the pandemic through weekly updates on the overall functioning of the Bank which was subsequently changed to fortnightly updates as the situation stabilised.</div><div>b) A special Board level Business Continuity Monitoring Committee was also constituted. The Committee was authorised to direct, suggest, guide and advise appropriate measures to the Bank on various matters related to finance, business, risk, compliance, credit and such other regulatory or other matters that may arise as and may be necessary for the Bank. 6 meetings of the Business Continuity Monitoring Committee were held during the FY 2020-21.</div><div>c) The Board also decided to partially reduce the Sitting being paid for attending the Board and Board Committee meetings as a support to the Bank through the tough COVID times. Few meetings of Business Continuity Monitoring Committee were also convened pro-bono without any sitting fees based on the request of the Board Members.</div><div>d) Bank has a well-diversified Board with 3 women directors where one is an Independent Director and 2 are Non-executive directors.</div><div>e) Business Strategy Committee meeting was held 2 times during the FY 2020-21 to review and take strategic business decisions.</div><div>f) The Promoter Shareholding Dilution Committee of the Board in coordination with the Board had 4 meetings during the year to discuss the dilution of promoter shareholding in the Bank to ensure timely compliance of the RBI licencing conditions.</div></div></td></tr></table>	Particulars	Key Observations	Observation of the Board evaluation carried out for the FY 2020-21	<div><div>a) The Board supervised the Bank through the tough COVID times in a very professional manner and steered the Bank through the pandemic through weekly updates on the overall functioning of the Bank which was subsequently changed to fortnightly updates as the situation stabilised.</div><div>b) A special Board level Business Continuity Monitoring Committee was also constituted. The Committee was authorised to direct, suggest, guide and advise appropriate measures to the Bank on various matters related to finance, business, risk, compliance, credit and such other regulatory or other matters that may arise as and may be necessary for the Bank. 6 meetings of the Business Continuity Monitoring Committee were held during the FY 2020-21.</div><div>c) The Board also decided to partially reduce the Sitting being paid for attending the Board and Board Committee meetings as a support to the Bank through the tough COVID times. Few meetings of Business Continuity Monitoring Committee were also convened pro-bono without any sitting fees based on the request of the Board Members.</div><div>d) Bank has a well-diversified Board with 3 women directors where one is an Independent Director and 2 are Non-executive directors.</div><div>e) Business Strategy Committee meeting was held 2 times during the FY 2020-21 to review and take strategic business decisions.</div><div>f) The Promoter Shareholding Dilution Committee of the Board in coordination with the Board had 4 meetings during the year to discuss the dilution of promoter shareholding in the Bank to ensure timely compliance of the RBI licencing conditions.</div></div>	
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Particulars	Key Observations
	<p>g) The Board was further strengthened by the joining of 6 new Directors (Mr. Umang Bedi, Ms. Rajni Mishra, Mr. Ittira Davis, Mr. Umesh Bellur, Mr. Harish Devarajan and Mr. Rajesh Kumar Jogi). There were also few resignations in the Board where Mr. Biswamohan Mahapatra, Ms. Vandana Viswanathan and Mr. Jayanta Kumar Basu resigned due to personal reasons.</p> <p>h) The Board extensively discussed and reviewed the Statutory Auditors' Report, IFC Audit Reports, findings in Internal Audit, Concurrent Audit and IT Audit etc. during the FY 2020-21.</p> <p>i) During the year, composition of the Board Committees was changed due to induction & resignation of Board members and also to align the strength of the Board members in line with the mandate of the Board Committees.</p> <p>j) Considerable amount of time was spent by the Board on review and monitoring of regulatory and statutory compliances.</p> <p>k) The Board was keenly aware of the risks in the Bank during the FY 2020-21 and took the necessary steps for monitoring and mitigating risks.</p> <p>l) Individual competencies of the Board Members were leveraged in matter relating to Finance/ Audit/HR/ Compliance/ IT and Business Development.</p> <p>m) The Bank has a Board which possess requisite competency, qualification. The appointment of directors was done in a transparent manner.</p> <p>n) Meetings were held regularly and attendance was satisfactory.</p> <p>o) The Board spent significant time in planning & executing Strategy, on governance & compliance. The Board was able to identify risks for the Bank. Further, there was no conflict of interest in the Board. The Board was able to create value for the stakeholders.</p> <p>p) It was advised that the Bank may consider having a Director on the Bank Board who has experience as a senior bureaucrat/or as a regulator and has experience in Banking regulations.</p>
Previous year's observations and action taken	No specific actions were suggested during the evaluation process.
Proposed actions based on current year observation	No specific actions were suggested during the evaluation process.

C. STAKEHOLDERS RELATIONSHIP COMMITTEE

- a) For redressing the grievances of the shareholders among other matters, the Bank has constituted a Stakeholders Relationship Committee as per the requirements of Section 178 of the Act and Regulation 20 of SEBI Listing Regulations.



Mr. Nandlal Sarda

Chairperson of the Stakeholders Relationship Committee

Brief profile: Nandlal Sarda is an Independent Director of the Bank. He holds a master of technology degree in electrical engineering and doctor of philosophy degree from the Indian Institute of Technology, Bombay. He has previously served as a director on the boards of the Union Bank of India, Clearing Corporation of India and Andhra Bank. He was a professor in the department of computer science and engineering at Indian Institute of Technology, Bombay.

Nature of Expertise: Information Technology, Technology and Systems.

- b) The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Nandlal Sarda ¹	Chairperson-Independent Director	1	1	100
2.	Mr. Nitin Chugh	Member-Managing Director and CEO	2	2	100
3.	Ms. Vandana Viswanathan ²	Ex- Chairperson-Independent Director	1	1	100
4.	Mr. Jayanta Kumar Basu ³	Ex-Member-Non-executive, Non-independent Director	2	2	100
5.	Mr. Mahadev Lakshminarayanan ⁴	Ex-Chairperson-Independent Director	2	2	100
6.	Mr. Harish Devarajan ⁵	Member-Additional Director (Independent)	-	-	-

¹Appointed as Member of the Committee w.e.f. November 17, 2020 and as a Chairperson of the Committee w.e.f. February 25, 2021.

²Moved out of the Committee w.e.f. November 15, 2020 due to resignation.

³Appointed as Member of the Committee w.e.f. April 01, 2020 and moved out of the Committee w.e.f. January 20, 2021 (end of Business Hours) due to resignation.

⁴Appointed as Chairperson of the Committee w.e.f. April 01, 2020 and ceased to be Chairperson w.e.f. February 25, 2021 and moved out of the Committee as Member w.e.f. March 27, 2021.

⁵Appointed as Member of the Committee w.e.f. March 27, 2021.

- c) The Chairperson of the Stakeholders Relationship Committee is an Independent Director of the Bank.
- d) The Stakeholders Relationship Committee met twice during the FY 2020-21 on November 03, 2020 and January 19, 2021 and all the members were present in the Meetings.
- e) The following are the key terms of reference of the Committee:
- To resolve the grievances of the security holders of the Bank including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;
 - To review of measures taken for effective exercise of voting rights by shareholders;
 - To review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent;
 - To review the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/ statutory notices by the shareholders of the Bank;
 - Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;
 - To redress shareholders' and investors' complaints/grievances such as transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
 - To approve, register, refuse to register transfer or transmission of shares and other securities;
 - To sub-divide, consolidate and or replace any share or other securities certificate(s) of the Bank;
 - Allotment and listing of shares, approval of transfer or transmission of shares, debentures or any other securities;
 - To authorise affixation of common seal of the Bank;
 - To issue duplicate share or other security(ies) certificate(s) in lieu of the original share/ security(ies) certificate(s) of the Bank after split/ consolidation/ rematerialisation and in Replacement of those which are defaced, mutilated, torn or old, decrepit, worn out or where the pages on reverse for recording transfers have been utilised;
 - To approve the transmission of shares or other securities arising as a result of death of the sole/ any joint shareholder;
 - To dematerialise or rematerialise the issued shares;
 - To authorise to sign and endorse the Share Transfers on behalf of the Bank;
 - To ensure proper and timely attendance and redressal of investor queries and grievances;

(16) To carry out any other functions contained in the SEBI Listing Regulations, and the Act as and when amended from time to time;

(17) To further delegate all or any of the power to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s); and

(18) To perform such other functions as and when authorised by the Board.

f) Complaints of stakeholders received during the FY 2020-21.

Particulars	Number
Number of Complaints at the beginning of the FY 2020-21	0
Number of shareholders' complaints received during the FY 2020-21	10
Number of complaints disposed-off during the FY 2020-21	10
Number of pending complaints at the end of the FY 2020-21	0

g) Mr. Chanchal Kumar, Company Secretary, has been appointed as the Compliance Officer of the Bank as per Regulation 6 of SEBI Listing Regulations.

D. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)

a) The Bank has constituted a CSR Committee in accordance with the provisions of Section 135 of the Act and the rules made thereunder and to oversee the social programmes to be undertaken by the Bank and monitor its economic and social impact on society at large.

b) The composition of the CSR Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Ms. Rajni Mishra ¹	Chairperson-Additional Director (Independent)	1	1	100
2.	Mr. Nandlal Sarda	Member – Independent Director	5	5	100
3.	Mr. Prabal Kumar Sen	Member – Independent Director	5	5	100
4.	Ms. Vandana Viswanathan ²	Ex- Chairperson- Independent Director	3	3	100
5.	Mr. Mahadev Lakshminarayanan ³	Ex-Chairperson-Independent Director	2	2	100
6.	Mr. Ittira Davis ⁴	Member – Additional Director (Non-executive, Non-independent)	-	-	-
7.	Mr. Harish Devarajan ⁵	Member – Additional Director (Independent)	-	-	-

¹Appointed as a Member w.e.f. February 03, 2021 and Chairperson of the Committee w.e.f. February 25, 2021.

²Moved out of the Committee w.e.f. November 15, 2020 due to resignation.

³Appointed as a Chairperson of the Committee w.e.f. November 17, 2020 and ceased to be Chairperson w.e.f. February 25, 2021 and moved out of the Committee as a Member w.e.f. March 27, 2021.

⁴Appointed as a Member of the Committee w.e.f. March 27, 2021.

⁵Appointed as a Member of the Committee w.e.f. March 27, 2021.



Ms. Rajni Mishra

Chairperson of the CSR Committee

Brief profile: Rajni Mishra is an Additional Director (Independent) of the Bank. She holds Master's Degree in Commerce (Gold Medalist) from M S University, Vadodara. She has been a career banker for nearly four decades, with State Bank of India as well as its Associate Banks where she has handled varied assignments and diverse portfolios, gaining exposure in Branch Administration, Corporate Credit, Forex Treasury, Vigilance, Audit & Inspection etc. She is the Chairperson and Independent Director on the Board of M/s. NCL Buildtek Limited, Hyderabad, a leading manufacturer of building materials and a Group Company of M/s. NCL Industries (erstwhile Nagarjuna Cement Limited).

Nature of Expertise: Banking, Accountancy, Finance, Agriculture and Rural economy, Small Scale Industry, Risk Management, Human Resources, Business Management, Credit Recovery & Treasury Management.

c) During the FY 2020-21, 5 (Five) meetings of the CSR Committee were held on the following dates:

Date of the CSR Committee Meeting	Total number of members	Number of members present
May 18, 2020	3	3
July 30, 2020	3	3
November 06, 2020	3	3
February 02, 2021	3	3
March 25, 2021	4	4

d) The following are the key terms of reference of the CSR Committee:

(1) The CSR Committee shall formulate and recommend to the Board an annual action plan in pursuance of CSR Policy of the Bank which shall include the following, namely;

- the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- the manner of execution of such projects or programmes as specified in Companies (Corporate Social Responsibility Policy) Rules, 2014.
- the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- monitoring and reporting mechanism for the projects or programmes; and
- details of need and impact assessment, if any, for the projects undertaken by the Bank.

(2) The CSR Committee shall approve and recommend to the Board, the activities can either be undertaken by the Bank itself or

b) The composition of the Risk Management Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Ms. Mona Kachhwaha ¹	Chairperson – Non-executive, Non-independent Director	-	-	-
2.	Mr. Nitin Chugh	Member – Managing Director and CEO	5	5	100
3.	Mr. Nandlal Sarda	Member – Independent Director	5	5	100
4.	Mr. Jayanta Kumar Basu ²	Ex-Member – Non-executive, Non-independent Director	4	4	100
5.	Mr. Biswamohan Mahapatra ³	Ex-Chairperson – Independent Director	5	5	100
6.	Mr. Mahadev Lakshminarayanan ⁴	Ex-Member – Independent Director	-	-	-
7.	Ms. Rajni Mishra ⁵	Member – Additional Director (Independent)	-	-	-
8.	Mr. Rajesh Kumar Jogi ⁶	Member – Additional Director (Non-executive, Non-independent)	-	-	-

¹Appointed as a Chairperson of the Committee w.e.f. February 25, 2021.

²Moved out of the Committee w.e.f. January 20, 2021 (end of Business Hours) due to resignation.

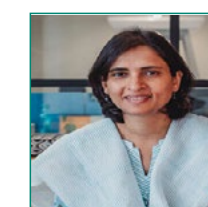
³Moved out of the Committee w.e.f. February 19, 2021 (close of Business Hours) due to resignation.

through any registered public trust/ society/ section 8 company or any entity established under an Act of Parliament or a State legislature as detailed in CSR Rules, for undertaking the CSR activities.

(3) To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

E. RISK MANAGEMENT COMMITTEE

a) The Bank has constituted a Risk Management Committee in accordance with RBI guidelines and Regulation 21 of SEBI Listing Regulations.



Ms. Mona Kachhwaha

Chairperson of the Risk Management Committee

Brief profile: Mona Kachhwaha is a Non-Executive Director of the Bank. She holds a post graduate diploma in business management from XLRI Jamshedpur and has completed a private equity programme from Oxford University. She currently works with Unitus Capital Private Ltd and was previously employed with Citibank N.A. and Caspian Impact Investment Adviser Private Limited.

Nature of Expertise: Micro Finance, Housing Finance, MSME Finance, Private Equity, Banking.

⁴Appointed as a Member w.e.f. February 25, 2021 and moved out of the Committee w.e.f. March 27, 2021.

⁵Appointed as a Member of the Committee w.e.f. February 25, 2021.

⁶Appointed as a Member of the Committee w.e.f. March 27, 2021.

- c) During the FY 2020-21, 5 (Five) meetings of the Risk Management Committee were held on the following dates:

Date of the Risk Management Committee Meeting	Total number of members	Number of members present
May 18, 2020	4	4
July 30, 2020	4	4
November 06, 2020	4	4
January 06, 2021	4	4
February 02, 2021	3	3

- d) The following are the key terms of reference of the Risk Management Committee:

1. Ensure that all the current and future material risk exposures of the Bank are assessed, identified, quantified, appropriately mitigated and managed;
2. Establish a framework for the risk management process and to ensure its implementation in the Bank;
3. Ensure that the Bank is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities;
4. Review and recommend changes, from time to time, to the Risk Management plan and / or associated frameworks, processes and practices of the Bank;
5. Enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices;
6. Perform other activities related to this charter as requested by the Board or to address issues related to any significant subject within its term of reference;
7. Evaluate overall risks faced by the Bank and determining the level of risks which will be in the best interest of the Bank;
8. Identify, monitor and measure the risk profile of the Bank;
9. Develop policies and procedures, verify the models that are used for pricing complex products, review the risk models as development takes place in the markets and also identify new risks;

10. Design stress scenarios to measure the impact of unusual market conditions and monitor variance between the actual volatility of portfolio value and that predicted by the risk measures;
11. Monitor compliance of various risk parameters by operating departments;
12. Review the outsourcing functions of the Bank;
13. Review of risk management practices, procedures and systems to ensure that same are adequate to limit all potential risks, faced by the bank to prudent levels (Annually). (Risk Management Framework to be reviewed for adequacy);
14. Limit Management Framework to be defined by outlining of the tolerance limits. Any exceptions and breaches to be reported on a quarterly basis; and
15. Overview the functions and performance of the Risk Management Committee of the management.

The Risk Management Committee also oversees the following functions:

(A) Outsourcing Function

The Risk Management Committee is responsible *inter alia* for: -

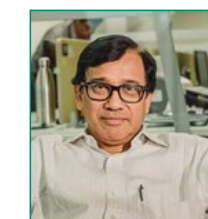
1. Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
2. Laying down appropriate approval authorities for outsourcing depending on risks and materiality;
3. Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness; and
4. Deciding on business activities of a material nature to be outsourced, and approving such arrangements.

(B) Management Supervisory Function

Monitoring of the exposures (both credit and investment) by the Bank, review of the adequacy of the risk management process and up gradation thereof, internal control systems and ensuring compliance with the statutory/regulatory framework.

F. CUSTOMER SERVICE COMMITTEE

- a) The Bank has constituted a Customer Service Committee in accordance with RBI Master Circular on Customer Service in banks. The function of the Customer Service Committee is to monitor the quality of customer service extended by the Bank and to attend to the needs of customers. The Committee furthers the efforts of financial inclusion for the customers of the Bank.



Mr. Prabal Kumar Sen

Chairperson of the Customer Service Committee

Brief profile: Prabal Kumar Sen is an Independent Director of the Bank. He holds Master's degree in Arts (Economics) with specialisation in Agricultural Economics from Calcutta University. Mr. Sen was a Professor at XLRI, Jamshedpur, earlier Bank of Baroda Chair Professor at Institute of Rural Management Anand (IRMA) and Lecturer in PG Dept. of Economics, at University of Burdwan. He had previously worked for United Bank of India in the Senior Management Grade and earlier worked as an Interpreting Officer in the Calcutta High Court.

Nature of Expertise: Agriculture, Rural Economy, Research, Planning & Development and Rural and Social Banking.

- b) The composition of the Customer Service Committee and the details of the meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Prabal Kumar Sen ¹	Chairperson – Independent Director	4	4	100
2.	Ms. Vandana Viswanathan ²	Ex-Chairperson – Independent Director	3	3	100
3.	Mr. Nitin Chugh	Member – Managing Director and CEO	4	4	100
4.	Ms. Mona Kachhwaha	Member – Non-executive, Non-independent Director	4	3	75
5.	Mr. Umang Bedi ³	Member – Independent Director	1	1	100

¹Was Member of the Committee and appointed as a Chairperson of the Committee w.e.f. November 17, 2020.

²Moved out of the Committee w.e.f. November 15, 2020 due to resignation.

³Appointed as a Member of the Committee w.e.f. November 17, 2020.

- c) During the FY 2020-21, 4 (Four) meetings of the Customer Service Committee were held on the following dates:

Date of the Customer Service Committee Meeting	Total number of members	Number of members present
May 18, 2020	4	4
July 30, 2020	4	3
November 06, 2020	4	4
February 02, 2021	4	4

- d) The following are the key terms of reference of the Committee:

1. To review the controls related to managing and protecting the interests of unsophisticated/illiterate customers on an annual basis;
2. To review the performance of the Standing Committee of the Customer Service;
3. To formulate a Comprehensive Deposit Policy, incorporating the issues such as the treatment of death of a depositor for operations of his account;
4. To formulate a product approval process;

5. To take an annual survey of depositor satisfaction and the triennial audit of such services;
6. To monitor the implementation of Awards under the Banking Ombudsman Scheme:
 - i. Place all the awards before the Customer Service Committee to enable them to address issues of systemic deficiencies existing in banks, if any, brought out by the awards;
 - ii. Place all the awards remaining unimplemented for more than three months with the reasons therefor before the Customer Service Committee to enable the Customer Service Committee to report to the Board such delays in implementation without valid reasons and for initiating necessary remedial action; and
 - iii. delay in the implementation of Banking Ombudsman award on quarterly basis; and
7. To examine any other issues having a bearing on the quality of customer service rendered.



Mr. Nandlal Sarda

Chairperson of the IT Strategy Committee

Brief profile: Nandlal Sarda is an Independent Director of the Bank. He holds a master of technology degree in electrical engineering and doctor of philosophy degree from the Indian Institute of Technology, Bombay. He has previously served as a director on the boards of the Union Bank of India, Clearing Corporation of India and Andhra Bank. He was a professor in the department of computer science and engineering at Indian Institute of Technology, Bombay.

Nature of Expertise: Information Technology, Technology and System.

G. IT STRATEGY COMMITTEE

- a) The Bank has constituted an IT Strategy Committee in accordance with RBI guidelines.
- b) The composition of the IT Strategy Committee and the details of the meetings attended by its members is given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Nandlal Sarda	Chairperson – Independent Director	4	4	100
2.	Ms. Mona Kachhwaha	Member – Non-executive, Non-independent Director	4	4	100
3.	Mr. Umang Bedi ¹	Member – Independent Director	4	4	100
4.	Ms. Rajni Mishra ²	Member – Additional Director (Independent)	-	-	-
5.	Mr. Umesh Bellur ³	Member – Additional Director (Independent)	-	-	-

¹Appointed as a Member of the Committee w.e.f. April 01, 2020.

²Appointed as a Member of the Committee w.e.f. February 03, 2021.

³Appointed as a Member of the Committee w.e.f. March 27, 2021.

- c) During the FY 2020-21, 4 (Four) meetings of the IT Strategy Committee were held on the following dates:

Date of the IT Strategy Committee Meeting	Total number of members	Number of members present
May 18, 2020	3	3
July 30, 2020	3	3
November 06, 2020	3	3
February 02, 2021	3	3

- d) The following are the key terms of reference of the Committee:

1. Approving IT strategy and policy documents;
2. Ensuring that the management has put an effective strategic planning process in place;
3. Ratifying that the business strategy is indeed aligned with IT strategy;
4. Ensuring that the IT organisational structure complements the business model and its direction;

5. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
6. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
7. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
8. Ensuring proper balance of IT investments for sustaining bank's growth;
9. Becoming aware about exposure towards IT risks and controls and evaluating effectiveness of management's monitoring of IT risks;
10. Assessing Senior Management's performance in implementing IT strategies;
11. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks);
12. Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT;
13. Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks; and
14. Reviewing IT performance measurement and contribution of IT to businesses (i.e. delivering the promised value).

- b) The composition of the Review Committee of Wilful Defaulter and the details of meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Nitin Chugh	Chairperson–Managing Director and CEO	1	1	100
2.	Ms. Mona Kachhwaha ¹	Member – Non-executive, Non-independent Director	1	1	100
3.	Mr. Biswamohan Mahapatra ²	Ex-Chairperson – Independent Director	1	1	100
4.	Mr. Prabal Kumar Sen ³	Member – Independent Director	-	-	-

¹Appointed as Member of the Committee w.e.f. April 01, 2020.

²Moved out of the Committee w.e.f. February 19, 2021 (close of Business Hours) due to resignation.

³Appointed as a Member of the Committee w.e.f. February 25, 2021.

- c) The Review Committee of Wilful Defaulters met once during the FY 2020-21 on July 30, 2020. All the members of the Committee were present in the meeting.

H. REVIEW COMMITTEE OF WILFUL DEFAULTERS

- a) The Bank has constituted a Review Committee of Wilful Defaulters in accordance with RBI guidelines to review decisions taken by the Identification Committee (for identification of Wilful defaulters/borrowers).



Mr. Nitin Chugh

Chairperson of the Review Committee of Wilful Defaulters

Brief profile: Nitin Chugh is the Managing Director and CEO of the Bank. He holds a bachelor's degree in technology (electrical engineering) from National Institute of Technology, Kurukshetra and a professional diploma in marketing management from All India Management Association. He has previously worked with HDFC Bank Limited, Standard Chartered Bank, HCL Limited and Modi Xerox Limited.

Nature of Expertise: Banking, Marketing, Strategic Planning, Payment & Settlement Systems.

I. FRAUD COMMITTEE (SPECIAL COMMITTEE OF BOARD FOR MONITORING HIGH VALUE FRAUDS)

- a) The Bank has constituted a Fraud Committee in accordance with RBI guidelines to monitor and follow up cases of frauds involving amounts in excess of ₹1 (One) Crore and to review a report on the RFA accounts and follow-up of Frauds (SCBF) providing, inter alia, a synopsis of the remedial action taken together with their current status.



Mr. Nitin Chugh

Chairperson of the Fraud Committee

Brief profile: Nitin Chugh is the Managing Director and CEO of the Bank. He holds a bachelor's degree in technology (electrical engineering) from National Institute of Technology, Kurukshetra and a professional diploma in marketing management from All India Management Association. He has previously worked with HDFC Bank Limited, Standard Chartered Bank, HCL Limited and Modi Xerox Limited.

Nature of Expertise: Banking, Marketing, Strategic Planning, Payment & Settlement Systems.

- b) The composition of the Fraud Committee is given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Nitin Chugh	Chairperson – Managing Director and CEO	1	1	100
2.	Mr. Prabal Kumar Sen ¹	Member – Independent Director	1	1	100
3.	Mr. Umang Bedi ²	Member – Independent Director	1	1	100
4.	Mr. Biswamohan Mahapatra ³	Ex-Member – Independent Director	-	-	-
5.	Mr. Rajesh Kumar Jogi ⁴	Member – Additional Director (Non-executive, Non-independent)	-	-	-
6.	Mr. Mahadev Lakshminarayanan ⁵	Member – Independent Director	-	-	-

¹Appointed as a Member of the Committee w.e.f. April 01, 2020.

²Appointed as a Member of the Committee w.e.f. April 01, 2020.

³Moved out of the Committee w.e.f. April 01, 2020.

⁴Appointed as a Member of the Committee w.e.f. March 27, 2021.

⁵Appointed as a Member of the Committee w.e.f. March 27, 2021.

- c) The Fraud Committee met once during the FY 2020-21 on February 23, 2021. All the members of the Committee were present in the meeting.

J. COMMITTEE OF DIRECTORS

- a) The Bank has in place a Committee of Directors to facilitate faster decision making to borrow monies, Issuing or arranging bank guarantees for Bank's own requirements; and offering security deposit, margin money, etc. for such and other transactions, to open Bank accounts, addition/ deletion/ change of signatories in Bank accounts, to apply for internet banking facilities and addition/ deletion/ change in inputter/ authorisers, any other bank related matters, to enter into IBPC transactions, to enter into securitisation transactions, to avail refinance facilities from Financial Institutions, to raise monies through certificate of Deposits and to open DAD Accounts, Clearing Accounts and resolutions relating to any other statutory compliances/regulatory matters. The Committee also approves all Financial Institutional Group (FIG) loan proposals in excess of ₹50 Crores.

The Committee is also empowered to approve major deviations for MSE and Housing loans but within the capped limit.



Mr. Mahadev Lakshminarayanan

Chairperson of the Committee of Directors

Brief profile: Mahadev Lakshminarayanan is an Independent Director of the Bank. He holds a bachelor's degree in Science from Kerala University and is a Chartered Accountant from the Institute of Chartered Accountants of India. He was previously a partner at Deloitte Haskins & Sells LLP and Fraser & Ross and is currently director on the board of Aspinwall and Company Limited.

Nature of Expertise: Accountancy, Taxation and Finance, Corporate Governance, Taxation Laws, Corporate Laws, SEBI related Laws/Regulations and RBI Regulations.

- b) The composition of the Committee of Directors is given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Mahadev Lakshminarayanan	Chairperson – Independent Director	3	3	100
2.	Mr. Nitin Chugh	Member – Managing Director and CEO	3	3	100
3.	Mr. Umang Bedi ¹	Member – Independent Director	3	3	100
4.	Ms. Vandana Viswanathan ²	Ex-Member – Independent Director	1	1	100
5.	Ms. Rajni Mishra ³	Member – Additional Director (Independent)	2	2	100
6.	Ms. Mona Kachhwaha ⁴	Member – Non-executive, Non-independent Director	2	2	100
7.	Mr. Ittira Davis ⁵	Member – Additional Director (Non-executive, Non-independent)	-	-	-

¹Appointed as Member of the Committee w.e.f. April 01, 2020.

²Moved out of the Committee w.e.f. November 15, 2020 due to resignation.

³Appointed as a Member of the Committee w.e.f. February 03, 2021.

⁴Appointed as a Member of the Committee w.e.f. November 17, 2020 and moved out of the Committee w.e.f. March 27, 2021.

⁵Appointed as a Member of the Committee w.e.f. March 27, 2021

- c) During the FY 2020-21, 3 (Three) meetings of the Committee of Directors were held on the following dates:

Date of Committee of Directors Meeting	Total number of members	Number of members present
June 05, 2020	4	4
February 23, 2021	5	5
March 08, 2021	5	5

K. PROMOTER SHAREHOLDING DILUTION COMMITTEE

- a) The Committee has been constituted to meet the RBI guidelines for diluting of promoter shareholding of the Bank.



Mr. Mahadev Lakshminarayanan
Chairperson of the Promoter Shareholding Dilution Committee

Brief profile: Mahadev Lakshminarayanan is an Independent Director of the Bank. He holds a bachelor's degree in Science from Kerala University and is a Chartered Accountant from the Institute of Chartered Accountants of India. He was previously a partner at Deloitte Haskins & Sells LLP and Fraser & Ross and is currently director on the board of Aspinwall and Company Limited.

Nature of Expertise: Accountancy, Taxation and Finance, Corporate Governance, Taxation Laws, Corporate Laws, SEBI related Laws/Regulations and RBI Regulations.

- b) The composition of the Promoter Shareholding Dilution Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Mahadev Lakshminarayanan	Chairperson – Independent Director	4	4	100
2.	Mr. Nitin Chugh	Member – Managing Director and CEO	4	4	100
3.	Mr. Jayanta Kumar Basu ¹	Ex-Member – Non-executive, Non-independent Director	4	4	100
4.	Mr. Biswamohan Mahapatra ²	Ex-Chairperson – Independent Director	4	4	100
5.	Mr. Umang Bedi ³	Member – Independent Director	-	-	-
6.	Mr. Ittira Davis ⁴	Member – Additional Director (Non-executive, Non-independent)	-	-	-

¹Appointed as Member of the Committee w.e.f. April 01, 2020 and Moved out of the Committee w.e.f. January 20, 2021 (end of Business Hours) due to resignation.

²Moved out of the Committee w.e.f. February 19, 2021 (close of Business Hours) due to resignation.

³Appointed as a Member of the Committee w.e.f. February 25, 2021.

⁴Appointed as a Member of the Committee w.e.f. March 27, 2021.

- d) During the FY 2020-21, 4 (Four) meetings of the Promoter Shareholding Dilution Committee were held on the following dates:

Date of the Promoter Shareholding Dilution Committee Meeting	Total number of members	Number of members present
June 26, 2020	4	4
July 10, 2020	4	4
October 28, 2020	4	4
December 15, 2020	4	4

- d) The Promoter shareholding dilution Committee is authorised to approve the following in connection with the dilution of promoters shareholding as required under the RBI guidelines:
- To take such steps as may be necessary for dilution of promoter's shareholding as prescribed under RBI guidelines;
 - To make applications, seek clarifications, obtain approvals and seek exemptions from, where necessary, the RBI, SEBI, the relevant registrar of companies and any other governmental or statutory authorities as may be required in connection with the Issue and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary, incorporate such modifications/ amendments as may be required;
 - To authorise and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Issue;
 - To approve code of conduct as may be considered necessary by the Promoter shareholding dilution Committee as required under applicable laws, regulations or guidelines for the Board, officers of the Bank and other employees of the Bank;
 - To approve the implementation of any corporate governance requirements that may be considered necessary by the Board or the Promoter shareholding dilution Committee as may be required under the applicable laws or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and listing agreements to be entered into by the Bank with the relevant stock exchanges, to the extent allowed under law;
 - To issue receipts/ allotment letters/ confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Bank with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s), with power to authorise one or more officers of the Bank to sign all or any of the aforesaid documents;
 - To authorise and approve notices, advertisements in relation to the Issue in consultation with the relevant intermediaries appointed for the Issue;
 - To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules;
 - To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and / or modify, as the case maybe, agreements and / or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorise one or more officers of the Bank to execute all or any of the aforesaid documents;
 - To make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Bank where necessary;
 - To submit undertaking/certificates or provide clarifications to the SEBI, Registrar of Companies, Karnataka and the relevant stock exchange(s) where the Equity Shares are to be listed;
 - To negotiate, finalise, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the Promoter Shareholding Dilution Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Issue and any documents or instruments so executed and delivered or acts and things done or caused to be done by the Promoter Shareholding Dilution Committee shall be conclusive evidence of the authority of the Promoter shareholding dilution in so doing;
 - To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the SEBI Listing Regulations or any other Applicable Laws;
 - To approve the list of 'group of companies' of the Bank, identified pursuant to the materiality policy adopted by the Board;

15. To appoint the registrar and other intermediaries to the Issue, in accordance with the provisions of the SEBI Regulations and other Applicable Laws including legal counsels, banks or agencies concerned and entering into any agreements or other instruments for such purpose, to remunerate all such intermediaries/agencies including the payments of commissions, brokerages, etc. and to terminate any agreements or arrangements with such intermediaries/agents; and

16. To delegate any of its powers set out under (1) to (15) hereinabove, as may be deemed necessary and permissible under Applicable Laws to the officials of the Bank.

L. BUSINESS STRATEGY COMMITTEE

- a) The Bank has constituted a Business Strategy Committee to review and provide inputs to the business plans of each line of business with a specific focus on growth, strategy and productivity.



Mr. Nitin Chugh

Chairperson of the Business Strategy Committee

Brief profile: Nitin Chugh is the Managing Director and CEO of the Bank. He holds a bachelor's degree in technology (electrical engineering) from National Institute of Technology, Kurukshetra and a professional diploma in marketing management from All India Management Association. He has previously worked with HDFC Bank Limited, Standard Chartered Bank, HCL Limited and Modi Xerox Limited.

Nature of Expertise: Banking, Marketing, Strategic Planning, Payment & Settlement Systems.

- b) The composition of the Business Strategy Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Nitin Chugh	Chairperson – Managing Director and CEO	2	2	100
2.	Ms. Mona Kachhwaha	Member – Non-executive, Non-independent Director	2	2	100
3.	Mr. Umang Bedi ¹	Member – Independent Director	2	2	100
4.	Mr. Jayanta Kumar Basu ²	Ex-Member – Non-executive, Non-independent Director	1	1	100
5.	Ms. Rajni Mishra ³	Member – Additional Director (Independent)	1	1	100
6.	Mr. Umesh Bellur ⁴	Member – Additional Director (Independent)	-	-	-

¹Appointed as Member of the Committee w.e.f. April 01, 2020.

²Moved out of the Committee w.e.f. January 20, 2021 (end of Business Hours) due to resignation.

³Appointed as Member of the Committee w.e.f. February 03, 2021.

⁴Appointed as Member of the Committee w.e.f. March 27, 2021.

- c) During the FY 2020-21, 2 (Two) meetings of the Business Strategy Committee were held on the following dates:

Date of the Business Strategy Committee Meeting	Total number of members	Number of members present
November 03, 2020	4	4
March 16, 2021	4	4

M. BUSINESS CONTINUITY MONITORING COMMITTEE

- a) Considering the frequently changing environment, current economic uncertainty and volatility due to the pandemic and the potential impact that these may have on the business, risks and the regulatory compliance the Bank would be subjected too, the Bank had constituted this Committee on March 29, 2020 to advise, monitor and assess the social, financial, business, credit and risk impact under the current economic scenario.

This Committee has provided its inputs during the current economic scenario and will be in operation till the uncertain circumstances caused by COVID-19 becomes normal. The Committee is authorised to direct, suggest, guide and advise appropriate measures to the Bank on various matters related to finance, business, risk, compliance, credit and such other regulatory or other matters that may arise as and may be necessary for the Bank.



Mr. Ittira Davis

Chairperson of the Business Continuity Monitoring Committee

Brief profile: Ittira Davis is an Additional Director (Non-executive, Non-independent) of our Bank. He is an international banker with over 40 years of banking experience having worked extensively in the Middle East and Europe. He was with the Europe Arab Bank from July 2008 to October 2012 initially as the Managing Director – Corporate and Institutional Banking and then as an Executive Director. He has previously worked with Citibank in India and the Arab Bank Group in the Middle East. He joined Ujjivan in March 2015 to manage the transition to an SFB. Later, he was the Chief Operating Officer of our Bank until June 2018. Ittira Davis was the MD & CEO of Ujjivan Financial Services Limited from July 2018 until March 2021. He is a graduate from the Indian Institute of Management, Ahmedabad.

Nature of Expertise: Banking, Finance, Strategic Planning.

- b) The composition of the Business Continuity Monitoring Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of Director	Designation/Category	Number of meetings during the FY 2020-21		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Ittira Davis ¹	Chairperson – Additional Director (Non-executive, Non-independent)	-	-	-
2.	Mr. Nitin Chugh	Member – Managing Director and CEO	6	6	100
3.	Ms. Vandana Viswanathan ²	Ex-Member – Independent Director	5	5	100
4.	Mr. Jayanta Kumar Basu ³	Ex-Member – Non-executive, Non-independent Director	6	6	100
5.	Mr. Biswamohan Mahapatra ⁴	Ex-Chairperson- Independent Director	6	6	100
6.	Mr. Nandlal Sarda ⁵	Member-Independent Director	-	-	-
7.	Ms. Rajni Mishra ⁶	Member – Additional Director (Independent)	-	-	-
8.	Mr. Rajesh Kumar Jogi ⁷	Member – Additional Director (Non-executive, Non-independent)	-	-	-
9.	Ms. Mona Kachhwaha ⁸	Ex-Member – Non-executive, Non-independent Director	6	6	100
10.	Mr. Mahadev Lakshminarayanan ⁹	Ex-Member – Independent Director	6	6	100

¹Appointed as Chairperson of the Committee w.e.f. March 27, 2021.

²Moved out of the Committee w.e.f. November 15, 2020 due to resignation.

³Moved out of the Committee w.e.f. January 20, 2021 (end of Business Hours) due to resignation.

⁴Moved out of the Committee w.e.f. February 19, 2021 (close of Business Hours) due to resignation.

⁵Appointed as a of the Committee w.e.f. February 25, 2021.

⁶Appointed as a Member of the Committee w.e.f. February 25, 2021.

⁷Appointed as a Member of the Committee w.e.f. March 27, 2021.

⁸Moved out of the Committee w.e.f. March 27, 2021.

⁹Moved out the Committee w.e.f. March 27, 2021.

- c) During the FY 2020-21, 6 (Six) meetings of the Business Continuity Monitoring Committee were held on the following dates:

Date of the Business Continuity Monitoring Committee Meeting	Total number of members	Number of members present
May 08, 2020	6	6
June 12, 2020	6	6
July 15, 2020	6	6
September 03, 2020	6	6
October 14, 2020	6	6
December 17, 2020	5	5

3. INDEPENDENT DIRECTORS

- a) The independent directors are given a formal letter of appointment containing the terms of appointment, roles and responsibilities, duties and code of conduct, among other items. As required under Regulation 46 of the SEBI Listing Regulations, the terms and conditions of appointment of Independent Directors are available on the website of the Bank at www.ujjivansfb.in/corporate-governance-policies.
- b) Schedule IV of the Act and Regulation 25(3) of the SEBI Listing Regulations mandate that the independent directors of the Bank shall hold at

least one meeting in a financial year, without the attendance of Non-independent Directors and members of Management.

- c) Accordingly, the Meeting of Independent Directors of the Bank was held on March 26, 2021 with the presence of all the Independent Directors to:
- review the performance of Non-independent directors and the board of directors as a whole;
 - review the performance of the chairperson of the listed entity, taking into account the view of executive directors and non-executive directors; and
 - assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.

4. REMUNERATION OF DIRECTORS

- a) Disclosures with respect to the remuneration of Managing Director and CEO of the Bank pursuant to SEBI Listing Regulations and Section II of Part-2 of Schedule V of the Act.

Particulars	Mr. Nitin Chugh (Managing Director and CEO) Amount (₹)
Salary (gross salary excluding bonus)	1,39,54,200
Benefits	-
Bonuses	Nil
Stock Options*	37,98,697
Pension	-
Details of fixed component and performance linked incentives, along with the performance criteria	-
Service Contracts	-
Notice Period	-
Severance Fees	-
Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.	-

*Sign-on grant basis RBI approval at a grant price of ₹35 per option; vesting time FY 2020-21 and FY 2021-22.

- b) The details of the remuneration paid by way of sitting fees to the non-executive directors including independent directors have been disclosed in the **Annexure-1** of this Report. No stock options have been granted to any Non-executive Director of the Bank.

The detailed criteria of making payments to non-executive directors forms part of Nomination and Remuneration Policy of the Bank which is available on website of the Bank at www.ujjivansfb.in/corporate-governance-policies.

5. GENERAL MEETINGS OF MEMBERS

- a) Details of the last three Annual General Meetings are as follows:

Sr. No.	Financial Year	Date and Time	Location	Special Resolution Passed
1.	2017-18	June 18, 2018 at 11.30 a.m.	Plot No. 2364/ 8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi – 110 008, India; Tel: +91 11 3043 2121	None
2.	2018-19	July 12, 2019 at 11.30 a.m.	Plot No. 2364/ 8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi – 110 008, India; Tel: +91 11 3043 2121 Office	None
3.	2019-20	September 02, 2020 at 03:30 p.m.	It was convened through Video Conferencing/Other Audio Visual Means and Registered Office was deemed venue of the Meeting	<ol style="list-style-type: none"> To Ratify Ujjivan Small Finance Bank - Employee Stock Option Plan 2019 ("ESOP 2019 Scheme") To Ratify Ujjivan Small Finance Bank - Employee Stock Purchase Scheme 2019 ("ESPS 2019 Scheme") To Shift/ Change of Place/ Location of the Registered Office of the Bank from New Delhi, the National Capital Territory of Delhi to Bengaluru in the State of Karnataka and consequent Alteration of Memorandum of Association of the Bank

- b) During the FY 2020-21, no Extraordinary General Meeting of the members of the Bank was held.

- c) No resolution was passed through postal ballot during the FY 2020-21.

6. MEANS OF COMMUNICATION

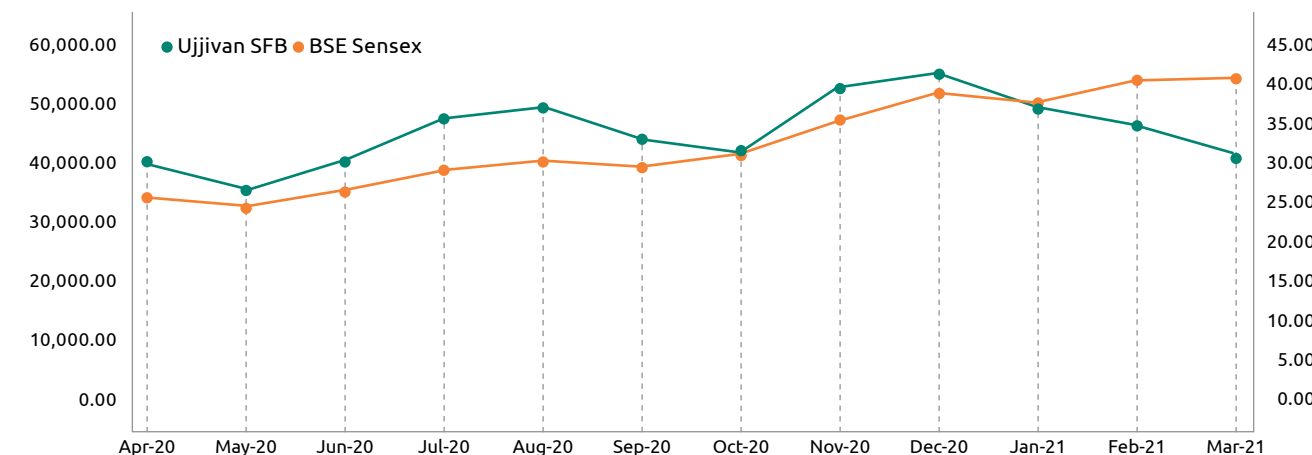
The Board has been approving the quarterly financial results within 45 days of the end of respective quarter and the audited annual financial results for the quarter and financial year ended March 31 within 60 days from the end of the financial year. The results are promptly forwarded to the stock exchanges and are published in one English and one in Hindi/Kannada (After shifting of Registered Office from NCT of Delhi to the State of Karnataka (regional language) newspaper within 48 hours of the conclusion of the Board meeting. The results as well as other press releases and presentations made to institutional investors or to the analysts are simultaneously displayed on the Bank's website at www.ujjivansfb.in.

7. GENERAL SHAREHOLDER INFORMATION

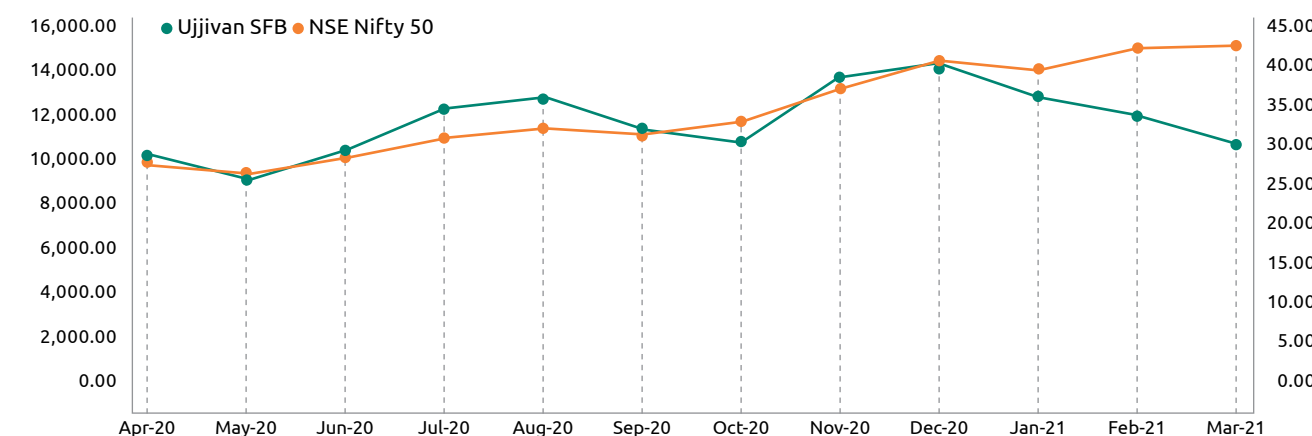
Particulars	Details
Annual General Meeting	<p>Date: September 27, 2021 Time: 03:30 p.m. IST Venue: Grape Garden No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala, Bengaluru – 560 095, Karnataka</p> <p>(The Meeting shall be conducted through Video Conferencing/Other Audio Visual Means in accordance with applicable provisions of the Companies Act, 2013 and rules made thereunder read with General Circular numbers 14/2020, 17/2020, 20/2020 and 02/2021 dated April 08, 2020, April 13, 2020, May 05, 2020 and January 13, 2021 respectively, issued by the Ministry of Corporate Affairs and Circular Numbers SEBI/HO/CFD/CMD1/CIR/P/2020/79 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated May 12, 2020 and January 15, 2021 respectively, issued by the Securities and Exchange Board of India)</p>
Financial Year	April 01 to March 31
Dividend Payment Date	The Board of the Bank has not recommended any dividend for its equity shares out of the profits for FY 2020-21.
The name and address of each Stock Exchanges at which the Bank's securities are listed and a confirmation about payment of annual listing fee to each of such Stock Exchanges	<p>The Equity Shares of the Bank are listed on below mentioned Stock Exchanges:</p> <p>A. National Stock Exchange of India Limited ("NSE") Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051</p> <p>B. BSE Limited ("BSE") Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001</p> <p>The Bank has paid annual listing fee as applicable to the Bank for the FY 2020-21.</p>

Particulars	Details																				
Stock Code	NSE Symbol: UJJIVANSFB BSE Code: 542904																				
Registrar to an Issue and Share Transfer Agents	Name: KFin Technologies Private Limited (Formerly known as Karvy Fintech Private Limited) Address: Selenium Building, Tower-B, Plot No- 31 & 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddy, Telangana, India, 500032 E-mail: einward.ris@kfintech.com Website: www.kfintech.com Toll Free No.: 18003094001																				
Share Transfer System	KFin Technologies Private Limited, Registrar and Transfer Agent of the Bank, handles and provides investor related services such as transfer, demat, remat and such other services in coordination with the Bank. The Bank obtains half yearly certificate from Share Transfer Agent certified by Practicing Company Secretary that all formalities under Regulation 40(9) of the SEBI Listing Regulations are compiled and copy of same is filed with stock exchange within the prescribed time.																				
Dematerialisation of Shares and liquidity	The equity shares of the Bank are available for trading in the dematerialised form under both the depositories in India - National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL"). Trading in Bank's equity shares can be done only in the dematerialised form. Position of Equity shares as on March 31, 2021: <table><tr><th>Sr. No.</th><th>Description</th><th>Number of Equity Shares</th><th>% of Equity Share Capital</th></tr><tr><td>1.</td><td>Physical</td><td>420</td><td>0.00</td></tr><tr><td>2.</td><td>NSDL</td><td>1,65,48,97,658</td><td>95.75</td></tr><tr><td>3.</td><td>CDSL</td><td>7,34,16,127</td><td>4.25</td></tr><tr><td></td><td>Total</td><td>1,72,83,14,205</td><td>100.00</td></tr></table> The International Securities Identification Number of the Bank is INE551W01018.	Sr. No.	Description	Number of Equity Shares	% of Equity Share Capital	1.	Physical	420	0.00	2.	NSDL	1,65,48,97,658	95.75	3.	CDSL	7,34,16,127	4.25		Total	1,72,83,14,205	100.00
Sr. No.	Description	Number of Equity Shares	% of Equity Share Capital																		
1.	Physical	420	0.00																		
2.	NSDL	1,65,48,97,658	95.75																		
3.	CDSL	7,34,16,127	4.25																		
	Total	1,72,83,14,205	100.00																		
Outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity	The Bank does not have any outstanding Global Depository Receipts or American Depository Receipts or warrants or instrument other than Stock options granted under Ujjivan Small Finance Bank-Employee Stock Option Plan 2019 ("ESOP 2019 Scheme"). As on March 31, 2021, 4,11,03,649 options have been granted by the Bank under ESOP 2019 Scheme to eligible employees of the Bank and its Holding Company, Ujjivan Financial Services Limited.																				
Commodity price risk or foreign exchange risk and hedging activities;	NA																				
Plant locations	The Bank is providing banking and other financial services. Hence, it does not have any Plant however the Bank has 575 banking outlets across 24 (Twenty Four) states and union territories of India.																				
Address for correspondence	The Company Secretary and Compliance Officer Ujjivan Small Finance Bank Limited Grape Garden No. 27, 3rd "A" Cross, 18th Main, 6th Block, Kormangala, Bengaluru - 560095. Email: investorrelations@ujjivan.com Tel. No.: +91 80 40712121																				

Performance in comparison to broad-based indices such as BSE Sensex and NSE Nifty Index



Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
29.35	26.80	29.85	34.40	35.45	31.75	30.90	37.80	39.30	35.70	33.55	30.50
33,717.62	32,424.10	34,915.80	37,606.89	38,628.29	38,067.93	39,614.07	44,149.72	47,751.33	46,285.77	49,099.99	49,509.15



Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
29.35	26.85	29.85	34.40	35.50	31.75	30.75	37.80	39.30	35.70	33.55	30.50
9,859.90	9,580.30	10,302.10	11,073.45	11,387.50	11,247.55	11,642.40	12,968.95	13,981.75	13,634.60	14,529.15	14,690.70

Securities of the Bank were not suspended from trading on stock exchanges during the FY 2020-21.

Market price data- high, low during each month of FY 2020-21

Month	Market Price data					
	BSE			NSE		
	High Price	Low Price	Volume(No. of Shares Traded)	High Price	Low Price	Volume(No. of Share Traded)
April, 2020	34.20	25.20	16,44,575	34.00	25.10	2,93,97,346
May, 2020	29.05	24.85	10,64,757	28.90	25.60	2,04,20,338
June, 2020	32.50	27.25	52,99,637	32.50	27.00	4,56,10,918
July, 2020	43.10	29.30	1,00,81,168	43.15	29.55	8,29,33,807
August, 2020	38.95	28.10	35,67,048	38.45	31.05	3,75,05,816
September, 2020	36.90	30.95	16,32,631	35.90	31.05	1,39,14,097
October, 2020	38.00	30.30	17,64,942	33.90	30.00	1,17,00,792
November, 2020	42.80	30.20	63,96,421	42.50	30.45	4,73,43,183
December, 2020	41.75	34.00	63,66,557	41.70	34.00	5,27,28,355
January, 2021	44.50	35.10	81,97,976	44.60	35.00	5,92,55,042
February, 2021	38.95	33.15	69,57,706	39.00	32.25	6,73,71,029
March, 2021	38.35	30.05	1,79,28,918	38.35	30.05	10,92,32,812

Distribution of Shareholding as on March 31, 2021

Category (Shares)	No. of Holders	% To Holders	No. of Shares	Amount	% To Amount
100001 and above	115	0.06	1,60,25,29,012	16,02,52,90,120	92.72
50001 - 100000	105	0.06	72,72,182	7,27,21,820	0.42
40001 - 50000	78	0.04	36,24,202	3,62,42,020	0.21
30001 - 40000	112	0.06	39,48,024	3,94,80,240	0.23
20001 - 30000	237	0.13	59,66,414	5,96,64,140	0.35
10001 - 20000	876	0.48	1,25,79,550	12,57,95,500	0.73
5001 - 10000	2,063	1.12	1,52,66,997	15,26,69,970	0.88
1 - 5000	1,79,828	98.04	7,71,27,824	77,12,78,240	4.46
Total	1,83,414	100	1,72,83,14,205	17,28,31,42,050	100

8. CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION (CEO AND CFO CERTIFICATION)

As required under Regulation 17 and 33(2) (a) read with Part B of Schedule II of the SEBI Listing Regulations, the CEO and CFO certification on the Financial Statements, the Cash Flow Statements and the Internal Controls for Financial Reporting has been obtained from Mr. Nitin Chugh, Managing Director and CEO and Ms. Upma Goel, Chief Financial Officer. The said certificate forms part of the Annual Report.

9. SUCCESSION PLANNING

The Bank has formulated a succession planning policy for the national leadership team and Board of the Bank for quick fulfillment of vacancies in key senior positions through evaluation of qualified, motivated people and a process to identify and groom them.

10. BOARD DIVERSITY

The Bank believes that Board diversity plays a very important role in the transparency and in the decision making process in the Board room. The Bank has formulated and implemented Board Diversity Policy to comply with the SEBI Listing Regulations and to ensure the diversity of thought, experience, knowledge, perspective and gender in the Board. The Bank promotes social diversity and professional diversity in the Board room.

The Bank also believes that diversity in the composition of the Board of Directors is essential in view of the expansion of business, greater social responsibility, increasing emphasis on Corporate Governance, need for addressing concerns of diverse stakeholders and the necessity for managing risks in the business effectively. A Board composed of appropriately qualified and skilled people, with a broad range of experience relevant to the business, is important for effective corporate governance and sustained commercial success of the Bank.

The primary objective of this Policy is to provide a framework and set standards for having a diversified Board with ability to base its decisions after evaluating multiple options as compared to homogeneous Boards and help improve the performance of the Organisation significantly.

The Board Diversity Policy is available on the website of the Bank at www.ujjivansfb.in.

11. NO SHARES WERE TRANSFERRED TO DEMAT SUSPENSE ACCOUNT/ UNCLAIMED SUSPENSE ACCOUNT DURING THE FY 2020-21.**12. OTHER DISCLOSURES****a) Related Party Transactions**

The Bank has entered into related party transactions during the FY 2020-21. Related party transactions were approved by the Audit Committee and the Board. The Bank has formulated a Policy on 'Materiality of Related Party Transactions' which forms part of the Policy on dealing with 'Related Party Transactions' which is available on the website of the Bank at www.ujjivansfb.in.

The Bank has entered into all related party transaction at arm's length basis. There were no materially significant related party transactions during the FY 2020-21 that may have potential conflict with the interest of the Bank at large.

b) The Bank does not have a subsidiary company as on date, hence the Bank is not required to formulate a specific policy on dealing with material subsidiaries.**c) There were no non-compliances by the Bank, no penalties and strictures were imposed on the Bank by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets, during the last three years.****d) The Bank in compliance with Section 177 of the Act and Regulation 22 of SEBI Listing Regulations has established a Whistle-Blower policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the Bank's Code of Conduct or Code of Conduct for Prevention of Insider Trading and Code of Fair Disclosures and Conduct.**

No person has been denied access to the Chairperson of the Audit Committee. The Whistle-Blower policy is available on the website of the Bank at www.ujjivansfb.in.

Particulars of Whistle-Blower Complaints	No. of Complaints
No. of complaints at beginning of FY 2020-21	1
No. of complaints received during the FY 2020-21	12
No. of complaints resolved during the FY 2020-21	12
No. of complaints at end of FY 2020-21	1

e) List of all credit ratings as on March 31, 2021 obtained by the Bank :

Instrument Name	Amount (₹ in Crores)	Rating
Long Term Bank Facilities	407.63 (Reduced from 1,386.31)	CARE A+; Stable
Certificate of Deposit Programme	2,500	CRISIL A1+

Further, the rating on the Short-Term Fixed Deposits Programme, which was put on 'notice of withdrawal' in February, 2020, was withdrawn in line with applicable CRISIL's Policy during the FY 2020-21.

f) The Bank has complied all the mandatory requirements and adopted the following non-mandatory requirements:**a) Bank has appointed separate person for the position of Chairman and Chief Executive Officer****b) Head of Internal Audit of the Bank directly report to the Audit Committee of the Bank****g) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

Particulars	Number of Complaints
Number of complaints received during the FY 2020-21	7
Number of complaints disposed of during the FY 2020-21	4
Number of complaints pending as on end of the FY 2020-21	3

h) The Bank has paid total fees of ₹ 94 Lakhs for all services of Statutory Auditors during the FY 2020-21.**i) The Bank has complied with all the mandatory requirements of the Corporate Governance as specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the SEBI Listing Regulations.****j) There were no recommendations of the Board Committees which was turned down by the Board during the FY 2020-21.****k) The Bank has obtained a certificate from Mr. K. Jayachandran (ACS No.: 11309, CP No.: 4031), Practicing Company Secretary that none of the directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as director of the Bank by the SEBI/Ministry of Corporate Affairs or any such statutory authority and same is annexed as **Annexure-2** to this Report.****l) The Bank has obtained Compliance certificate from Mr. K. Jayachandran (ACS No.: 11309, CP No.: 4031), Practicing Company Secretary regarding compliance of conditions of corporate governance and same is annexed as **Annexure-5** to the Directors' Report of the Bank.****m) A declaration signed by the Chief Executive Officer stating that the members of Board and Senior Management Personnel have affirmed compliance with the code of conduct of the Bank forms part of the CEO and CFO certification.****For and on behalf of the Board of Directors**

Sd/-
Nitin Chugh
Managing Director and CEO
DIN: 01884659

Sd/-
Rajni Mishra
Additional Director
DIN: 08386001

Place: Bengaluru
Date: May 18, 2021

Annexure-1

DETAILS OF SITTING FEES PAID DURING THE FY 2020-21

Name of Director	Amount (₹ in Lakhs)
Mr. Biswamohan Mahapatra ¹	16.50
Ms. Vandana Viswanathan ²	8.35
Mr. Nandlal Sarda	16.15
Mr. Prabal Kumar Sen	14.55
Ms. Mona Kachhwaha	14.65
Mr. Jayanta Kumar Basu ³	14.70
Ms. Chitra K Alai (SIDBI)	2.70
Mr. Mahadev Lakshminarayanan	18.45
Mr. Umang Bedi ⁴	11.35
Ms. Rajni Mishra ⁵	4.25
Mr. Ittira Davis ⁶	0.75
Mr. Rajesh Kumar Jogi ⁷	0.75
Mr. Harish Devarajan ⁸	0.75
Mr. Umesh Bellur ⁹	-
Total	123.45

¹Resigned on February 19, 2021 (close of Business Hours).

²Resigned w.e.f. November 15, 2020.

³Resigned w.e.f. January 20, 2021 (end of Business Hours).

⁴Appointed as an Additional Director (Independent) w.e.f. April 01, 2020 and was subsequently appointed as the Independent Director in the Annual General Meeting held on September 02, 2020.

⁵Appointed as an Additional Director (Independent) w.e.f. December 16, 2020.

⁶Appointed as an Additional Director (Non- Executive, Non-independent) w.e.f. March 13, 2021.

⁷Appointed as an Additional Director (Non-executive, Non-independent) w.e.f. March 13, 2021.

⁸Appointed as an Additional Director (Independent) of the Bank w.e.f. March 13, 2021.

⁹Appointed as an Additional Director (Independent) of the Bank w.e.f. March 13, 2021.

For and on behalf of the Board of Directors

Sd/-
Nitin Chugh
Managing Director and CEO
DIN: 01884659

Place: Bengaluru
Date: May 18, 2021

Sd/-
Rajni Mishra
Additional Director
DIN: 08386001

Annexure-2

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10) (i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
UJJIVAN SMALL FINANCE BANK LIMITED
Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
6th Block, Koramangala, Bengaluru – 560 095, Karnataka.

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **UJJIVAN SMALL FINANCE BANK LIMITED** having CIN L65110KA2016PLC142162 and having Registered Office at Grape Garden, No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala, Bengaluru – 560 095, Karnataka (hereinafter referred to as 'the Bank'), produced before me by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para C Sub-clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Bank and its officers, I hereby certify that none of the Directors on the Board of the Bank as stated below for the Financial Year ending on March 31, 2021 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of Director	DIN (Director Identification Number)	Date of appointment in Bank
1.	Mr. Nitin Chugh	01884659	01/12/2019
2.	Ms. Mona Kachhwaha	01856801	22/12/2017
3.	Mr. Nandlal Laxminarayan Sarda	00147782	27/07/2016
4.	Mr. Prabal Kumar Sen	02594965	16/01/2017
5.	Ms. Chitra Kartik Alai	03138604	09/05/2019
6.	Mr. Mahadev Lakshminarayanan	05003710	01/08/2019
7.	Mr. Harish Devarajan	00080245	13/03/2021
8.	Mr. Ittira Davis Poonollil	06442816	13/03/2021
9.	Mr. Rajesh Kumar Jogi	03341036	13/03/2021
10.	Ms. Rajni Anil Mishra	08386001	16/12/2020
11.	Mr. Umang Bedi	02432920	01/04/2020
12.	Mr. Umesh Bellur	08626165	13/03/2021

Ensuring the eligibility of, for the appointment / continuity of every Director on the Board is the responsibility of the management of the Bank. My responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Place: Bengaluru
Date: May 18, 2021

Sd/-
K. Jayachandran
Company Secretary
ACS No.: 11309/CP No.: 4031
UDIN: A011309C000339824
Peer Review No.: 784/2020

CEO and CFO Certification

To,
The Board of Directors
Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd "A" Cross,
18th Main, 6th Block, Koramangala,
Bengaluru – 560095

Subject: Compliance Certificate as required under Regulation 17(8) read with Regulation 33 (2) (a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We Hereby Certify that:

- A. We have reviewed financial statements and the cash flow statement for the quarter and financial year ended March 31, 2021 and that to the best of our knowledge and belief:
- (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the quarter and financial year ended March 31, 2021 which are fraudulent, illegal or violative of the Bank's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and we have disclosed to the

auditors and the Audit Committee, that there were no deficiencies in the design or operation of such internal controls of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

- D. We have indicated to the auditors and the Audit Committee:
- (1) that there were no significant changes in internal control over financial reporting during the quarter and financial year ended March 31, 2021;
 - (2) that there were no significant changes in accounting policies during the quarter and financial year ended March 31, 2021; and
 - (3) that there were no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.
- E. We further declare that all members of Board of Directors and Senior Management Personnel have affirmed compliance with the code of conduct of the Bank.

For UJJIVAN SMALL FINANCE BANK LIMITED

Sd/-
Nitin Chugh
Managing Director and CEO
DIN: 01884659

Place: Bengaluru
Date: May 18, 2021

Sd/-
Upma Goel
Chief Financial Officer

BUSINESS RESPONSIBILITY REPORT

BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

Ujjivan Small Finance Bank Limited ("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 towards its shareholders, customers, government and other stakeholders. Bank's activities are carried out in accordance with good corporate practices and the Bank is constantly striving to make them better and adopt the best practices.

Bank believes that timely reporting, transparent accounting policies and disclosures and a strong and Independent Board goes a long way in preserving

shareholders' trust and maximising long-term corporate value.

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

SECTION A: GENERAL INFORMATION ABOUT THE BANK

Sr. No.	Particulars	Details
1.	Corporate Identity Number (CIN) of the Bank	L65110KA2016PLC142162
2.	Name of the Company	Ujjivan Small Finance Bank Limited
3.	Registered Office and Head Office Address	Grape Garden, No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala, Bengaluru – 560 095, Karnataka
4.	Website	www.ujjivansfb.in
5.	E-mail ID	investorrelations@ujjivan.com
6.	Financial Year Reported	FY 2020-21
7.	Sector(s) that the Bank is engaged in (industrial activity code-wise)	As per India's National Industrial Classification 2008(NIC-2008): Section K – Financial and Insurance Activities Division 64 – Financial service activities, except Insurance and pension funding Code: 64191
8.	List three key products/services that the Bank provides (as in balance sheet)	Bank is engaged in providing a wide range of banking and financial services which includes Retail Banking, Wholesale Banking and Treasury Business.
9.	Total number of locations where business activity is undertaken by the Company (a) Number of International Locations (b) Number of National Locations	Nil 575 Banking Outlets
10.	Markets served by the Company – Local/ State/ National/ International	National The Bank has a nationwide presence through its network of branches across 24 states and union territories.

SECTION B: FINANCIAL DETAILS OF THE BANK

Sr. No.	Particulars	Details
1.	Paid-up Capital (₹)	19,28,31,42,050
2.	Total Turnover (₹)	2,806.07 Crore
3.	Total profit after taxes (₹)	8.30 Crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	₹ 5,56,44,438 As a percentage of profit after tax for FY 2020-21–67.04%
5.	List of activities in which expenditure in 4 above has been incurred:- a) b) c)	a) COVID relief activities b) Community & infrastructural development initiatives c) Disaster Relief Vocational Training

SECTION C: OTHER DETAILS

Sr. No.	Particulars	Details
1.	Does the Bank have any Subsidiary Company/ Companies?	No
2.	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Not Applicable
3.	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	Not Applicable

SECTION D: BR INFORMATION**1. Details of Director/Directors responsible for BR****a) Details of the Director/Director responsible for implementation of the BR policy/policies**

1.	DIN Number	01884659
2.	Name	Mr. Nitin Chugh
3.	Designation	Managing Director and CEO

b) Details of the BR head

1.	DIN Number	01884659
2.	Name	Mr. Nitin Chugh
3.	Designation	Managing Director and CEO

2. Principle-wise (as per National Voluntary Guidelines (NVGs)) Business Responsibility Policy/policies**(a) Details of compliance (Reply in Y/N)**

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have policy/policies for	Y	Y	Y	Y	Y	Y	NA	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
3.	Does the policy conform to any national/international standards? If yes, specify?	Y	Y	Y	Y	Y	Y	NA	Y	Y
		Policies of the Bank are in line with the requirements of RBI guidelines, the Companies Act, 2013, and rules made thereunder and SEBI (LODR) Regulations, 2015 (wherever applicable) or the Bank's internal requirements and best practices.								
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/ Owner/ CEO/ Appropriate Board Director?	Y	Y	Y	Y	Y	Y	NA	Y	Y
		Policies of the Bank are approved by respective Committees of the Board/ Board, wherever applicable.								
5.	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	NA	Y	Y
6.	Indicate the link for the policy to be viewed online?	Y	Y	Y	Y	Y	Y	NA	Y	Y
		Policies that require mandatory disclosure on website are available on www.ujjivansfb.in/policies and www.ujjivansfb.in/corporate-governance-policies . The remaining policies being internal documents, have been made available to the employees through the Bank's intranet.								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
		Policies that require mandatory disclosure on website are hosted on the Banks' website and other policies related to internal stakeholders are available on the Bank's intranet.								
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
10.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	NA	Y	Y

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why:

Sr. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	The Company has not understood the Principles	-	-	-	-	-	-	-	-	-
2.	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3.	The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4.	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5.	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6.	Any other reason (please specify)	@								

@While there is no specific policy outlined for this principle, the Bank through associations represent and puts forth its suggestions with respect to Economy in general and Banking sector in particular to the Regulators and Ministry of Finance. The Bank has made all its suggestions in a responsible manner.

3. Governance related to BR**(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year**
Annually**(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

Business Responsibility Report forms part of Bank's Annual Report. This Report is being published annually and is being hosted on the website of the Bank at www.ujjivansfb.in.

Principle-wise Policies

P1	Compliance Policy, Whistle-Blower Policy, KYC & AML Policy, Outsourcing Policy, Fraud Risk Management Policy, Citizen Charter, Customer Rights Policy, Grievance Redressal Policy, Policy on Code of Conduct, Policy on Prevention of Sexual Harassment
P2	Group Loan Credit Policy, Individual Loan Credit Policy, Kisan Pragati Card Credit Policy, Personal Loan Credit Policy, Two-Wheeler Loan Credit Policy, Credit Policy
P3	Policy on Code of Conduct, Nomination and Remuneration Policy, Policy on Holiday and Leave, Policy on Prevention of Sexual Harassment
P4	Corporate Social Responsibility Policy, Group Loan Credit Policy, Individual Loan Credit Policy, Kisan Pragati Card Credit Policy, Credit Policy
P5	Policy on Code of Conduct, Policy on Prevention of Sexual Harassment, Customer Service Policy, Citizen Rights
P6	Corporate Social Responsibility Policy
P7	NIL
P8	Corporate Social Responsibility Policy, Outsourcing Policy, Information Security Policy
P9	Citizen Charter, Customer Service Policy, Customer Rights Policy

SECTION E: PRINCIPLE-WISE PERFORMANCE**Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability****1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?**

The Bank has put in place a Code of Conduct which is applicable to all its employees and its Board of Directors. The Code articulates the ethical principles and acceptable behaviour that the Bank's employees and Board of Directors are expected to demonstrate to uphold the Bank's values. The Code covers aspects related to, but not limited to, Values, Principles based on which these Values have been derived, Governance Structure, Employee behaviour and Roles, Responsibilities and Duties of the Board of Directors and Key Managerial Personnel, maintaining

privacy and confidentiality, avoiding conflict of interest, Guidelines for Operating Staff Bank Accounts, Disciplinary Procedures and Reporting Requirements.

The Code of Conduct of the Bank also covers the Group/Suppliers/Contractors/NGOs/etc. in addition to Bank's internal stakeholders.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

10 complaints were received from investors/ shareholders during the FY 2020-21 and all the complaints have been resolved as of March 31, 2021.

With respect to employees, the Bank has a mechanism as provided in the Whistle-Blower Policy whereby employees can raise their concerns. The status of these complaints including the manner in

which they are dealt with, is periodically reported to the Audit Committee.

No customer complaints with respect to human rights, ethics, and corruption were received by the Bank during the FY 2020-21. Bank had received 4 complaints related to bribery which could not be proved.

26,983 complaints were received from customers during the FY 2020-21 out of which 559 complaints were pending as of March 31, 2021.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities

The Bank's business operations are conducted keeping in mind the environmental limits and ensuring ongoing efficiency gains. The Bank encourages customers to go digital in their banking activities and offers financial products and services where end-to-end processing is done digitally.

Bank's Micro Banking business has an array of products like Group Loans, Individual Loans, Agriculture and Allied Loan products and Family Banking suitable for catering to the needs of unserved and underserved segments. Group loan products are offered to economically active, unserved and underserved customers to meet various requirements, including education loans and business loans. Individual Loans are again extended to its existing group loan customers after successful repayment of 20 monthly instalments for their working capital or expansion capital investment requirements for existing businesses. Bank's Agriculture and allied loan products are specifically designed to meet the financing requirements of small and marginal farmers including those engaged in allied activities such as dairying, sericulture and purchase renovations and upgradation of farm equipment. Almost all of these loans are catering to the priority sector, as determined by the Ministry of Finance.

In addition, the Bank has products that help them save for the future of their children and families by offering attractive Recurring Deposit and Fixed Deposit products. In order to help street vendors during the COVID pandemic, the Bank had offered Swanidhi loans with ₹10,000 ticket size.

The Bank has also introduced Gold Loan which helps customers to encash gold to meet their capital requirements in short-term.

In order to engage the customers digitally, Bank offers mobile applications that are tailored for both

smartphones and feature phones, which limits the usage of paper. Bank has witnessed growing usage of transactions related to mobile banking and UPI. Bank has also introduced customers to QR code for making payments instead of cash.

Bank's MSE banking business offers loans and overdraft facility to small and medium enterprises engaged in manufacturing and service/trade activities in the form of investment as well as working capital, with flexible security requirements to make credit more accessible to the MSE borrowers.

In conjunction with the Current Account facility, Bank has developed a fully digital Business Net Banking platform to cater to all the transaction needs of SME customers, with attendant controls at different levels to monitor transactions of varying values. The system is parameterised to offer flexibility to the business owner in managing their controls. This platform has capacity to conduct 9,999 transactions daily and is seamlessly done. The entire workflow is digital. Additionally to help the customers mitigate challenges during the COVID pandemic, Nav Nirman loans were offered under ECLGS scheme, where the MSE customers were given additional credit.

Bank's Affordable Housing Loan business offerings are targeted towards informal and semi-formal income segments to help them purchase apartments or, build their own houses on purchased land or for the refurbishment of existing homes.

The Bank's Rural Banking business caters to the financial requirements of customers in rural and semi-urban locations, through agriculture and allied loan products and also meet the larger goals of social empowerment and development. Based on several conversations with the customers and market research, Bank has created a Kisan Pragati Card (KCC like product) that is a 3-in-1 offer, meeting the periodic payment and monthly payment needs of the farmer. This product is delivered through a front-end TAB and supported at the back by a loan origination system, which caters to this unique product.

Bank has Electric Three-Wheeler Loans which are green vehicle loans that helps in facilitating the customers to become financially independent besides being environmentally friendly.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

(a) Reduction during sourcing/ production/ distribution achieved since the previous year throughout the value chain?

The Bank works towards optimising its resource consumption. The material used and procured by the Bank primarily comprises paper and grid electricity for which the Bank is creating

awareness among end-users for sustainable consumption. In addition, the Bank has created a robust technology platform to build a new-age digital banking ecosystem and it is focused on efficient use of natural resources.

The Bank's products and processes are directed towards technology advancement and digitisation of its banking services in a customer-friendly manner. The Bank has also introduced Robotic Process Automation (RPA) to reduce the turnaround time and manual intervention for the reconciliation of IMPS transactions. The result is visible through customer empowerment by providing them banking with ease, reduced paperwork and reduction in waste generation.

Bank has introduced Virtualisation Platforms in the centralised Server, Storage, Security and Computer Platforms in Primary Datacentre, Near Disaster Recovery Site and Disaster Recovery Sites which helps in reducing Carbon Foot Print.

During the FY 2020-21, the Bank adopted paperless communication as a part of its 'go-green' initiative which reduced Bank's carbon footprint and cut costs significantly. Under this initiative, the Bank sends statements, notices, letters, advisories, etc. to customers via E-mail and/or PDF copies that are delivered through Bitly links sent via SMS. Notices or letters are sent in paper form only if it is mandated by regulation. From December 2020 onwards, 72% of the statements, notices and letters have been sent through e-mail or Bitly links.

Further, customers have been given the option of generating PIN's for their debit cards through ATM's, Internet Banking and Mobile Banking, thereby doing away with paper PIN mailers.

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The Bank is adopting state of the art technology to digitise its operations and make products available digitally. It has witnessed strong growth in the adoption of TAB-based account opening, android-based mobile banking, and internet banking, thus minimising paper usage. The focus is to deliver a seamless solution that will ensure a consistent highlevel customer experience across all channels website, internet banking, mobile applications, chat bots and it has reduced the customers' travel time and expenses considerably, thereby reducing the fuel consumption and carbon emissions.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)?

The Bank sources using digital means for 90% of its customer applications. Over 75% of the sourcing is done through straight-through-processing without any human intervention. Digital operations ensure less pressure on consumables which in turn facilitates sustainable sourcing.

Cashless disbursement is done for almost all loans, which was earlier done through cash. The Bank also encourages its customers for using digital means for repayment of their loans, which is growing.

The Bank has entered into tie-ups with Airtel Payments Bank, PayNearby, CCAvenue, Setu (BBPS based EMI re-payments) to encourage digital modes of EMI repayments from customers.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Bank procures significant items including food and beverages, cleaning items, marketing & promotional items, stationery and consumable materials from local Small and Medium Enterprises (SME) vendors. While procuring the goods or services, the Bank also ensures that the quality of services/products is not compromised and the best quality products and services should be provided to the customers. The Bank carefully selects its vendors keeping in mind the development of the local community. The Bank as part of the vendor management process conducts proper checks before appointing any vendors, consultants/service providers and ensures a selection of quality local vendors.

The Bank majorly contributes to the development of capacity and capability of thousands of smaller businesses by providing them easy access to credit and banking services, quite a few of them being vendors of the Bank. Bank has customised its MSE loan product to suit the credit requirements of the small vendors.

5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Various products of the Bank are service oriented hence, recycling of products is not applicable to the Bank. Being a banking company, the key waste products of the Bank primarily entails paper and

electronic waste. Bank has embraced a responsible e-waste management system. The waste generated by the Bank is managed as per the waste disposal process.

Principle 3: Businesses should promote the wellbeing of all employees

1. Please indicate the Total number of employees.

There were 16,571 employees in the Bank as of March 31, 2021.

2. Please indicate the Total number of employees hired on temporary/ contractual/ casual basis.

2,262 employees were hired on a temporary/ contractual/ casual basis as of March 31, 2021.

3. Please indicate the Number of permanent women employees.

There were 3,019 permanent women employees as of March 31, 2021.

4. Please indicate the Number of permanent employees with disabilities

There were 23 permanent employees with disabilities as of March 31, 2021.

5. Do you have an employee association that is recognised by management?

The Bank does not have any employee association.

6. What percentage of your permanent employees is members of this recognised employee association?

Not Applicable.

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

Sr. No.	Category	No. of complaints filed during the FY	No. of complaints pending as on end of the FY
1.	Child labour/ forced labour/ involuntary labour	Nil	Nil
2.	Sexual harassment	7	3
3.	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

The learning methodology adopted by the Bank has been virtual and self-paced in the last year. The Bank has sent relevant audiences to external programmes, certification programmes wherever required. Bank also provides role based specific learning programmes suitable for its employees on business and operational aspects.

(a) Permanent Employees

- E-modules on COVID safety – 100% employees were assigned this module

(b) Permanent Women Employees

- 100% of women employees were assigned e-learning modules COVID Safety

(c) Casual/ Temporary/ Contractual Employees

None

(d) Employees with Disabilities

- 100% of employees were assigned e-learning modules on Safety on the field

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

1. Has the Company mapped its internal and external stakeholders? Yes/No

Yes. The Bank engages with multiple stakeholders through formal and informal channels of communication.

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?

Yes. The Bank engages with the various, identified vulnerable and marginalised sections of the society through its products and services, as well as community engagement initiatives. The Bank has specific products and services that especially cater to the economically backward sections of the society in rural, urban and semi-urban India, such as microfinance, digital payments, agriculture banking, MSE Loans and loans towards affordable housing.

The Bank also has social responsibility initiatives underway for marginalised or weaker sections of society such as women and children communities.

a) Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders. If so, provide details thereof, in about 50 words or so.

For easy access to people with disabilities, the Bank has ramp facilities across 69 branches and all ATMs of the Bank are Braille key pad enabled for the benefit of visually challenged customers. Priority services are provided at all branches for differently abled customers. The Bank's CSR initiatives during the year have benefitted over 1.7 million people who are mainly from unserved and underserved segments and frontline workers who were more vulnerable during COVID pandemic.

The Bank initiated the "COVID Education Literacy" Programme for women and men in the lower income groups of the society. A 90 minute Programme aims at providing awareness

about the pandemic and the importance of planning for emergencies. Misconceptions about the pandemic, preventive measures were clarified. Knowledge about insurance schemes, testing centers, Arogya-Setu application and their importance was also shared. 3,50,000+ beneficiaries benefitted from the Programme.

As an equal opportunities employer, the Bank is consciously making an effort to hire from the LGBT (Lesbian, Gay, Bisexual, and Transgender) community through various drives and job fairs and provide employment.

Principle 5: Businesses should respect and promote human rights-

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?

The Bank is committed to uphold the dignity of every employee and its associated stakeholders. Aspects related to Human Rights are governed through the Code of Conduct and Whistle-Blower Policy of the Bank. The aspects on human rights cover Group/ Suppliers/ Contractors/ NGOs/ Others in addition to covering the employees of the Bank.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

There were no complaints received by the Bank specific to the human rights violation.

Principle 6: Business should respect, protect, and make efforts to restore the environment-

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ others.

Though, the aspects outlined under this Principle are not substantially relevant to the Bank given the nature of its business, the Bank has constantly worked towards adopting digital process and digital documentation in most of its operations, these initiatives have helped the Bank and its customers in significantly reducing the usage of paper forms.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc. No.

3. Does the Company identify and assess potential environmental risks? Y/N

Though, it is not relevant to the Bank given the nature of its business, Bank has always acknowledged the

need for environmental protection and practices as an environmentally responsible corporate citizen.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

The above question is not applicable to the Bank as it is relevant for manufacturing entity.

5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page etc.

Energy efficiency and conservation is a part of the Bank's business planning. The systems and processes are designed in a manner to ensure optimum energy usage by continuous monitoring of all forms of energy and augmenting the efficiency of operations.

Several initiatives were taken by the Bank during the FY 2020-21 to save electricity consumption. Some of the key initiatives were designing Bank's branches and offices in a manner to ensure maximum utilisation of daylight, after office hour all employees who need to work in a branch sit in a common area and all the non-essential lights, ACs, etc. are checked and switched off. AC/Lights installed at meeting rooms etc. in branches as well as Head office and Regional offices are to be switched off when the rooms are not occupied. ACs are switched off after 6:30 PM, and all ACs are maintained at 24 degree or above in branches. The Bank endeavours to shut down all branches on time. All these initiatives have resulted in considerable electricity savings. Moreover, the Bank procures star rated electrical equipment, auto monitors, auto switch timers and LED lights are installed for cost efficient operations in the Bank.

Bank has introduced an automated reconciliation process using Robotic Process Automation (RPA) and has put in place API Gateway in order to interface with third party service providers to meet the customer demands and also to utilise the energy efficiently and to ensure sustainable use of technology resources.

6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB / SPCB for the financial year being reported?

Being a banking company and nature of operations comprising financial services, this information is not substantially relevant for the Bank.

7. Number of show cause/legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year

Nil

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

- 1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**
The Bank is a member of the following major associations:
 - (a) Indian Banks Association
 - (b) Fixed Income Money Market and Derivatives Association
 - (c) Association of Small Finance Banks of India
- 2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**
Through Association of Small Finance Banks of India Bank has represented/lobbied for enhancement inclusive development policies for underserved and unserved customers.

Principle 8: Businesses should support inclusive growth and equitable development

- 1. Does the Company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.**
As a financial institution, the Bank has a diverse range of products and services, as well as other business and non-business initiatives, which contribute to equitable development and inclusive growth in India. The Bank offers microfinance and other banking services. In line with the goal of offering a comprehensive suite of products the Bank introduced Garima Savings Account tailored to serve and empower women, increase their awareness about banking and help them to plan their finances better. Additionally, in order to support the target customers extensively during the COVID 19 pandemic, the Bank disbursed Swanidhi loans for the street vendors. Nav Nirman loans were offered under ECLGS scheme to MSE customers as an additional credit to resurrect and rebuild their livelihoods post the losses incurred during the nation-wide lockdowns. In addition, there are diverse literacy and inclusion activities that the Bank undertakes at various parts of the country aimed at bringing more unbanked or under-banked Indians into mainstream banking. During the FY, apart from community development projects, disaster relief and vocational training programmes, the Bank has extensively supported the education of the public on COVID 19 related matters and how

the public can avail various benefits provided in this regard by the Government.

Bank's objective is to provide full range of financial services to the economically active poor to enable customers to lead a better life and reaching out to unserved and underserved communities for financial inclusion. The Bank caters to customer segments such as lower income groups including women through its micro and rural banking, affordable housing and MSMEs loan products.

Bank follows Sustainability, Accountability, and Promotion of human rights and respects the interests of all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

The Bank has identified the following core focus areas for its CSR activity:

- a) COVID relief activities
- b) Community Development
- c) Disaster Relief
- d) Vocational Training

As part of COVID relief measures, the Bank had initiated COVID education programme that endeavours to impart knowledge on the safety measures to be undertaken during the COVID outbreak, various government schemes that the public can avail and how to avail these benefits. Apart from this, other COVID relief activities such as supplying food aid, sanitisers, masks, PPE kits and other essentials to various public, healthcare workers, police and municipality workers have been undertaken by the Bank this year. Funding of 4 ICU units was also done to a hospital, CMC Vellore.

Under disaster management, the Bank supported lives affected by Amphan, Nivar and Burevi cyclones by providing affected communities with adequate relief material during their time of need.

The Bank has also implemented various community development projects, including the funding of information kiosks for St. John's Hospital. In addition to this, the Bank also undertook the Chote Kadam project, funding various infrastructure projects across the country. This year, the Bank also focused on imparting education through the funding of various vocational training programmes and digital classrooms, the Bank has also supported leprosy patients by aiding them with nutritious food.

- 2. Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ government structures/ any**

other organisation?

Projects were undertaken both in-house as well as with the support of partner NGOs.

- 3. Have you done any impact assessment of your initiative?**
NA.
- 4. What is your Company's direct contribution to community development projects Amount in INR and the details of the projects undertaken. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**
The Bank's direct contribution to the community development projects is ₹1,68,60,345. The cost includes the expenses made towards Chote Kadam Programme implementation for infrastructure projects, funding of digital classrooms, vocational training programmes and livelihood support.

The Bank has spent a total of ₹5,56,44,438 as part of its CSR expenditure on various community development projects, COVID-19 relief activities, disaster management and vocational training programmes.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

- 1. What percentage of customer complaints/ consumer cases are pending as on the end of financial year.**
At the end of the FY 2020-21, the Bank had 2.07% of the Customer complaints which has remained unresolved.

- 2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/ N.A./ Remarks (additional information)**
As a Bank, the products and services are intangible, thus the product label requirement is not applicable to the Bank. Bank promptly communicates all the features, charges, terms and conditions for all its products and services to its customers through:
 - a) Detailed disclosure in welcome letter/receipts to customers;
 - b) Display on website, at branches via collaterals and through notice boards;
 - c) Key applicable conditions are shared with customers at the time of account opening;
 - d) Any changes are shared via e-mail/SMS/ physical communications.
- 3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**
No.
- 4. Did your Company carry out any consumer survey/consumer satisfaction trends?**
The Bank conducts regular surveys to measure and analyse the satisfaction levels of customers with respect to its products, services and channels. The average customer satisfaction scores for the year is 82%.

Balance Sheet

as at March 31, 2021

		(₹ in 000's)	
Particulars	Schedule	As at 31/03/2021	As at 31/03/2020
CAPITAL AND LIABILITIES			
Capital	1	19,283,142	19,282,232
Employees Stock Options and Purchase Outstanding	18(33)	437,235	214,193
Reserves and Surplus	2	12,467,143	12,380,829
Deposits	3	131,357,673	107,804,837
Borrowings	4	32,473,167	39,532,659
Other Liabilities and Provisions	5	7,786,180	4,897,688
Total		203,804,540	184,112,438
ASSETS			
Cash and Balances with Reserve Bank of India	6	17,115,317	12,248,675
Balances with Banks and Money at Call and Short Notice	7	8,659,657	1,184,220
Investments	8	25,164,501	23,961,375
Advances	9	144,939,518	140,436,437
Fixed Assets	10	2,807,289	3,004,832
Other Assets	11	5,118,258	3,276,899
TOTAL		203,804,540	184,112,438
Contingent Liabilities	12	405,597	209,365
Bill for collection		-	-
Significant Accounting Policies	17		
Notes forming part of the financial statements	18		

The schedules referred to above form an integral part of the Balance sheet

The Balance Sheet has been prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date

For MSKA & Associates

Chartered Accountants

Firm Registration Number: 105047W

For and on behalf of Board of Directors of

Ujjivan Small Finance Bank Limited

Swapnil Kale

Partner

Membership No: 117812

Nitin Chugh

DIN: 01884659

Managing Director & CEO

Mahadev Lakshminarayanan

DIN: 05003710

Independent Director

Umang Bedi

DIN: 02432920

Independent Director

Nandlal Laxminarayan Sarda

DIN: 00147782

Independent Director

Upma Goel

Chief Financial Officer

Chanchal Kumar

Company Secretary

Mumbai

May 18, 2021

Bengaluru

Profit and Loss Account

for the year ended March 31, 2021

Particulars	Schedule	Year ended 31/03/2021	Year ended 31/03/2020
(₹ in 000's)			
I. INCOME			
Interest Earned	13	28,060,656	27,035,987
Other Income	14	3,108,206	3,222,149
Total		31,168,862	30,258,136
II. EXPENDITURE			
Interest Expended	15	10,775,140	10,700,068
Operating Expenses	16	12,300,770	13,185,755
Provisions and Contingencies (Refer Schedule 18 (17))		8,009,983	2,873,127
Total		31,085,893	26,758,950
III. PROFIT			
Net profit for the year		82,969	3,499,186
Profit brought forward		3,620,115	1,183,626
Total		3,703,084	4,682,812
IV. APPROPRIATIONS			
Transfer to			
a) Statutory Reserve		20,742	874,797
b) Investment Reserve		-	-
c) Capital Reserve		193,271	-
d) Interim Preference Dividend paid (includes tax on dividends)		-	132,611
e) Investment Fluctuation Reserve		52,829	55,289
f) Balance Carried over to Balance Sheet		3,436,242	3,620,115
Total		3,703,084	4,682,812
V. EARNINGS PER EQUITY SHARE (FACE VALUE OF ₹ 10 PER SHARE)			
Basic (₹) (Refer Schedule 18 (25))		0.05	2.19
Diluted (₹) (Refer Schedule 18 (25))		0.05	2.18
Significant Accounting Policies	17		
Notes forming part of the financial statements	18		

The schedules referred to above form an integral part of the Profit and Loss Account.

The Profit and Loss Account has been prepared in conformity with Form B of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date

For MSKA & Associates

Chartered Accountants

Firm Registration Number: 105047W

For and on behalf of Board of Directors of

Ujjivan Small Finance Bank Limited

Swapnil Kale

Partner

Membership No: 117812

Nitin Chugh

DIN: 01884659

Managing Director & CEO

Mahadev Lakshminarayanan

DIN: 05003710

Independent Director

Umang Bedi

DIN: 02432920

Independent Director

Nandlal Laxminarayan Sarda

DIN: 00147782

Independent Director

Upma Goel

Chief Financial Officer

Chanchal Kumar

Company Secretary

Mumbai

May 18, 2021

Bengaluru

Cash Flow Statement

for the year ended March 31, 2021

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	101,975	4,662,396
Adjustments for :		
Depreciation on Bank's Property	768,006	726,290
Loss on sale of Land, Building & Other assets (net)	7,691	1,865
Expense on employee stock option	223,041	214,193
Expense on employee stock purchase	-	79,740
Fixed Assets Written off	-	879
Provision for Non Performing Assets	6,107,408	1,045,081
Provision for Standard Assets	1,882,215	664,129
Interest earned on fixed deposits	82,949	9,469
Profit on sale of Held-to-maturity (HTM) securities	509,157	13,959
Amortisation of premium on HTM securities	130,125	45,566
Operating Profit/(Loss) before Working Capital changes	9,812,567	7,463,567
Adjustments for :		
(Increase) in Advances	(10,610,490)	(35,956,968)
Decrease/(Increase) in Investments in other than HTM securities	4,622,717	(2,078,655)
Decrease/(Increase) in Other Assets	272,845	(369,019)
Increase in Deposits	23,552,836	34,010,429
Increase in Other Liabilities	1,006,277	462,905
	28,656,752	3,532,259
Direct Taxes paid (net of funds)	(2,089,966)	(1,115,046)
Net Cash Flow generated from Operating Activities (A)	26,566,786	2,417,213
B. CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of Fixed Assets	3,238	5,906
Purchase of Fixed Assets including work in progress	(581,392)	(895,277)
Investment in HTM securities (Net)	(6,465,125)	(6,676,023)
Deposits created with Banks and financial institutions	(6,521,192)	-
Net Cash Flow used in Investing Activities (B)	(13,564,471)	(7,565,394)

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares (net of issue expenses)	4,255	10,020,451
Decrease in Borrowings (Net)	(7,059,492)	(2,128,241)
Preference dividend paid during the year	-	(110,000)
Dividend distribution tax paid during the year	-	(22,611)
Net Cash Flow generated from/(used in) Financing Activities (C)	(7,055,237)	7,759,599
Net Increase in Cash and Cash Equivalents (A+B+C)	5,947,078	2,611,418
Cash and Cash Equivalents at the beginning of the year	13,387,896	10,776,478
Cash and Cash Equivalents at the end of the year	19,334,974	13,387,896

Notes:

- The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements specified under Sec.133 of the Companies act, 2013 read with rule 7 of the Companies (Account) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.
- Cash and cash equivalents comprises of Cash & Balances with RBI (Schedule 6) and Balances with Banks and Money at Call and Short Notice (Schedule 7) with balances having original maturity of less than three months.
- Figures in bracket indicate cash outflow.

As per our report of even date

For MSA & Associates

Chartered Accountants

Firm Registration Number: 105047W

Swapnil Kale

Partner

Membership No: 117812

For and on behalf of Board of Directors of

Ujjivan Small Finance Bank Limited

Nitin Chugh

DIN: 01884659

Managing Director & CEO

Mahadev Lakshminarayanan

DIN: 05003710

Independent Director

Umang Bedi

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DIN: 00147782

Independent Director

Upma Goel

Chief Financial Officer

Chanchal Kumar

Company Secretary

Mumbai

May 18, 2021

Bengaluru

Schedules forming part of the Balance Sheet

as at March 31, 2021

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE -1 CAPITAL		
Authorized Capital		
2,300,000,000 Equity Shares of ₹ 10 each	23,000,000	23,000,000
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of ₹ 10 each	2,000,000	2,000,000
Issued, Subscribed and Called up Capital		
1,728,314,205 (Previous Year: 1,728,223,169) Equity Shares of ₹ 10 each	17,283,142	17,282,232
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of ₹ 10 each	2,000,000	2,000,000
	19,283,142	19,282,232
Paid up Capital		
1,728,314,205 (Previous Year: 1,728,223,169) Equity Shares of ₹ 10 each	17,283,142	17,282,232
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of ₹ 10 each	2,000,000	2,000,000
Total	19,283,142	19,282,232

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE -2 RESERVES AND SURPLUS		
I) Statutory Reserves		
Opening balance	1,390,084	515,287
Additions during the year	20,742	874,797
Deductions during the year	-	-
Closing balance	1,410,826	1,390,084
II) Share Premium		
Opening balance	7,218,328	-
Additions during the year	3,345	7,650,482
Deductions during the year	-	(432,154)
Closing balance	7,221,673	7,218,328
III) Capital Reserve		
Opening balance	-	-
Additions during the year	193,271	-
Deductions during the year	-	-
Closing balance	193,271	-
IV) Investment Fluctuation Reserve		
Opening balance	152,302	97,013
Additions during the year	52,829	55,289
Deductions during the year	-	-
Closing balance	205,131	152,302
V) Balance of Profit and Loss Account	3,436,242	3,620,115
TOTAL (I + II + III)	12,467,143	12,380,829

Schedules forming part of the Balance Sheet

as at March 31, 2021

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE -3 DEPOSITS		
A. I. Demand Deposits		
(i) From Banks	194,765	80,644
(ii) From Others	4,234,007	2,203,811
II. Savings Bank Deposits	22,566,494	12,309,920
III. Term Deposits		
(i) From Banks	43,627,125	38,564,683
(ii) From Others	60,735,282	54,645,779
TOTAL (I + II + III)	131,357,673	107,804,837
B. Deposits of branches		
I. In India	131,357,673	107,804,837
II. Outside India	-	-
TOTAL (I + II)	131,357,673	107,804,837

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE-4 BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	1,380,000	2,820,000
(ii) Other Banks	-	4,150,000
(iii) Other Institutions and Agencies	31,093,167	32,562,659
(iv) Non-Convertible Redeemable Debenture	-	-
TOTAL	32,473,167	39,532,659
II. Borrowings Outside India	-	-
TOTAL (I + II)	32,473,167	39,532,659
Secured borrowings included in I and II above	1,611,900	3,281,300

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE -5 OTHER LIABILITIES AND PROVISIONS		
(i) Bills Payable	1,964,421	481,135
(ii) Inter-Office Adjustments (net)	-	-
(iii) Interest Accrued	1,173,145	1,452,901
(iv) Standard Asset-General Provisions (Refer Schedule 18 (4.3))	3,085,498	1,203,283
(v) Others (including provisions)	1,563,116	1,760,369
TOTAL	7,786,180	4,897,688

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE-6 CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in Hand (including Cash at ATM)	1,823,476	1,982,018
II. Balances with Reserve Bank of India		
(i) In Current Account	2,471,841	1,996,657
(ii) In Other Accounts (Including Reverse Repo)	12,820,000	8,270,000
TOTAL (I + II)	17,115,317	12,248,675

Schedules forming part of the Balance Sheet

as at March 31, 2021

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE-7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks		
(a) in Current Accounts	219,657	139,220
(b) in Other Deposit Accounts*	6,440,000	45,000
(ii) Money at Call and Short Notice		
(a) with Banks	2,000,000	1,000,000
(b) with Other Institutions	-	-
TOTAL	8,659,657	1,184,220
II. Outside India		
(i) In Current Accounts	-	-
(ii) In Other Deposits Accounts	-	-
(iii) Money at Call and Short Notice	-	-
TOTAL	-	-
TOTAL (I+II)	8,659,657	1,184,220

*It includes Fixed Deposits of Current Year: ₹ Nil (Previous Year: ₹ 45,000 (in 000's)) held under lien.

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE-8 INVESTMENTS		
I. Investments in India in (Refer Schedule 18 (2))		
(i) Government Securities	24,190,763	23,960,375
(ii) Other approved Securities	-	-
(iii) Shares	1,002	1,000
(iv) Debentures and Bonds	-	-
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Others	972,736	-
TOTAL	25,164,501	23,961,375
II. Investments Outside India in		
(i) Government Securities (Including local authorities)	-	-
(ii) Subsidiaries and/or Joint Ventures abroad	-	-
(iii) Other Investments	-	-
TOTAL	-	-
TOTAL (I+II)	25,164,501	23,961,375
III. Gross Value of Investments	25,164,501	23,961,375
Less: Provision for depreciation	-	-
Net value of investments	25,164,501	23,961,375

Schedules forming part of the Balance Sheet

as at March 31, 2021

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE-9 ADVANCES		
A (i) Bills Purchased and Discounted	-	-
(ii) Cash Credits, Overdrafts and Loans repayable on demand	11,133,593	12,580,396
(iii) Term Loans	133,805,925	127,856,041
TOTAL	144,939,518	140,436,437
B (i) Secured by Tangible Assets	39,684,726	30,671,278
(ii) Covered by Bank/Government Guarantees	564,961	-
(iii) Unsecured (Refer Schedule 18 (4.6))	104,689,831	109,765,159
TOTAL	144,939,518	140,436,437
C I. Advances in India		
(i) Priority Sectors	79,263,674	76,831,091
(ii) Public Sector	-	-
(iii) Banks	-	-
(iv) Others	65,675,844	63,605,346
TOTAL	144,939,518	140,436,437
II. Advances Outside India	-	-
TOTAL	-	-
TOTAL (I+II)	144,939,518	140,436,437

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE-10 FIXED ASSETS		
I. Premises	-	-
II. Other Fixed Assets (Including Furniture and Fixtures) (Refer Schedule 18 (26.4 & 26.5))		
At cost as at the beginning of the year	4,735,613	4,067,544
Additions during the year	740,549	709,370
Deductions during the year	(27,930)	(41,301)
Depreciation to date	(2,688,815)	(1,936,913)
TOTAL	2,759,417	2,798,700
III. Capital Work In Progress (Including Capital Advances)	47,872	206,132
TOTAL (I+II+III)	2,807,289	3,004,832

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE -11 OTHER ASSETS		
(i) Inter Office Adjustment (net)	-	-
(ii) Interest Accrued	1,657,571	1,944,935
(iii) Tax paid in Advance / Tax Deducted at Source (Net of provision for tax) .	470,740	27,950
(iv) Stationery and Stamps	-	-
(v) Non-Banking assets acquired in satisfaction of claims	-	-
(iv) Others (including Deferred Tax Assets)	2,989,947	1,304,014
TOTAL	5,118,258	3,276,899

Schedules forming part of the Balance Sheet

as at March 31, 2021

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
SCHEDULE - 12 CONTINGENT LIABILITIES (REFER SCHEDULE 18 (26.6))		
(i) Claims against the Bank not acknowledged as debts	245,825	5,533
(ii) Liability for partly paid Investments	-	-
(iii) Liability on account of Outstanding Forward Exchange Contracts	-	-
(iv) Guarantees given on behalf of Constituents		
(a) In India	2,500	47,500
(b) Outside India	-	-
(v) Acceptances, Endorsements and Other Obligations	-	-
(vi) Other items for which the Bank is contingently liable - Capital commitments not provided/ Others	157,272	156,332
TOTAL	405,597	209,365

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
SCHEDULE-13 INTEREST EARNED		
(i) Interest /Discount on Advance/bills	26,003,790	25,517,143
(ii) Income on Investments	1,729,761	1,386,983
(iii) Interest on Balances With Reserve Bank of India and Other inter-bank funds	327,105	77,258
(iv) Others (Interest income on securitisation)	-	54,603
TOTAL	28,060,656	27,035,987

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
SCHEDULE- 14 OTHER INCOME		
(i) Commission, Exchange and Brokerage	1,562,547	2,127,069
(ii) Profit on Sale of Investments (net)	559,462	55,289
(iii) (Loss) on Revaluation of Investments	-	-
(iv) (Loss) on sale of Land, Building and Other Assets (net)	(7,691)	(1,865)
(v) Profit on Exchange Transactions (net)	-	-
(vi) Income earned by way of Dividends etc. from subsidiaries/companies and/or joint ventures abroad/in India	-	-
(vii) Miscellaneous Income	993,888	1,041,656
Total	3,108,206	3,222,149

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
SCHEDULE-15 INTEREST EXPENDED		
(i) Interest on Deposits	7,811,810	7,318,917
(ii) Interest on Reserve Bank of India/ Inter-Bank Borrowings	264,148	419,760
(iii) Others	2,699,182	2,961,391
TOTAL	10,775,140	10,700,068

Schedules forming part of the Balance Sheet

as at March 31, 2021

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
SCHEDULE-16 OPERATING EXPENSES		
(i) Payments to and Provision for Employees	7,487,805	7,184,885
(ii) Rent, Taxes and Lighting (including operating lease rentals)	905,911	1,425,290
(iii) Printing and Stationery	131,210	254,226
(iv) Advertisement and Publicity	50,944	203,075
(v) Depreciation on Banks Property	768,006	726,290
(vi) Director's Fees, Allowances and Expenses	13,504	14,610
(vii) Auditors' Fees and Expenses (Refer Schedule 18 (32))	9,401	8,670
(viii) Law Charges	29,251	63,436
(ix) Postages, Telegrams, Telephones etc.	307,339	341,631
(x) Repairs and Maintenance	745,227	749,181
(xi) Insurance	106,830	69,815
(xii) Other Expenditure	1,745,342	2,144,646
TOTAL	12,300,770	13,185,755

Significant Accounting Policies forming part of the Financial Statements

for the year ended March 31, 2021

SCHEDULE 17

1 CORPORATE INFORMATION

Ujjivan Small Finance Bank Limited (USFB) is a mass market focused bank in India, catering to financially unserved and underserved segments and committed to building financial inclusion in the country. Ujjivan Small Finance Bank has a diversified portfolio with branches spread across 24 states and union territories. Apart from the network of branches, ATMs and Automated Cash Recyclers, Bank has phone banking unit that services customers in nine languages, a mobile banking application that is accessible in five languages as well as internet banking facility for individual and corporate customers. The Bank also has portfolio of loans to Financial Institutions.

It started its operations as Ujjivan Financial Services Limited (UFSL), a Non-Banking Financial Company in 2005 with the mission to provide a full range of financial services to the 'economically active poor' who were not adequately served by financial institutions. In 2015, the Reserve Bank of India (RBI) licenced the Small Finance Banks - a new category of specialised banks to serve the financially unserved and underserved population, especially the micro-enterprises, workers and small and marginal farmers.

On November 11, 2016, UFSL received a banking licence from RBI to carry out Small Finance Bank business in India. The Bank took over the business of UFSL and started its operations on February 01, 2017, Scheduled Bank status has been accorded by Reserve Bank of India vide Notification: DBR. PSBD.No. 467/16.02.006/2017-2018 published in the Gazette of India on August 25, 2017. The Bank has its Registered Office and Corporate Office in Bengaluru and Regional Offices in Noida, Kolkata, Bengaluru and Pune. The Bank operates in India and does not have a branch in any foreign country.

2 BASIS OF PREPARATION

The accompanying financial statements have been prepared under the historical cost convention and on accrual basis except where otherwise stated, and in compliance with the Generally Accepted Accounting Principles ("GAAP") in India and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) Read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) amendment rules, 2016 to the extent applicable and practices prevailing within the banking industry in India. The financial statements are presented in

Indian Rupees rounded off to the nearest thousands unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the period. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from estimates and the differences between the actual results and the estimates are recognized prospectively in which the results are known/material.

3.2 Property, Plant and Equipment (PPE)

Property, Plant and Equipment, Capital work in Progress are stated at cost, net of accumulated depreciation and accumulated impairment if any. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on PPE after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such costs includes the cost of replacing the part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives. Assets under development as on the balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

Depreciable amount for PPE is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortised over the duration of the lease. 'Point of Sale' terminals are fully depreciated in the year of purchase.

The useful life being followed by the Bank as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Significant Accounting Policies forming part of the Financial Statements

for the year ended March 31, 2021

Asset	Estimated Useful Life as specified under Schedule II of the Companies Act, 2013 (years)
Computer	3
Furniture and Fittings	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

PPE purchased/sold during the year are depreciated on a pro-rata basis.

PPE costing less than ₹ 5,000 each are fully depreciated in the year of purchase.

The salvage value considered for computing depreciation is as per Schedule II of Companies Act, 2013 (i.e 5% of Cost) except for Software and Lease hold assets.

An item of PPE is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition is recognised in the Profit and Loss Account.

Gains or losses arising from disposal or retirement of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within "Other Income" as Profit/(Loss) on sale of PPE, as the case maybe, in the Profit and Loss Account in the year of disposal or retirement.

PPE held for sale is valued at lower of their carrying amount and net realizable value, any write-down is recognized in the Profit and Loss Account.

3.3 Intangible Assets

Intangible Assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Bank uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 5 years or license period, whichever is lower.

The amortization period and the amortization method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

3.4 Impairment of Assets

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

3.5 Investments

Classification and Valuation of the Bank's Investments are carried out in accordance with RBI guidelines on Investment Classification and Valuation which are as follows:

Categorisation of Investments:

The Bank classifies its Investment at the time of purchase into one of the following three categories:

- Held to Maturity (HTM) – Securities acquired with the intention to hold till maturity.
- Held for Trading (HFT) – Securities acquired with the intention to trade.

Significant Accounting Policies forming part of the Financial Statements

for the year ended March 31, 2021

- (iii) Available for Sale (AFS) – Securities which do not fall within the above two categories.

Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

Classification of Investments:

For the purpose of disclosure in the Balance Sheet, Investments in India are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures and (vi) Other Investments.

Investments outside India are classified under three groups viz., (i) Government Securities (Including local authorities), (ii) Subsidiaries and/or Joint Ventures abroad and (iii) Other Investments

Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of Classification:

Investments that are held principally for sale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in the above categories are classified under AFS category.

Acquisition cost:

- (i) Broken period interest on debt instruments is treated as a receivable at the time of acquisition and post acquisition broken period interest treated as a revenue item.
- (ii) Brokerage, commission, etc. pertaining to Investments, paid at the time of acquisition is charged to the Profit and Loss Account.
- (iii) Cost of Investments is computed based on the weighted average cost method.

Transfer between categories:

Transfer between categories is done at the lower of the acquisition cost/book value/market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

Valuation of Investments:

- (i) Held to Maturity – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on Investments (Item ii of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each Investment individually.
- (ii) Held for Trading – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.
- (iii) Available for Sale – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.
- (iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA).
- (v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.
- (vi) Purchase and sale transaction in securities are recorded under Settlement Date method of accounting, except in the case of the equity shares where Trade Date method of accounting is followed.
- (vii) Provision for non-performing Investments is made in conformity with RBI guidelines.
- (viii) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA). The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by

Significant Accounting Policies forming part of the Financial Statements

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transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

- (ix) Unquoted equity shares are valued at their break-up value. If latest Balance sheet is not available then unquoted equity share is valued at ₹ 1 per share.
- (x) Units of the scheme of Mutual Funds are valued at the lower of cost and Net asset value (NAV) provided by the respective schemes of Mutual Funds.
- (xi) In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

Disposal of Investments:

Profit / Loss on sale of Investments under AFS and HFT categories are recognised in the Profit and Loss Account. Profit in respect of Investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines.

Repurchase and reverse repurchase transactions:

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

Investment Fluctuation Reserve:

As per the RBI circular RBI/2017-18/147 DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018, to build up adequate reserves to protect against increase in yields in future, the Bank has created an Investment Fluctuation Reserve (IFR) to the extent of the lower of following:

- a) net profit on sale of investments during the year;

- b) net profit for the year less mandatory appropriations.

This reserve will be created until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis and where feasible this should be achieved within a period of three year.

3.6 Advances

Advances are classified as Performing Advances (Standard) and Non- Performing Advances (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further NPAs are classified into sub-standard, doubtful and loss assets. Advances are stated net of specific loan loss provision and Inter Bank Participating Certificates (IBPC) with risk sharing issued.

The bank transfers Advances through Inter- Bank Participation with and without risk, which are accounted for in accordance with the RBI guidelines, as follows. In the case of participation with risk, the aggregate amount of participation transferred out of the Bank is reduced from Advances; and participations transferred in to the Bank are classified under Advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings; and where the bank is participating in, the aggregate amount of participation is shown as due from banks under Advances.

Provisioning:

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

A general provision on standard assets is made in accordance with RBI guidelines or as per provisioning policy of the bank whichever is higher. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

Floating Provisions:

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors in accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these

Significant Accounting Policies forming part of the Financial Statements

for the year ended March 31, 2021

guidelines or any regulatory guidance / instructions. Floating provisions, if any, are shown under "Other liabilities and Provisions" (Schedule 5).

Advances exclude derecognised securitised Advances.

Amounts recovered during the period against bad debts written off in earlier periods are credited to the Profit and Loss Account and included in Other Income.

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

For restructured/rescheduled assets, provision is made in accordance with guidelines issued by RBI which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

Recording and Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created is netted against gross amount of Advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off / settlement of the account. Provision made against standard assets in accordance with the RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

Securitisation transactions and direct assignments:

The Bank transfers its loan receivables through Direct Assignment and IBPC route as well as transfer to Special Purpose Vehicle (SPV).

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

Profit / premium arising at the time of securitisation / assignment of loan portfolio is amortised over the life

of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognised in the statement of profit and loss net of any losses when redeemed in cash.

Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio.

Priority Sector Lending Certificates (PSLCs):

The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income'.

3.7 Revenue Recognition

Interest income on Loans, Advances and Investments (including deposits with Banks and other institutions) are recognized in the Profit and Loss Account on accrual basis, except in the case of Non- Performing Assets and minimum retention requirement (MRR) portion of Securitised loans. Interest Income on Non-Performing Assets is recognized upon realization as per the prudential norms of the RBI.

Revenues from loan documentation charges are recognized upfront when it become due, except in cases where the Bank is uncertain of its ultimate collection.

Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a constant Yield to Maturity method.

Profit / premium arising at the time of securitisation of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognized in the Profit and Loss Account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees received on sale of Priority lending certificates is recognised upfront in the Profit and Loss Account.

Significant Accounting Policies forming part of the Financial Statements

for the year ended March 31, 2021

3.8 Employee Benefits

Provident Fund: Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

Gratuity: Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Bank or retirement, whichever is earlier. The benefits vest after five years of continuous service.

The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the period is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/ gains are recognised in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

Compensated Absences: Provision for compensated absences is made on the basis of actuarial valuation as on the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

Short term Employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the period when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits:

The Bank accrues the liability for compensated absences based on the actuarial valuation as on the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as on the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the period in which they arise.

Employee Stock Option Plan (ESOP)

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the fair value method. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Schedule 18 (33). The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to Profit & Loss Account.

Employee Stock Purchase Scheme (ESPS)

ESPS is a contractual promise that permits an employee to acquire an employer's stock at a future date under the terms and conditions established on the grant date. The fair value of the entire purchase discount represents employee compensation. The compensation expense will be the difference between the value of the stock on the date of shareholder approval and the purchase/Exercise price for that offering.

Significant Accounting Policies forming part of the Financial Statements

for the year ended March 31, 2021

3.9 Leases

Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

Lease rentals under operating lease are charged to the Profit and Loss Account on straight line basis over the lease term in accordance with AS-19, Leases.

3.10 Segment Reporting

In accordance with guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007 and Accounting Standard 17 (AS-17) on "Segment Reporting", the Banks' business has been segregated into Treasury, Retail Banking and Corporate/ Wholesale Segments.

Segment revenues consist of earnings from external customers and inter-segment revenues based on a transfer pricing mechanism. Segment expenses consist of interest expenses including allocated operating expenses and provisions. Segment results are net of segment revenues and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth, proposed dividend and dividend tax thereon.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

3.11 Earnings Per Share

Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as on the end of the period except when its results are anti-dilutive.

3.12 Taxes on Income

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted

at the Balance Sheet date. Deferred tax assets are recognized, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Minimum Alternate Tax (MAT) Credit is recognized as an asset only when and to the extent there is convincing evidence that the Bank will pay normal income tax during specified period. The year in which the MAT credit becomes eligible, it is to be recognized as an asset. In accordance with the recommendation contained in the guidance note issued by the Institute of Chartered Accountants of India (the "ICAI"), said asset is created by way of credit/reversal of provisions to Profit and Loss Account and included as MAT Credit Entitlements in other assets. The Bank reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that bank will pay normal Income Tax during the specified period.

3.13 Provisions and Contingencies

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

A disclosure of contingent liability is made when there is:

- i) a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or

Significant Accounting Policies forming part of the Financial Statements

for the year ended March 31, 2021

- ii) a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

3.14 Cash and Cash Equivalents

Cash and Cash Equivalents includes cash in hand (including balance in ATM), balances with RBI, balances with other Banks and money at call and short notice. Cash and Cash Equivalents for the purpose of Cash Flow Statement comprises of Cash at Bank and in hand and short term Investments with an original maturity of less than three months.

3.15 Proposed Dividend

Proposed dividend / declared after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is declared.

3.16 Transactions Involving Foreign Exchange

All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transfer.

Foreign currency monetary items are reported using the exchange rate prevailing at the Balance Sheet date.

Non-monetary items which are measured in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction. Non-monetary items which are measured at Fair Value or other similar value denominated in a foreign currency are translated using the exchange rate at the date when such value is determined.

Exchange differences arising on settlement of monetary items or on reporting of such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expense in the year in which they arise.

Notes to Financial Statements

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SCHEDULE 18

1 CAPITAL

1.1 Capital Infusion

During the year ended March 31, 2021, the Bank allotted 29,069 equity shares under Employee Stock Purchase Scheme (ESPS) 2019 and 61,967 equity shares pursuant to the exercise of options under the approved Employee Stock Option Plan (ESOP) 2019.

During the year ended March 31, 2020, the Bank successfully raised capital of ₹ 745.94 crores through Initial Public Offer by issuing 20,27,02,702 equity shares of ₹ 10/-each and ₹ 250 crores through private placement by issuing 7,14,28,570 equity shares of ₹ 10 each at premium ranging from ₹ 25 to ₹ 27. The equity shares of the Bank got listed on December 12, 2019 on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Bank has also allotted 1,40,55,097 equity shares to eligible employees (including employees of Ujjivan Financial Services Limited "holding company") under Employee Stock Purchase Scheme (ESPS) 2019 at a price of ₹ 35 per equity share including premium of ₹ 25.

The capital adequacy ratio of the Bank is set out below:

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
Common Equity Tier I Capital Ratio (as a percentage of Credit RWA)	23.32%	26.16%
Tier I Capital Ratio (as a percentage of Credit RWA)	25.06%	28.01%
Tier II Capital Ratio (as a percentage of Credit RWA)	1.38%	0.80%
Total Capital to Risk weighted asset Ratio (CRAR) (as a percentage of Credit RWA)	26.44%	28.82%
Total Credit to Risk weighted assets	114,199,553	107,745,729
Amount of equity capital raised	910	2,881,864
Amount of Additional Tier -I Capital Raised; of which		
Perpetual Non Cumulative Preference Shares (PNCPS)	-	-
Amount of Tier II Capital raised; of which		
Debt Capital Instrument	-	-

1A Reserves and Surplus

Statutory Reserve

The Bank has made an appropriation of ₹ 20,742 ('000) (PY: ₹ 874,797 ('000)) out of profits for the year ended March 31, 2021 to the Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital Reserve

During the year ended March 31, 2021 the Bank appropriated ₹ 193,271 ('000) (PY: ₹ Nil), being the profit from sale of Investments under HTM category, net of taxes and transfer to statutory reserve, from the Profit and Loss Account to the Capital Reserve

1.2 Capital Adequacy Ratio

The Bank computes its Capital Adequacy Ratio as per New Capital Adequacy Framework- BASEL-II and Operating Guidelines for Small Finance Banks (issued by RBI on October 06, 2016)

Under New Capital Adequacy Framework and Operating Guidelines for Small Finance Bank issued on October 06, 2016, the Bank has to maintain a Minimum Total Capital of 15% of the Credit risk weighted assets (Credit RWA) on an on-going basis. Out of the Minimum Total Capital, at least 7.5% shall be from Minimum Tier I Capital of which common equity Tier I capital shall be 6% and 1.50% from additional Tier I capital and remaining Tier II Capital shall be 7.5%. Further as per RBI's directions given in the circular DBR.NBD.No. 4502/16.13.218/2017-18, dated November 8, 2017, no separate risk charge has been calculated for Market Risk and Operational Risk for capital ratios.

Investment Fluctuation Reserve (IFR)

In accordance with RBI guidelines, Banks are required to create an IFR equivalent to 2% of their HFT and AFS investment portfolios, within a period of three years starting fiscal 2019. Accordingly, during the year ended March 31, 2021, the Bank has made an appropriation of ₹ 52,829('000) (PY: ₹ 55,289 ('000)), to the Investment Fluctuation Reserve from the Profit or Loss Account.

Draw down from reserves

Share Premium

The Bank has not undertaken any drawdown from share premium during the year ended March 31, 2021 and March 31, 2020 except that during year ended

Notes to Financial Statements

for the year ended March 31, 2021

March 31, 2020, share issue expenses of ₹ 432,154 ('000), incurred for the equity raised through IPO, had been adjusted against the share premium account in terms of section 52 of the Companies Act, 2013.

2 INVESTMENTS

2.1 Details of Investments

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
Value of Investments		
(i) Gross Value of Investments		
(a) In India	25,164,501	23,961,375
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	25,164,501	23,961,375
(b) Outside India	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / (write-back) of excess provisions during the year	-	-
(iv) Closing balance	-	-

2.2 Category wise details of Investments (Net of provision for depreciation):

Particulars	(₹ in 000's)		
	As at 31/03/2021	As at 31/03/2020	
	HTM	AFS	HFT
i) Government securities	22,027,759	2,163,004	-
ii) Other approved securities	-	-	-
iii) Shares	-	1,002	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint Ventures	-	-	-
vi) Others -Security receipts, pass through certificates, mutual fund etc.	-	972,736	-
Total	22,027,759	3,136,742	-

Particulars	(₹ in 000's)		
	As at 31/03/2020	As at 31/03/2020	
	HTM	AFS	HFT
i) Government securities	16,201,916	7,758,459	-
ii) Other approved securities	-	-	-
iii) Shares	-	1,000	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint Ventures	-	-	-
vi) Others -Security receipts, pass through certificates, mutual fund etc.	-	-	-
Total	16,201,916	7,759,459	-

Notes to Financial Statements

for the year ended March 31, 2021

2.3 Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at March 31, 2021:

(₹ in 000's)				
Particulars	Minimum outstanding during the Year	Maximum outstanding during the Year	Daily average outstanding during the Year	Outstanding as at 31/03/2021
Securities sold under repo				
i) Government Securities	1,380,000	3,784,622	2,262,338	1,380,000
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	-	16,450,000	7,124,355	12,820,000
ii) Corporate debt securities	-	-	-	-

Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at March 31, 2020:

(₹ in 000's)				
Particulars	Minimum outstanding during the Year	Maximum outstanding during the Year	Daily average outstanding during the Year	Outstanding as at 31/03/2020
Securities sold under repo				
i) Government Securities	10,000	3,300,000	358,989	2,820,000
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	10,000	11,900,000	1,316,366	8,270,000
ii) Corporate debt securities	-	-	-	-

2.4 Non-SLR Investment Portfolio

Issuer Composition of Non-SLR Investments as at March 31, 2021 are as follows:

(₹ in 000's)					
Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted securities'
1	2	3	4	5	6
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial Institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private Corporates	1,002	-	-	-	1,002
v) Subsidiaries/Joint ventures	-	-	-	-	-
vi) Others	972,736	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	973,738	-	-	-	1,002

Note: Amounts reported under columns 3,4,5 and 6 above are not mutually exclusive

Notes to Financial Statements

for the year ended March 31, 2021

Issuer Composition of Non-SLR Investments as at March 31, 2020 are as follows:

(₹ in 000's)					
Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted securities'
1	2	3	4	5	6
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial Institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private Corporates	1,000	-	-	-	1,000
v) Subsidiaries/Joint Ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1,000	-	-	-	1,000

Note: Amounts reported under columns 3,4,5 and 6 above are not mutually exclusive

2.5 Non-Performing Non-SLR Investments

The Bank does not have any Non-Performing Non-SLR Investments as at March 31, 2021 and March 31, 2020.

2.6 Sale and transfer of securities to/ from HTM Category

During the current and previous year, the value of sales and transfers of securities to / from HTM category excluding one time transfer of securities to / from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the accounting year has not exceeded 5 per cent of the book value of investments held in HTM category at the beginning of the year. In line with RBI guidelines, specific disclosure on book value/market value and provisions if any, relating to such transfer is not required to be made.

3 DERIVATIVES/ EXCHANGE TRADED INTEREST DERIVATIVES/ RISK EXPOSURE IN DERIVATIVES

The Bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations. The Bank does not have any Forward Rate Agreement or Interest rate swaps.

Notes to Financial Statements

for the year ended March 31, 2021

4 ASSET QUALITY

4.1 Non-Performing Assets:

(₹ in 000's)		
Particulars	As at 31/03/2021	As at 31/03/2020
(i) Net NPAs to Net advances (%)	2.93%	0.20%
(ii) Movement of Gross NPAs		
(a) Opening balance	1,371,410	978,523
(b) Additions (Fresh NPAs) during the year #*	10,328,031	1,451,898
Subtotal (A)	11,699,441	2,430,421
(c) Reductions during the year #		
(i) Upgradations	100,446	187,557
(ii) Recoveries (excluding recoveries made from upgraded accounts)	154,553	230,731
(iii) Technical/ Prudential Write-offs	-	-
(iv) Write-offs other than those under (iii) above	738,466	640,723
Subtotal (B)	993,465	1,059,011
(d) Closing balance (A-B)	10,705,976	1,371,410
(iii) Movement of Net NPAs		
(a) Opening balance	274,894	275,482
(b) Additions during the year #*	4,299,436	332,483
(c) Reductions during the year #	328,490	333,072
(d) Closing balance	4,245,840	274,894
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	1,096,516	703,041
(b) Provisions made during the year	6,142,370	1,097,340
(c) Write-back of excess provisions	778,750	703,865
(d) Closing balance	6,460,136	1,096,516

* additions and reductions does not include cases which have become NPA during the month and subsequently moved out of NPA in the same month.

* Outstanding balance as of March 31, 2021 has been considered in 'Additions during the year' for accounts which are classified as NPA post vacation of standstill of NPAs as per the Supreme Court judgement dated March 23, 2021 and the RBI circular dated April 07, 2021.

4.2 Technical or Prudential Write Offs:

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the product level systems, but have been written-off (fully or partially) at the financial ledger level. The financial accounting systems of the Bank are integrated and centralised at the Head Office and no books are maintained at the Branches

Movement in the stock of technically or prudentially written-off accounts given below:

(₹ in 000's)		
Particulars	As at 31/03/2021	As at 31/03/2020
Opening balance of technical / prudential write-offs accounts	-	1,824
Add: Technical/Prudential write offs during the Year	-	-
Less: Recoveries made from previously technically / prudentially written-off accounts during the Year	-	(479)
Less: Actual write off during the Year	-	(1,345)
Closing balance of technical / prudential write-offs accounts	-	-

Notes to Financial Statements

for the year ended March 31, 2021

4.3 Provisions on Standard Assets:

Bank has followed the prudential norms on income recognition, asset classification and provisions. The excess provisions over and above the same is as per the Board approved policy.

The provision on standard assets is included in 'Other Liabilities and Provisions – (iv) Standard asset-General Provisions' in Schedule 5, and is not netted off from Advances.

(₹ in 000's)		
Particulars	As at 31/03/2021	As at 31/03/2020
Provisions towards Standard Assets	3,085,498	1,203,283

4.4 Floating provisions:

(₹ in 000's)		
Particulars	As at 31/03/2021	As at 31/03/2020
Opening Balance as at beginning of the Year	-	-
Provisions made during the Year	-	-
Draw-down made during the Year	-	-
Closing Balance as at end of the Year	-	-

4.5 Provision coverage ratio:

Particulars	As at 31/03/2021	As at 31/03/2020
Provision Coverage Ratio (including technical write-offs)	60.34%	79.96%

4.6 Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. The Unsecured Advances as at March 31, 2021 of ₹ 1,04,689,831 ('000) (March 31, 2020 of ₹ 1,09,765,159 ('000)) disclosed in Schedule 9B (iii) are without any collateral or security.

4.7 Divergence in Asset Classification and Provisioning for NPAs

RBI vide its circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and Notification dated April 01, 2019, has directed banks shall make suitable disclosures, if either or both of the following conditions are satisfied:

- the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and
- the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

For the financial year 2019-20, there are no Divergences in the Asset Classification and Provisioning identified.

4.8 a) Details of Financial Assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction

During the current and previous year, the Bank has not sold any Financial assets to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction.

b) Details of book value of investment in Security Receipts

During the current and previous year, the Bank has not made investment in Security Receipts.

Notes to Financial Statements

for the year ended March 31, 2021

4.9 Details of NPA Purchase/Sold

During the current and previous year, there has been no purchase/ sale of non-performing financial assets from/to other banks.

4.10 Intra-Group Exposure

During the current and previous year, the Bank does not have any Intra Group Exposure.

4.11 Disclosures Resolution of Stressed Assets

There were no accounts that have been restructured under prudential framework on resolution of stressed assets as per the circular no. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated June 07, 2019 during the year ended March 31, 2021. (March 31, 2020: Nil)

5 BUSINESS RATIOS:

Particulars	As at 31/03/2021	As at 31/03/2020
Interest income as a percentage to working funds ¹	14.67%	17.09%
Non-interest income as a percentage to working funds ¹	1.62%	2.04%
Operating profit as a percentage to working funds ^{1,4}	4.23%	4.03%
Return on assets ²	0.04%	2.21%
Business (deposits plus gross advances) per employee (in 000's) ³	13,772	12,564
Profit per employee (in 000's)	4.82	214.72

Notes:

- 1) Working funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the Year.
- 2) Returns on assets are computed with reference to average working funds.
- 3) Business is defined as total of average of gross advances and deposits (net of inter-bank deposits and Certificate of Deposits).
- 4) Operating profit is net profit for the Year before provisions and contingencies and profit / (loss) on sale of building and other assets (net).

6 CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES & NPAs

6.1 Concentration of Deposits

Particulars	As at 31/03/2021	As at 31/03/2020
Total Deposits to twenty largest Depositors	38,476,328	31,305,177
Percentage of Deposits of twenty largest Depositors to Total Deposits of the Bank	29.29%	29.04%

6.2 Concentration of Advances*

Particulars	As at 31/03/2021	As at 31/03/2020
Total Advances to twenty largest Borrowers	5,930,209	4,527,059
Percentage of Advances of twenty largest Borrowers to Total Advances of the Bank	3.88%	3.20%

*Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

6.3 Concentration of Exposures*

Particulars	As at 31/03/2021	As at 31/03/2020
Total Exposure to twenty largest Borrowers/Customers	14,104,259	5,401,345
Percentage of Exposures of twenty largest Borrowers/Customers to Total Exposure of the Bank on borrowers/customers	8.70%	3.79%

*Exposures are computed based on Credit and Investment Exposure as prescribed in the Master Circular on Exposure Norms DBR.No.Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

Notes to Financial Statements

for the year ended March 31, 2021

6.4 Concentration of NPAs

Particulars	As at 31/03/2021	As at 31/03/2020
Total Exposure to top four NPA accounts	32,632	16,976

7 SECTOR-WISE ADVANCES AND NPA: As at March 31, 2021

Sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
Priority sector:			
Agriculture and allied activities	15,854,646	1,334,371	8.42%
Advances to industries eligible as priority sector lending	4,675,067	485,661	10.39%
Services	450,620	46,238	10.26%
Personal loans	61,748,058	3,597,324	5.83%
- of which Housing Loans	17,174,983	1,040,457	6.06%
Sub-Total (A)	82,728,391	5,463,594	6.60%
Non-Priority sector:			
Agriculture and Allied activities	22,500,240	1,893,681	8.42%
Services	6,484,791	956	0.01%
- of which NBFC Loans	6,484,791	-	0.00%
Personal loans	39,686,232	3,347,745	8.44%
- of which Housing Loans	10,304,792	271,485	2.63%
Sub-Total (B)	68,671,263	5,242,382	7.63%
Total (A) + (B)	151,399,654	10,705,976	7.07%

As at March 31, 2020

Sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
Priority sector:			
Agriculture and allied activities	17,599,661	138,027	0.78%
Advances to industries eligible as priority sector lending	4,836,424	47,927	0.99%
Services	18,707,527	77,880	0.42%
Personal loans	36,551,733	334,623	0.92%
- of which Housing Loans	18,110,690	140,730	0.78%
Sub-Total (A)	77,695,345	598,457	0.77%
Non-Priority sector:			
Agriculture and Allied activities	20,050,967	157,251	0.78%
Services	5,489,854	-	0.00%
- of which NBFC Loans	5,489,854	-	0.00%
Personal loans	38,296,787	615,702	1.61%
- of which Housing Loans	5,755,993	43,721	0.76%
Sub-Total (B)	63,837,608	772,953	1.21%
Total (A) + (B)	141,532,953	1,371,410	0.97%

* Our Bank has purchased PSLC worth ₹ 200 crores in Agriculture category, which is not disclosed in the above breakup.

Notes to Financial Statements

for the year ended March 31, 2021

8 PRIORITY SECTOR LENDING CERTIFICATES (PSLC)

(₹ in 000's)

Particulars	Year ended 31/03/2021		Year ended 31/03/2020	
	PSLC Sold	PSLC Purchased	PSLC Sold	PSLC Purchased
1) PSLC Agriculture	-	-	-	2,000,000
2) PSLC Small Farmers / Marginal Farmers	22,500,000	-	20,050,000	-
3) PSLC Micro Enterprises	18,000,000	-	6,595,000	-
4) PSLC General	-	-	16,000,000	-
Total	40,500,000	-	42,645,000	2,000,000

9 INTER-BANK PARTICIPATION WITH RISK SHARING

The aggregate amount of participation issued by the bank and reduced from advances as per regulatory guidelines as at March 31, 2021 and March 31, 2020 is Nil.

10 ASSET LIABILITY MANAGEMENT (ALM)

Maturity Pattern of certain items of Assets and Liabilities

Specified Assets and Liabilities as at March 31, 2021:

(₹ in 000's)

Maturity Buckets	Loans & Advances	Investments	Deposits	Borrowings
1 day	15,446	-	306,460	-
2 days to 7 days	1,479,981	-	3,076,031	-
8 days to 14 days	2,771,855	-	2,304,519	5,221,400
15 days to 30 days	4,315,983	-	3,421,202	-
31 days to 2 months	7,924,119	248,886	7,098,127	6,221,400
Over 2 months upto 3 months	7,701,434	-	9,486,291	1,538,000
Over 3 months upto 6 months	21,905,795	988,507	19,014,365	4,045,500
Over 6 months upto 12 months	35,159,196	2,917,289	48,776,103	6,320,467
Over 1 year upto 3 years	34,178,515	1,106,833	37,444,601	8,626,400
Over 3 years upto 5 years	9,710,519	1,503,046	362,104	500,000
Over 5 years	19,776,675	18,399,940	67,870	-
Total	144,939,518	25,164,501	131,357,673	32,473,167

Note:

- The bucketing structure has been revised based on RBI guideline dated March 23, 2016.
- The Bank is following 30 day month convention for calculation of bucket sizes for ALM.
- There are no Foreign Currency Assets or Liabilities with the Bank as at March 31, 2021.
- Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.

Notes to Financial Statements

for the year ended March 31, 2021

Specified Assets and Liabilities as at March 31, 2020:

(₹ in 000's)

Maturity Buckets	Loans & Advances	Investments	Deposits	Borrowings
1 day	11,701	-	227,258	-
2 days to 7 days	163,523	149,979	2,116,455	1,368,559
8 days to 14 days	150,580	599,451	1,414,473	971,400
15 days to 30 days	350,143	3,086,366	2,582,090	1,400,000
31 days to 2 months	785,880	1,390,821	3,701,141	221,400
Over 2 months upto 3 months	8,925,154	431,660	9,949,005	2,288,000
Over 3 months upto 6 months	25,830,416	819,893	17,044,920	3,860,500
Over 6 months upto 12 months	43,230,838	4,062,135	31,008,263	13,449,633
Over 1 year upto 3 years	41,756,051	1,142,221	39,549,846	13,498,167
Over 3 years upto 5 years	4,690,236	3,053,084	186,836	2,475,000
Over 5 years	14,541,914	9,225,767	24,549	-
Total	140,436,437	23,961,375	107,804,837	39,532,659

Note:

- The bucketing structure has been revised based on RBI guideline dated March 23, 2016.
- The Bank is following 30 day month convention for calculation of bucket sizes for ALM.
- There are no Foreign Currency Assets or Liabilities with the Bank as at March 31, 2020.
- Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.
- RBI vide its circular dated March 27, 2020 on 'COVID-19 Regulatory Package' permitted the Bank to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020. The Bank in line with the said circular has offered moratorium on the respective maturity buckets presented above. The Bank estimates that considerable portion of the cash flows impacted by the moratorium will be received within 1-3 years from the balance sheet date and the same has been factored in the above disclosure.

11 EXPOSURE

11.1 Exposure to Real Estate Sector:

(₹ in 000's)

Particulars	As at 31/03/2021	As at 31/03/2020
A) Direct Exposure		
i) Residential Mortgages	33,720,696	24,729,812
(of which housing loans eligible for Inclusion in priority sector Advances)	12,332,350	18,109,559
ii) Commercial Real Estate	-	-
iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:	-	-
- Residential	-	-
- Commercial Real Estate	-	-
Total (A)	33,720,696	24,729,812
B) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	1,026,042	-
Total (B)	1,026,042	-
Total Real Estate Exposure (A+B)	34,746,738	24,729,812

Notes to Financial Statements

for the year ended March 31, 2021

11.2 Exposure to Capital Market:

(₹ in 000's)		
S.No. Particulars	As at 31/03/2021	As at 31/03/2020
1 Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	1,002	1,000
2 Advances against shares / bonds / debentures or other securities or on clean basis to individuals for Investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
3 Advances for any other purposes where shares or convertible bonds or convertible debentures / units of equity oriented mutual funds are taken as primary security;	-	-
4 Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the Advances;	-	-
5 Secured and Unsecured Advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
6 Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
7 Bridge loans to companies against expected equity flows / issues;	-	-
8 Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
9 Financing to stockbrokers for margin trading;	-	-
10 All exposures to Venture Capital Funds (both registered and unregistered);	-	-
Total Exposure to Capital Market	1,002	1,000

Note: During the Year, Bank has not converted any debt to equity as a part of strategic debt restructuring which is exempt from Capital Market Exposure limit.

11.3 Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the Bank:

During the current and previous year there are no instances of SBL/GBL limit exceeding the sanctioned limit or outstanding whichever is higher.

12 DISCLOSURE OF PENALTIES IMPOSED BY RBI

During the current and previous year, RBI has not imposed any penalty on the Bank.

13 OVERSEAS ASSETS, NPAS AND REVENUE

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable.

14 Summary information on complaints received by the bank from customers and from the Offices of Banking Ombudsman (OBOs)

14.1 Customer complaints (received by the bank)

(₹ in 000's)		
S.No. Particulars	Year ended 31/03/2021	Year ended 31/03/2020
1 Number of complaints pending at beginning of the year	1,056	455
2 Number of complaints received during the year	26,985	36,560
3 Number of complaints disposed during the year	27,480	35,959
3.1 Of which, number of complaints rejected by the bank	370	142
4 Number of complaints pending at the end of the year	561	1,056

Notes to Financial Statements

for the year ended March 31, 2021

14.2 Maintainable complaints received by the bank from OBOs

(₹ in 000's)		
S.No. Particulars	Year ended 31/03/2021	Year ended 31/03/2020
5 Number of maintainable complaints received by the bank from OBOs	133	49
5.1 Of 5, number of complaints resolved in favour of the bank by Banking Ombudsman (BOs)	125	45
5.2 Of 5, number of complaints resolved through conciliation/mediation/advisories issued by BOs	8	4
5.3 Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6 Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme.

This includes complaints pertaining to both on-us and off-us ATMs.

15 TOP FIVE GROUNDS OF COMPLAINTS RECEIVED BY THE BANK FROM CUSTOMERS: For the year ended March 31, 2021

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
(1)	(2)	(3)	(4)	(5)	(6)
Internet/Mobile/Electronic Banking	270	8,420	-24%	160	18
ATM/Debit Cards	389	6,871	-53%	181	12
Account opening/difficulty in operation of accounts	73	5,905	9%	59	-
Others	138	2,735	20%	110	34
Loans and advances	13	1,357	27%	27	2
Miscellaneous Items*	173	1,697	-18%	24	5
Total	1,056	26,985	-26%	561	71

*It includes levy of charges without prior notice/excessive charges/foreclosure charges, Mis-selling/ Para-banking, Staff behaviour, Non-observance of Fair Practices Code, Cheques/drafts/bills, Exchange of coins and issuance/acceptance of small denomination notes and coins.

For the year ended March 31, 2020

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
(1)	(2)	(3)	(4)	(5)	(6)
ATM/Debit Cards	242	14,597	19%	389	129
Internet/Mobile/Electronic Banking	107	11,107	83%	270	54
Account opening/difficulty in operation of accounts	26	5,436	23%	73	1
Others	49	2,276	-33%	138	53
Levy of charges without prior notice/excessive charges/foreclosure chargesLoans and advances	17	1,386	142%	150	1
Miscellaneous Items*	14	1,758	72%	36	6
Total	455	36,560	32%	1,056	244

*It includes loans and advances, staff behaviour, Non-observance of Fair Practices Code and Mis-selling/Para-banking,Cheques/draft/bills.

Notes to Financial Statements

for the year ended March 31, 2021

16 MOVEMENT IN PROVISION FOR FRAUDS INCLUDED UNDER OTHER LIABILITIES:

Particulars	₹ in 000's	
	As at 31/03/2021	As at 31/03/2020
Opening provision	6,429	3,825
Provision during the Year	11,870	17,731
Utilisation / Write back of provision during the Year	14,305	15,127
Closing provision	3,994	6,429

17 PROVISIONS AND CONTINGENCIES

Particulars	₹ in 000's	
	Year ended 31/03/2021	Year ended 31/03/2020
Provision for NPA (including bad debts written off)	6,107,409	1,045,081
Provision for Standard Assets	1,882,215	664,129
Provision for Income tax (Net of deferred tax liability/(asset) of ₹ (16,91,058) (000's) (₹ 19,288 (000's) previous year.) refer schedule 18 (26.1)	19,006	1,163,211
Other Provisions	1,353	707
Total	8,009,983	2,873,127

18 BANCASSURANCE BUSINESS

Commission income for the year ended March 31, 2021 includes fees of ₹ 1,98,513 (000's) (previous year: ₹ 2,03,336 (000's)) in respect of insurance business.

19. LIQUIDITY COVERAGE RATIO (LCR)

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio given in "Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and the LCR Disclosure Standards" and "Operating Guidelines for Small Finance Banks".

LCR is the ratio of unencumbered High Quality Liquid Assets (HQLA) to Net Cash Outflows over the next 30 calendar days. LCR measures the Bank's ability to manage and survive under combined idiosyncratic and market-wide liquidity stress condition that would result in accelerated withdrawal of deposits from retail as well wholesale depositors, partial loss of secured funding, increase in collateral requirements, unscheduled draw down of unused credit lines, etc. These stress conditions are captured as a part of the Net Cash Outflows. HQLA of the Bank consist of cash, unencumbered excess SLR, a portion of statutory SLR as allowed under the guidelines and cash balance with RBI in excess of statutory cash reserve requirements.

LCR aims to ensure that the Bank has an adequate stock of unencumbered HQLA to meet its liquidity needs for a 30 calendar day liquidity stress scenario. As mentioned in the "Operating Guidelines for Small Finance Banks", the Bank has to maintain the prescribed level of LCR as follows:

Particulars	Till December 31, 2017	By January 1, 2018	By January 1, 2019	By January 1, 2020	By January 1, 2021
Minimum LCR	60%	70%	80%	90%	100%

Notes to Financial Statements

for the year ended March 31, 2021

Particulars	₹ in 000's			
	Quarter ended March 31, 2021**	Quarter ended December 31, 2020**	Quarter ended September 30, 2020**	Quarter ended June 30, 2020**
High Quality Liquid Assets				
1. Total High Quality Liquid Assets (HQLA)	28,873,606	31,296,181	33,000,760	30,357,704
Cash Outflows				
2. Retail deposits and deposits from small business customers, of which:	50,471,834	47,105,141	44,889,327	41,998,653
(i) Stable deposits	29,959,748	27,272,508	25,700,143	24,031,706
(ii) Less stable deposits	20,512,086	19,832,633	19,189,184	17,966,947
3. Unsecured wholesale funding, of which:	36,267,427	31,555,771	34,774,533	32,876,871
(i) Operational deposits (all counterparties)	-	-	-	-
(ii) Non-operational deposits (all counterparties)	9,715,356	8,833,239	10,021,878	8,286,788
(iii) Unsecured debt	26,552,071	22,722,532	24,752,655	24,590,083
4. Secured wholesale funding	488,582	300,773	1,297,135	472,018
5. Additional requirements, of which	777,013	588,376	29,419	575,887
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-
(iii) Credit and liquidity facilities	777,013	588,376	29,419	575,887
6. Other contractual funding obligations	45,220	36,263	34,151	44,726
7. Other contingent funding obligations	647,011	622,918	716,748	687,667
8. Total Cash Outflows	88,697,087	80,209,242	82,222,186	76,655,822
Cash Inflows				
9. Secured lending (e.g. reverse repos)	5,394,687	5,600,451	9,994,792	7,391,993
10. Inflows from fully performing exposures	10,256,197	14,319,500	15,443,327	8,636,946
11. Other cash inflows	510,753	500,000	-	500,000
12. Total Cash Inflows	16,161,637	20,419,951	25,938,119	16,528,939
13. Total HQLA	28,873,606	31,296,181	33,000,760	30,357,704
14. Total Net Cash Outflows	24,862,504	17,525,379	18,670,047	22,798,503
15. Liquidity Coverage Ratio (%)	116.13%	178.58%	176.76%	133.16%

*Average weighted and unweighted amounts are calculated taking simple daily average for all quarters.

** The disclosure is based on the BLR return (BLR 1) for the respective quarter filed by the Bank with the RBI except for quarter ended March 31, 2021. Disclosure for quarter ended March 31, 2021 is based on BLR Return including the impact on disclosure due to adjustments made in books of accounts.

Quantitative disclosure around LCR

The table sets out Quantitative Information for all four quarters of the financial year ended March 31, 2020 as follows:

Particulars	₹ in 000's											
	Quarter ended March 31, 2020**			Quarter ended December 31, 2019**			Quarter ended September 30, 2019**			Quarter ended June 30, 2019**		
	Total Unweighted Value (average)*	Weighted Value (average)*	Total Value (average)*	Total Unweighted Value (average)*	Weighted Value (average)*	Total Value (average)*	Total Unweighted Value (average)*	Weighted Value (average)*	Total Value (average)*	Total Unweighted Value (average)*	Weighted Value (average)*	Total Value (average)*
High Quality Liquid Assets (HQLA)												
1. Total High Quality Liquid Assets (HQLA)	23,290,385		20,769,184			16,642,947				13,971,143		
Cash Outflows												
2. Retail deposits and deposits from small business customers, of which:	42,897,798	3,310,807	46,983,817	4,129,577	41,348,967	3,637,906	34,414,170	3,009,079				
(i) Stable deposits	19,579,454	978,973	11,376,089	568,804	9,939,815	496,991	8,646,763	432,338				
(ii) Less stable deposits	23,318,344	2,331,834	35,607,729	3,560,773	31,409,152	3,140,915	25,767,407	2,576,741				
3. Unsecured wholesale funding, of which:	20,999,991	10,796,480	7,694,039	7,694,039	6,135,298	6,135,298	5,234,395	5,234,395				
(i) Operational deposits (all counterparties)"	11,296,325	1,092,814	-	-	-	-	-	-				
(ii) Non-operational deposits (all counterparties)"	9,703,666	9,703,666	7,694,039	7,694,039	6,135,298	6,135,298	5,234,395	5,234,395				
(iii) Unsecured debt	844,787	135,668	779,889	49,134	628,018	586,506	397,043	377,222				
4. Secured wholesale funding	594,140	29,707	520,647	26,032	1,522,370	533,987	1,061,725	414,264				
5. Additional requirements, of which	-	-	-	-	-	-	-	-				
(i) Outflows related to derivative exposures and other collateral requirements"	-	-	-	-	-	-	-	-				
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-				
(iii) Credit and liquidity facilities	594,140	29,707	520,647	26,032	1,522,370	533,987	1,061,725	414,264				
6. Other contractual funding obligations	32,317	32,317	39,355	39,355	41,570	41,570	380,231	380,231				
7. Other contingent funding obligations	701,125	280,450	982,847	393,139	-	-	80,102	2,403				
8. Total Cash Outflows	66,070,157	14,585,429	57,000,593	12,331,275	49,676,223	10,935,267	41,567,667	9,417,594				
Cash Inflows												
9. Secured lending (e.g. reverse repos)	2,409,347	-	2,014,182	-	719,907	-	98,600	-				
10. Inflows from fully performing exposures	10,060,315	5,413,026	10,039,036	5,457,023			-	-				
11. Other cash inflows	500,000	-	-	-	11,595,548	7,197,940	16,022,902	11,928,651				
12. Total Cash Inflows	12,969,663	5,413,026	12,053,218	5,457,023	12,315,455	7,197,940	16,121,502	11,928,651				
13. TOTAL HQLA	23,290,385		20,769,184			16,642,947				13,971,143		
14. Total Net Cash Outflows	9,172,403		6,874,252			3,737,326				(2,511,057)		
15. Liquidity Coverage Ratio (%)	253.92%		302.13%			445.32%				593.41%		

* Average weighted and unweighted amounts are calculated taking simple daily average for all quarters for the year ended March 31, 2020.
** The disclosure for the quarter ended June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 is based on the BLR return (BLR 1) for the respective quarter filed by the Bank with the RBI.

20. DISCLOSURE ON RESTRUCTURING
Disclosure on accounts subjected to Restructuring for the year ended March 31, 2021

Sr No.	Type of Restructuring	₹ in 000's											
		Under CDR Mechanism				Under SME debt restructuring mechanism							
		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total		
Asset Classification													
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-
3	Up gradation to restructured standard category during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and /or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31, 2021 (closing figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-

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for the year ended March 31, 2021

Sr No.	Type of Restructuring	Others										Total			Total
		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss					
Asset Classification															
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	23,670	2,226	49	-	25,945	23,670	2,226	49	-	25,945			
		Amount Outstanding	313,166	41,870	3,718	-	358,754	313,166	41,870	3,718	-	358,754			
		Provision thereon	20,117	32,247	3,229	-	55,593	20,117	32,247	3,229	-	55,593			
2	Fresh restructuring during the year#	No. of Borrowers	429,312	3	-	-	429,315	429,312	3	-	-	429,315			
		Amount Outstanding	10,117,680	28	-	-	10,117,708	10,117,680	28	-	-	10,117,708			
		Provision thereon	820,862	9	-	-	820,871	820,862	9	-	-	820,871			
3	Up gradation to restructured standard category during the year	No. of Borrowers	4	(4)	-	-	-	4	(4)	-	-	-			
		Amount Outstanding	11	(74)	-	-	(63)	11	(74)	-	-	(63)			
		Provision thereon	1	(39)	-	-	(38)	1	(39)	-	-	(38)			
4	Restructured standard advances which cease to attract higher provisioning and /or additional risk weight at the end of the FY and hence need not be shown as the restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-			
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-		
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-		
5	Downgradations of restructured accounts during the year	No. of Borrowers	(26,129)	24,886	1,224	18	(1)	(26,129)	24,886	1,224	18	(1)			
		Amount Outstanding	(521,945)	448,047	21,990	1,708	(50,200)	(521,945)	448,047	21,990	1,708	(50,200)			
		Provision thereon	(40,930)	235,306	21,802	1,708	217,886	(40,930)	235,306	21,802	1,708	217,886			
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	1	-	-	1	-	1	-	-	1			
		Amount Outstanding	(1,248,971)	(8)	(19)	-	(1,248,998)	(1,248,971)	(8)	(19)	-	(1,248,998)			
		Provision thereon	(90,611)	(8)	(19)	-	(90,638)	(90,611)	(8)	(19)	-	(90,638)			
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	(58,713)	(1,027)	(25)	-	(59,765)	(58,713)	(1,027)	(25)	-	(59,765)			
		Amount Outstanding	(746,997)	(15,215)	(231)	-	(762,443)	(746,997)	(15,215)	(231)	-	(762,443)			
		Provision thereon	(41,205)	(11,886)	(231)	-	(53,322)	(41,205)	(11,886)	(231)	-	(53,322)			
8	Restructured Accounts as on March 31, 2021 (closing figures)	No. of Borrowers	368,144	26,085	1,248	18	395,495	368,144	26,085	1,248	18	395,495			
		Amount Outstanding	7,912,944	474,648	25,458	1,708	8,414,758	7,912,944	474,648	25,458	1,708	8,414,758			
		Provision thereon	668,234	255,629	24,781	1,708	950,352	668,234	255,629	24,781	1,708	950,352			

The Bank has restructured accounts during the year ended March 31, 2021 including:

- a) The standard MSME accounts restructured based on RBI circular dated January 01, 2019 and further extended by RBI circular dated February 11, 2020 & August 06, 2020 and
b) The Standard accounts restructured under resolution framework for COVID-19-related Stress as per RBI circular dated August 06, 2020

As on March 31, 2020

Sr No.	Type of Restructuring	Under CDR Mechanism					Under SME debt restructuring mechanism				
		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
Asset Classification											
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-
3	Up gradation to restructured standard category during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and /or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31, 2020 (closing figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-

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for the year ended March 31, 2021

Sr No.	Type of Restructuring	Asset Classification	Others					Total			Loss	Total	Loss	Total	
			Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful					
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	15,619	979	91	1	16,690	15,619	979	91	1	16,690			
		Amount Outstanding	235,846	14,732	3,790	260	254,628	235,846	14,732	3,790	260	254,628			
		Provision thereon	11,792	4,653	3,385	260	20,091	11,792	4,653	3,385	260	20,091			
2	Fresh restructuring during the year	No. of Borrowers	34,676	2	-	-	34,678	34,676	2	-	-	34,678			
		Amount Outstanding	771,628	1,196	-	-	772,824	771,628	1,196	-	-	-	772,824		
		Provision thereon	3,858	300	-	-	4,158	3,858	300	-	-	-	4,158		
3	Up gradation to restructured standard category during the year	No. of Borrowers	5	(5)	-	-	-	5	(5)	-	-	-			
		Amount Outstanding	84	(136)	-	-	(52)	84	(136)	-	-	-	(52)		
		Provision thereon	18	(41)	-	-	(23)	18	(41)	-	-	-	(23)		
4	Restructured standard advances which cease to attract higher provisioning and /or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-			
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-		
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-		
5	Downgradations of restructured accounts during the year	No. of Borrowers	(2,223)	2,191	32	-	-	(2,223)	2,191	32	-	-			
		Amount Outstanding	(48,606)	38,246	1,634	-	(8,726)	(48,606)	38,246	1,634	-	-	(8,726)		
		Provision thereon	(309)	31,195	1,379	-	32,265	(309)	31,195	1,379	-	-	32,265		
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-			
		Amount Outstanding	(354,317)	(44)	(274)	-	(354,635)	(354,317)	(44)	(274)	-	-	(354,635)		
		Provision thereon	12,046	(11)	(104)	-	11,931	12,046	(11)	(104)	-	-	11,931		
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	(24,407)	(941)	(74)	(1)	(25,423)	(24,407)	(941)	(74)	(1)	(25,423)			
		Amount Outstanding	(291,469)	(12,124)	(1,432)	(260)	(305,285)	(291,469)	(12,124)	(1,432)	(260)	(305,285)			
		Provision thereon	(7,288)	(3,849)	(1,432)	(260)	(12,829)	(7,288)	(3,849)	(1,432)	(260)	(12,829)			
8	Restructured Accounts as on March 31, 2020 (closing figures)	No. of Borrowers	23,670	2,226	49	-	25,945	23,670	2,226	49	-	25,945			
		Amount Outstanding	313,166	41,870	3,718	-	358,755	313,166	41,870	3,718	-	-	358,754		
		Provision thereon	20,117	32,247	3,229	-	55,593	20,117	32,247	3,229	-	-	55,593		

* The Bank has restructured accounts during the year ended March 31, 2021 including:

- a) The standard MSME accounts restructured based on RBI circular dated January 01, 2019 and further extended by RBI circular dated February 11, 2020 & August 06, 2020 and
b) The Standard accounts restructured under resolution framework for COVID-19-related Stress as per RBI circular dated August 06, 2020

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21 EMPLOYEE BENEFITS (AS-15) REVISED

21.1 Gratuity:

Gratuity is a defined benefits plan. The Bank has obtained qualifying insurance policies from Insurance Company. The following table summarises the components of net expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet on the basis of actuarial Valuation. Actuarial losses/gains are recognised in the Profit and Loss Account in the year in which they arise.

Details of defined benefit plan of gratuity are given below:

(₹ in 000's)		
Changes in the present value of the obligation	As at 31/03/2021	As at 31/03/2020
Opening balance of Present Value of Obligation	444,552	310,438
Interest Cost	27,885	19,393
Current Service Cost	117,997	109,778
Benefits Paid	(23,097)	(23,242)
Actuarial loss / (gain) on Obligation	(5,799)	28,184
Acquisitions/Divestures/Transfers	-	-
Closing balance of Present Value of Obligation	561,538	444,552
Reconciliation of opening and closing balance of the fair value of the Plan Assets		
Opening balance of Fair value of Plan Assets	294,783	232,305
Adjustment to Opening Balance	-	35
Expected Return on Plan assets	23,064	16,858
Contributions	149,796	78,134
Other charges (Service tax, FMC, Mortality charges, etc)	-	-
Benefits Paid	(23,097)	(23,242)
Actuarial Gain/(loss) Return on Plan Assets	14,857	(9,306)
Closing balance of Fair Value of Plan Assets	459,403	294,783
Actual Return on Plan Assets	37,921	7,586

(₹ in 000's)		
Profit and Loss – Expenses	Year ended 31/03/2021	Year ended 31/03/2020
Current Service Cost	117,997	109,778
Interest Cost	27,885	19,393
Expected Return on Plan assets	(23,064)	(16,858)
Net Actuarial loss/(gain) recognized in the year	(20,656)	37,456
Expenses recognized in the Profit and Loss Account	102,162	149,769

(₹ in 000's)		
Funded status (100% Insurance managed funds)	As at 31/03/2021	As at 31/03/2020
Actuarial Assumptions		
Discount Rate	6.44%	6.40%
Expected Rate of Return on Plan Assets	6.44%	6.40%
Expected Rate of Salary Increase	9.00%	9.00%
Employee Attrition Rate	19.69%	20.84%

(₹ in 000's)			
Particulars	As at 31/03/2021	As at 31/03/2020	As on 31/03/2019
Experience Adjustments			
Plan Assets	459,403	294,783	232,305
Defined benefit obligation	561,538	444,552	310,438
Surplus/ (Deficit)	(102,162)	(149,769)	(78,133)
Actuarial (Gain)/ Losses due to Experience on Defined Benefit Obligation	(8,681)	(8,038)	3,788

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for the year ended March 31, 2021

The expected rate of return on assets is determined based on the assessment made at the beginning of the year on the return expected on its existing portfolio, along with the estimated increment to the plan assets and expected yield on the respective assets in the portfolio during the year.

Category of Plan Assets	As at 31/03/2021	As at 31/03/2020
Assets Under Insurance Schemes	100%	100%

(a) The estimates of future salary increases, considered in actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.

(b) During the current and previous year the Bank does not have unamortised gratuity and pension liability.

(c) Discount rate is based on the prevailing market yields of Indian Government Bonds as on the Balance Sheet date for the estimated term of the obligation.

21.2 Compensated Absences

The Actuarial liability of compensated absences of accumulated privileged leaves of the employees is given below:

Particulars	As at 31/03/2021	As at 31/03/2020
Privileged Leave Actuarial Liability	428,875	316,818
Assumptions		
Discount Rate	6.44%	6.40%
Salary Escalation Rate	9.00%	9.00%

21.3 Defined Contribution Plans

Amount recognised in the Statement of Profit and Loss	As at 31/03/2021	As at 31/03/2020
(i) Provident fund Contributed to the Authorities	155,454	159,772
(ii) Pension Fund Contributed to the Authorities	240,398	225,868

22 SEGMENT REPORTING

In accordance with the guidelines issued by RBI & AS-17, the Bank has adopted Segment Reporting as under:

A) Treasury:

The Treasury Segment primarily consists of net interest earnings from the Bank's Investment portfolio, money market borrowing and lending, gains or losses on Investment operations and income from sale of PSLC."

B) Retail Banking:

The Retail Banking Segment serves retail customers through a branch network and other delivery channels. Retail Banking includes lending to and deposits from retail customers and identified earnings and expenses of the segment. This segment raises deposits from customers and provides loans and other services to customers. Revenues of the retail banking segment are derived from interest earned on retail loans, processing fees earned and other related incomes. Expenses of this segment primarily comprise interest expense on deposits & Borrowings, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses."

C) Corporate/ Whole Sale Banking:

The Wholesale Banking Segment provides loans to Corporates and Financial Institutions. Revenues of the wholesale banking segment consist of interest earned on loans made to customers. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

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for the year ended March 31, 2021

(₹ in 000's)

Sr. No	Business Segments →	Part A: Business segments			
		Treasury	Retail Banking	Corporate/ Wholesale Banking	Total
	Particulars ↓	March 31, 2021	March 31, 2021	March 31, 2021	March 31, 2021
1	Revenue	3,193,116	27,408,339	567,407	31,168,862
2	Unallocated Revenue	-	-	-	-
3	(less) Inter Segment Revenue	-	-	-	-
4	Total Income (1+2-3)	3,193,116	27,408,339	567,407	31,168,862
5	Segment Result	1,029,285	(481,699)	297,429	845,015
6	Unallocated Expenses	-	-	-	743,040
7	Operating Profit	-	-	-	101,975
8	Tax Expenses (including deferred tax)	-	-	-	19,006
9	Extraordinary Profit/ Loss	-	-	-	-
10	Net Profit (5-6-8-9)	-	-	-	82,969
	Other Information:				
11	Segment Assets	49,303,326	145,452,429	6,486,523	201,242,278
12	Unallocated Assets	-	-	-	2,562,262
13	Total Assets	-	-	-	203,804,540
14	Segment Liabilities	49,303,326	117,542,489	4,771,205	171,617,020
15	Unallocated Liabilities	-	-	-	-
16	Total Liabilities	-	-	-	203,804,540

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

Part B: Geographic Segment

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

(₹ in 000's)

Sr. No	Business Segments →	Part A: Business segments			
		Treasury	Retail Banking	Corporate/ Wholesale Banking	Total
	Particulars ↓	March 31, 2020	March 31, 2020	March 31, 2020	March 31, 2020
1	Revenue	1,978,149	27,726,765	553,222	30,258,136
2	Unallocated Revenue	-	-	-	-
3	(less) Inter Segment Revenue	-	-	-	-
4	Total Income (1+2-3)	1,978,149	27,726,765	553,222	30,258,136
5	Segment Result	424,083	4,884,498	15,323	5,323,904
6	Unallocated Expenses	-	-	-	661,507
7	Operating Profit	-	-	-	4,662,396
8	Tax Expenses (including deferred tax)	-	-	-	1,163,211
9	Extraordinary Profit/ Loss	-	-	-	-
10	Net Profit (5-6-8-9)	-	-	-	3,499,186
	Other Information:				
11	Segment Assets	35,548,903	142,643,549	5,491,565	183,684,017
12	Unallocated Assets	-	-	-	428,421
13	Total Assets	-	-	-	184,112,438
14	Segment Liabilities	35,548,903	112,777,174	3,909,107	152,235,184
15	Unallocated Liabilities	-	-	-	-
16	Total Liabilities	-	-	-	184,112,438

Notes to Financial Statements

for the year ended March 31, 2021

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

Part B: Geographic Segment

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

23 RELATED PARTY DISCLOSURES (AS-18)

As per AS 18 Related Party Disclosures notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rule 2014 and Companies (Accounting Standards) Amendment Rules 2016, the Banks' related parties during the year ended March 31, 2021 are disclosed below:

Holding company :

Ujjivan Financial Services limited (UFSL)

Key Management Personnel (KMP) :

Mr. Nitin Chugh (Managing Director and CEO) (From December 01, 2019)

Mr. Samit Ghosh (Managing Director and CEO) (Retired on November 30, 2019)

Ms Upma Goel (Chief Financial Officer)

Mr. Chanchal Kumar (Company Secretary)

Enterprise in which relatives of KMP are members :

Parinaam Foundation (Upto November 30, 2019)

Enterprise in which KMP are members :

Ujjivan Welfare and Relief Trust

USFB Employee's Gratuity Trust

UFSL Employee's Gratuity Trust

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of Key Management Personnel as they are in the nature of banker-customer relationship.

Transactions with Related Parties for the year ended March 31, 2021

(₹ in 000's)

Items/Related Party	Holding Company	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are members	Enterprise in which KMP are members	Total
Deposit*	(1,292,983)	(223,742)	-	(5,291)	(1,522,016)
	915,040	223,651	-	4,086	1,142,777
Reimbursement of expenses - Amount Paid	3,571	-	-	-	3,571
Reimbursement of expenses - Amount Received	4,401	-	-	-	4,401
Inter Company Transfer- Amount Received	38	-	-	-	38
Inter Company Transfer- Amount paid	-	-	-	13,485	13,485
Bank Contribution to Related parties under CSR/ Donation	-	-	-	1,430	1,430
Interest on Deposits	79,348	12,169	-	500	92,017
Payment of Remuneration **	-	26,847	-	-	26,847

*Figures in bracket indicate maximum balance outstanding during the period based on comparison of the total outstanding balances at each quarter-end.

**The above Remuneration excludes Bonus and Gratuity.

Note: An amount of ₹ 1036(000's) received by UFSL is towards employees perquisite tax

Notes to Financial Statements

for the year ended March 31, 2021

Transactions with Related Parties for the year ended March 31, 2020

(₹ in 000's)

Items/Related Party	Holding Company	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are members	Enterprise in which KMP are members	Total
Deposit*	(1,314,581)	(383,670)	(84,079)	(7,427)	(1,789,758)
	1,314,581	148,242	84,079	7,427	1,554,329
Reimbursement of expenses - Amount Paid	443	-	-	-	443
Reimbursement of expenses - Amount Received	5,034	-	57	-	5,091
Inter Company Transfer- Amount Received**	-	-	-	-	-
Inter Company Transfer- Amount paid***	-	-	-	2,486	2,486
Interim Preference Dividend	110,000	-	-	-	110,000
Bank Contribution to Parinaam Foundation & USFB Welfare and Relief Trust**	-	-	5,000	5,273	10,273
Interest on Deposits	102,813	5,730	7,213	253	116,009
Payment of Remuneration ****	-	56,405	-	-	56,405
Rendering of services	-	-	5,072	-	5,072

*Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

** Employee Contribution to USFB Relief Fund through Payroll recovery of ₹ 2,486 (000's) & Quantum of Donation by Bank is restricted to 1% of PY Net Profit as per RBI Regulation - ₹ 5,273 (000's)

***The above Remuneration excludes Bonus and Gratuity.

Note: An amount of ₹ 21,391 (000's) received by UFSL and an amount of ₹ 435 (000's) is paid by USFB towards employees perquisite tax

Balances with Related Parties for the year

(₹ in 000's)

Particulars	As at 31/03/2021	As at 31/03/2020
Enterprise in which KMP are members		
Ujjivan Welfare and Relief Trust	(8,360)	(7,427)
	4,175	7,535
Outstanding Balance with enterprise in which relative of Key Management Personnel are Members		
Parinaam Foundation	-	(84,079)
	-	85,626
Holding Company		
Ujjivan Financial Services limited	(1,292,983)	(1,314,581)
	917,472	1,314,568

Figures in bracket indicates maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

24 OPERATING LEASES (AS-19)

The future minimum lease payments under non-cancellable operating leases are as follows:

(₹ in 000's)

Particulars	As at 31/03/2021	As at 31/03/2020
i) Not later than one year	701,292	719,148
ii) Later than one year but not later than five years	2,949,350	2,250,725
iii) Later than five years	843,697	2,366,272

Notes to Financial Statements

for the year ended March 31, 2021

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
The total of minimum lease payments recognized in the Profit and Loss Account for the year	704,964	685,028

There are no provisions relating to contingent rent.

25 EARNINGS PER SHARE

The Bank reports basic and diluted earnings per Equity share in accordance with Accounting Standard-20 Earnings Per Share.

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
Profit available to equity share holders (in 000's) - (A)	82,969	3,366,575
Weighted average shares outstanding – Basic (Nos. in 000's) - (B)	1,728,244	1,535,395
Weighted average shares outstanding – Diluted (Nos. in 000's) - (C)	1,728,743	1,542,085
Nominal Value of Equity Shares (₹)	10	10
Earnings per share – Basic (₹) - (A/B)	0.05	2.19
Earnings per share – Diluted (₹) - (A/C)	0.05	2.18

26 MISCELLANEOUS

26.1 Provisions for taxation during the year:

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
Income Tax	1,625,457	1,143,922
Income Tax - Prior Period	84,607	-
Deferred tax Liability/ (Asset) - (Refer Schedule 18(27))	(1,691,058)	19,288
Total	19,006	1,163,211

26.2 Disclosure relating to Depositor Education and Awareness Fund (DEAF):

The details of amount transferred to Depositor Education and Awareness Fund during the current and previous year.

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
Opening balance of amounts transferred to DEAF	2,037	424
Add: Amounts transferred to DEAF during the year	151	1,613
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	2,188	2,037

As per RBI circular DBR. No. DEA Fund Cell. BC. 67/3-.01.002/2014-15 dated February 02, 2015, the details of unclaimed Security Deposits has been displayed on our website with respect to amount transferred to DEAF.

26.3 Drawdown from Reserves

The Bank has not undertaken any drawdown from reserves during the financial year ended March 31, 2021 and March 31, 2020.

Notes to Financial Statements

for the year ended March 31, 2021

26.4 Fixed Assets

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
Fixed Assets excluding Computer Software		
Opening balance (cost)	3,346,166	2,915,563
Additions during the year	213,704	471,904
Deduction during the year	(27,930)	(41,301)
Depreciation to date	(1,798,200)	(1,321,681)
Balance at the end of the year	1,733,740	2,024,485

26.5 Computer Software

The movement in fixed assets capitalized as computer software is given below:

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
Opening balance (cost)	1,389,447	1,151,981
Additions during the year	526,845	237,466
Deduction during the year	-	-
Depreciation to date	(890,615)	(615,232)
Balance at the end of the year	1,025,677	774,215

26.6 Description of Contingent Liabilities:

Particulars	(₹ in 000's)	
	As at 31/03/2021	As at 31/03/2020
i) Claims against the Bank not acknowledged as debt		
- Taxation	17,106	4,226
- Other Legal cases	228,719	1,307
ii) Guarantees given on behalf of Constituents	2,500	47,500
iii) Other items for which the Bank is contingently liable		
- Capital commitments not provided	155,084	154,295
- Amount transferred to Depositor Education and Awareness Fund (DEAF)	2,188	2,037
Total	405,597	209,365

Contingent liability	Brief description
Claims against the Bank not acknowledged as debts - taxation	The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and the provisions of Income Tax Act, 1961.
Claims against the Bank not acknowledged as debts - Other legal cases	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows. It includes ₹ 227,040 ('000) notice received by Bank in March'21 regarding non-remittance of statutory provident fund dues on the applicable wages components.
Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfil its financial or performance obligations. These include: a) Capital commitments; b) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF)
Other items for which the Bank is contingently liable	

26.7 Disclosure of Letters of Comfort issued by the Bank:

The Bank has not issued any Letter of Comfort during the current and previous year.

Notes to Financial Statements

for the year ended March 31, 2021

26.8 Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the bank during the current and previous year.

26.9 Other Expenditure:

Other expenditure includes Local Conveyance of ₹ Nil (PY: ₹ 3,04,859 (000's)) and National Financial Switch (NFS) Expenses of ₹ Nil (PY: ₹ 3,09,690 (000')) exceeding 1% of the total income of the Bank.

26.10 The Bank has a process whereby periodically all long term contract are assessed for material foreseeable losses. At the year end, the Bank has reviewed and ensured that no provision is required under any law / accounting standards on such long term contracts as on March 31, 2021 and March 31, 2020.

26.11 Credit default Swaps

The Bank has not entered into any credit default swap transactions during the current and previous year.

26.12 Credit card and debit card reward points

The Bank does not have credit card products, hence reward points are not applicable. Also, the Bank does not provide any reward points on debit card."

26.13 Off balance sheet SPVs sponsored

There are no off-balance sheet SPVs sponsored by the bank as at March 31, 2021 and as at March 31, 2020.

26.14 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2021 and as at March 31, 2020 is Nil.

26.15 Country wise risk exposure

The Bank does not have any country wise Risk Exposure as at March 31, 2021 and as at March 31, 2020.

26.16 Unhedged foreign currency exposure

The Bank does not have any unhedged foreign country exposure as at March 31, 2021 and as at March 31, 2020.

27 DEFERRED TAX

In accordance with Accounting Standard -22 "Accounting for Taxes on Income", the company has recognized deferred tax (asset)/Liability as detailed below:

As at March 31, 2021

Particulars	(₹ in 000's)		
	Deferred Tax (Assets) / Liabilities as at April 01, 2020	Current year (credit) / charge	Deferred Tax (Assets) / Liabilities as at March 31, 2021
Difference between book and tax depreciation	101,325	722	102,047
Provision for Employee benefits	(106,520)	(92,978)	(199,498)
Provision for doubtful assets/standard assets	(238,387)	(1,646,801)	(1,885,188)
Others	(156,889)	47,999	(108,890)
Net Deferred Tax (Asset) / Liability	(400,471)	(1,691,058)	(2,091,529)

As at March 31, 2020

Particulars	(₹ in 000's)		
	Deferred Tax (Assets) / Liabilities as at April 01, 2019	Current year (credit) / charge	Deferred Tax (Assets) / Liabilities as at March 31, 2020
Difference between book and tax depreciation	161,493	(60,168)	101,325
Provision for Employee benefits	(52,507)	(54,013)	(106,520)
Provision for doubtful assets/standard assets	(402,992)	164,605	(238,387)
Others	(125,753)	(31,135)	(156,889)
Net Deferred Tax (Asset) / Liability	(419,759)	19,288	(400,471)

28 DISCLOSURES ON REMUNERATION:

28.1 Qualitative Disclosures

(A) Information relating to the composition and mandate of the Remuneration Committee.

Bank has constituted a Nomination and Remuneration Committee (NRC). The NRC comprises of five members out of which three are Independent Directors. Mandate of the Nomination and Remuneration Committee, inter-alia, is to oversee the framing, review and implementation of the Banks's Compensation policy & Nomination

Notes to Financial Statements

for the year ended March 31, 2021

& Remuneration Policy for Whole Time Director/ Chief Executive Officers/Risk Takers, control function staff and other employees of the Bank for ensuring effective alignment between remuneration and risks. The Committee also ensures that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks. The Nomination and Remuneration Committee reviews Compensation policy and Nomination & Remuneration Policy of the Bank with a view to attract, retain and motivate employees.

(B) Information relating to the design and structure of remuneration processes and the key features and objectives of Compensation Policy and Nomination & Remuneration Policy

The Compensation Policy and Nomination & Remuneration Policy has been laid out keeping the following perspectives into considerations:

- Our Compensation principles should support us in achieving our mission of providing a full range of financial services to the economically active poor of India who are not adequately served (unserved and underserved) by financial institutions. Therein, this policy should support us to attract and retain talent and skills required to further the organizations purpose and ideology.
- The pay structure and amounts confirms and shall always conform to applicable Income Tax and other similar statutes.
- All practices of Ujjivan SFB shall comply with applicable labour laws.
- The pay structure should be standardized for a level of employees.
- Elements eligible for tax exemption may be introduced at appropriate levels to enable employees take applicable tax breaks. Amounts related to 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.

(C) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

- Structurally, the Control functions such as Credit, Risk and Vigilance are independent of the business functions and each other, thereby ensuring independent oversight from various aspects on the business functions.
- The Bank ensures that staff engaged in financial and 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.
- The Bank is in the process of comprehensively measuring and reviewing material risks to which Bank is exposed to under ICAAP. The Bank also complies with Basel II requirements.

(D) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.

- 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.
- Ujjivan shall, from time to time benchmark its compensation against identified market participants to define its pay structure and pay levels.
- The merit increments will be finalized and approved by the NHRC year on year, basis organization's budgets and accomplishments as well as market reality.
- Ujjivan believes in paying its employees in an equitable and fair manner basis the incumbent's Role, Personal Profile (Education/Experience etc.) as well as Performance on the Job.
- Employees rated "Below Expectations" shall not be provided any increments, unless statutorily required.

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for the year ended March 31, 2021

(E) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

"The Bank shall announce payment of cash variable pay as suitable. Discretion is typically applied related to staggered payout in case large payouts, particularly for functions like Credit and Risk. Payment is prorated for employees who have worked for part of the year at Ujjivan. If there are significant developments in the year of payment (internal or external), management shall have leeway to announce a decision about payouts."

Ujjivan believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options of the Bank are distributed amongst employees basis their criticality and performance from time to time, at the discretion of the management. Ujjivan believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options of the Bank are distributed amongst employees basis their criticality and performance.

Stock option schemes at Ujjivan vest in a staggered manner. Besides the statutory requirement of grant and 1 year vesting, the total set of options vest in various tranches for up to a period of 5 years.

Malus/ Clawback: In the event of negative contributions of the individual towards the achievements of the Banks objectives in any year, the deferred compensation should be subjected to Malus/Clawback arrangements. Similar provisions shall apply in case the individual is found guilty of any major non-compliance or misconduct issues.

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.

(F) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

Variable Compensation at Ujjivan has the following distinct forms:

I) Cash Variable Pay

1. Statutory Bonus
2. Performance Pay:

- a. Performance Bonus
- b. Monthly Variable Pay
3. Rewards & Recognition

The policy has been laid out keeping the following perspectives into considerations:

The Variable pay structure and amounts shall always conform to applicable Income Tax statutes, Labour Laws, Regulatory Requirements, any other applicable statutes and prevalent market practice.

It is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.

Statutory Bonus: Statutory Bonus in India is paid as per Payment of Bonus Act, 1965.

Monthly Variable Pay: Employees in the Sales function, directly responsible for revenue generation shall be covered under the Monthly Variable Pay if meeting the criteria of the respective scheme. Typically some of the entry level roles and upto two 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 of Ujjivan Small Finance Bank. However, the actual payout of performance bonus shall be paid only to employees who have met our performance 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: Ujjivan shall design schemes and practices from time to time to celebrate employees / departmental / organizational success. These celebrations may include offering tokens of appreciation to employees as defined in specific schemes. Fairness of application and transparency of communication shall be the hallmark of all such schemes. These will be subject to income tax laws, as applicable. Examples of such schemes may include: Long Service Awards (currently at one, three, five, seven and ten yrs. of completion of service with Ujjivan), Functional R&R Schemes; Organizational Rewards Schemes such as: Service Champion; Process Excellence; Customer Connect Awards; Above and Beyond; etc.

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for the year ended March 31, 2021

II) Non-cash Variable Pay

Ujjivan believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options of the Bank are distributed amongst employees basis their criticality and performance 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."

28.2 Quantitative Disclosures

The quantitative disclosures cover the Bank's Whole Time Director (WTD) and Material Risk Takers (MRT). The Bank's MRT includes Managing Director and Chief Executive Officer (MD & CEO), Head- Treasury, Current and Ex-Chief Credit Officer (CCO), Head - Liabilities and Head - Micro & Rural Banking.

(₹ in 000's)

Particulars	Year ended March 31, 2021 ¹	Year ended March 31, 2020 ¹
Number of meetings held by Nomination & Remuneration Committee (NRC) and remuneration paid to its members	8 meetings of Nomination & Remuneration Committee (NRC) were held during April 01, 2020 to March 31, 2021. NRC members were paid total sitting fees of ₹ 1,370 (000's) for Eight meetings. Human Resource and Compensation Committee (HRC) was merged with NRC on Feb 03, 2021. No meeting of HRC was held during Financial Year 2020-21.	9 meetings of Nomination & Remuneration Committee (NRC) were held during April 01, 2019 to March 31, 2020. Further, 2 meetings of Human Resource and Compensation Committee (HRC) was held during April 01, 2019 to March 31, 2020. The members of the NRC were paid total sitting fees of ₹ 1,620 (000's) for Nine meetings while members of HRC were paid total sitting fees of ₹ 130 (000's) for 2 meetings.
Number of employees having received a variable remuneration award.	6 employees MD & CEO, Head- Treasury, Current and Ex-Chief Credit Officer (CCO), Head - Liabilities and Head - Micro & Rural Banking.	8 employees (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)
Number and total amount of 'sign on' awards	Nil	*3,798,697 options
Details of guaranteed bonus if any paid as sign on bonus.	Nil	Nil
Details of severance pay in addition to the accrued benefits.#	₹ 7,409 (000's)	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms.	Cash : Nil ² ESPS shares : Nil ESOP grants : 2,54,874*** MD & CEO, Head- Treasury, Chief Credit Officer (CCO), Head - Liabilities and Head - Micro & Rural Banking.	Cash : ₹ 5,268 (000') **ESPS shares : 28,84,837 ***ESOP grants : 4,38,190 (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)
Total amount of deferred remuneration paid.	Nil	₹ 1,816 ('000) (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)
Breakdown of amount of remuneration awards for the financial Period to show fixed and variable, deferred and non-deferred	Fixed gross : ₹ 49,198 ('000) Variable deferred : ₹ NIL Fixed gross of the following employees : MD & CEO, Head- Treasury, Current and Ex-Chief Credit Officer (CCO), Head - Liabilities and Head - Micro & Rural Banking.	Fixed gross : ₹ 81,520 ('000) Variable deferred : ₹ 1,817 ('000) (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments.	Nil	Nil
Total amount of reductions during the FY due to ex - post explicit adjustments	Nil	Nil

Notes to Financial Statements

for the year ended March 31, 2021

(₹ in 000's)		
Particulars	Year ended March 31, 2021 ¹	Year ended March 31, 2020 ¹
Total amount of reductions during the FY Nil due to ex – post implicit adjustments		Nil
Number of cases where malus has been exercised ³	Nil	
Number of cases where clawback has been exercised ³	Nil	
Number of cases where both malus and clawback have been exercised ³	Nil	
General Quantitative Disclosure ³		
The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	₹ 372 ('000) (excluding MD & CEO) 39.48 X	

Note:

#The amount includes the following paid to Ex-MD&CEO who retired on November 30, 2019.

*ESOPs basis RBI approval as sign-on grant for MD&CEO; vesting due over 2 years - FY 2020 and FY 2021.

** Including 26,90,000 shares allotted to Ex-MD&CEO.

*** Excluding ESOPs of Current MD&CEO since it was granted as sign-on grant. ESOPs are granted not exercised.

1. Current year disclosure is for WTD and MRTs. Previous year disclosure is for WTD and Key Risk Takers (KRTs).

2. For cash component - payment to be made as per guidance and approval of regulatory authority.

3. As per RBI circular 2019-20/89 DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 04, 2019, new disclosure have been presented for current year only.

29 DISCLOSURE ON REMUNERATION TO NON-EXECUTIVE DIRECTORS:

The Non-Executive Directors are paid Sitting Fees for attending meetings of the Board and its Committees. During the year, From April 01, 2020 Till July 01, 2020, the sitting fees was paid at the rate of ₹ 75 (000's) per Board meeting and at the rate of ₹ 50 (000's) per Board Committee Meetings. In the Board meeting held on July 31, 2020 (W.e.f from July 01, 2020), due to Covid-19 pandemic and to set the tone at the top to indicate that the Bank wants to be frugal and stand behind the management, directors had decided to reduce, on voluntary basis, the sitting fee for attending Board and Board Committee Meetings. Accordingly the sitting fees was reduced from ₹ 75 ('000) to ₹ 60 ('000) for attending Board Meeting from ₹ 50 ('000) to ₹ 40 ('000) per Board Committee meetings, further no sitting fees was paid for attending the Business Continuity Monitoring Committee Meeting during the said period.

Further, the earlier sitting fees were reinstated w.e.f December 01, 2020 as resolved in the Board Meeting held on November 07, 2020. The Bank has paid total ₹ 12,345 (000's)

(₹ in 000's)		
Particulars	Year ended 31/03/2021	Year ended 31/03/2020
Mr. Biswamohan Mahapatra ¹	1,605	1,410
Mr. Sunil Vinayak Patel ²	-	1,940
Ms. Vandana Viswanathan ³	835	1,450
Mr. Nandlal Sarada	1,615	1,685
Mr. Luis Miranda ⁴	-	1,005
Mr. Prabal Kumar Sen	1,455	1,260
Ms. Mona Kachhwaha	1,465	690
Mr. Jayanta Kumar Basu ⁵	1,470	700
Ms. Chitra K Alai (SIDBI)	270	200
Mr. Sachin Bansal ⁶	-	525
Mr. Mahadev Lakshminarayanan	1,845	775
Mr. Umang Bedi ⁷	1,135	-
Ms. Rajni Mishra ⁸	425	-

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for the year ended March 31, 2021

(₹ in 000's)		
Particulars	Year ended 31/03/2021	Year ended 31/03/2020
Mr. Ittira Davis ⁹	75	-
Mr. Rajesh Kumar Jogi ¹⁰	75	-
Mr. Harish Devarajan ¹¹	75	-
Mr. Umesh Bellur ¹²	-	-
Total	12,345	11,640

1) Mr. Biswamohan Mahapatra resigned on February 19, 2021 (close of business hours).

2) Mr. Sunil Vinayak Patel resigned w.e.f. February 1, 2020.

3) Ms. Vandana Viswanathan resigned w.e.f. November 15, 2020.

4) Mr. Luis Miranda resigned w.e.f. March 22, 2020.

5) Mr. Jayanta Kumar Basu resigned w.e.f. January 20, 2021 (End of Business Hours)

6) Mr. Sachin Bansal resigned w.e.f. January 27, 2020.

7) Mr. Umang Bedi was appointed as Additional Director (Independent) w.e.f. April 01, 2020 and was subsequently appointed as the Independent Director in the Annual General Meeting held on September 02, 2020.

8) Mrs. Rajni Anil Mishra was appointed as an Additional Director (Independent) w.e.f. December 16, 2020.

9) Mr. Ittira Davis was appointed as an Additional Director (Non- Executive, Non-Independent) and Part-Time chairman (subject to approval of RBI) w.e.f. March 13, 2021.

10) Mr. Rajesh Kumar Jogi was appointed as an Additional Director (Non-Executive, Non- Independent) w.e.f. March 13, 2021.

11) Mr. Harish Devarajan was appointed as an Additional Director (Independent) of the Bank w.e.f. March 13, 2021.

12) Mr. Umesh Bellur was appointed as an Additional Director (Independent) of the Bank w.e.f. March 13, 2021.

30 The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. An amount of ₹ 49 ('000) was outstanding for payment for more than 45 days to MSME creditors as of March 31, 2021 and ₹ 1,145 ('000) as of March 31, 2020.

31 CORPORATE SOCIAL RESPONSIBILITY

As per Sec 135 (1) of the Companies Act "Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director". Pursuant to this, Bank has duly constituted a Corporate Social Responsibility Committee.

Further, the section stipulates that the company should spend, in every financial year, at least two per cent of the average net profits made during the three immediately preceding financial years and in pursuance of its Corporate Social Responsibility Policy. Bank's CSR Strategy was approved by the CSR Committee & by the Board of Directors in the meeting held on July 30, 2020 & July 31, 2020 respectively. Bank is committed to meet its CSR obligation for the Financial Year 2020-21. Gross amount required to be spent by the Bank during the financial year ended March 31, 2021 is ₹ 49,567 ('000) (PY - ₹ 18,544)

(₹ in 000's)			
Particulars	Year ended March 31, 2021		
	Amount Spent	Amount unpaid/ provision*	Total
(i) Construction/acquisition of any asset	-	-	-
(ii) On purpose other than (i) above	55,338	-	55,338

(₹ in 000's)			
Particulars	Year ended March 31, 2020		
	Amount Spent	Amount unpaid/ provision*	Total
(i) Construction/acquisition of any asset	-	-	-
(ii) On purpose other than (i) above	12,467	-	12,467

*The Bank was required to spend ₹ 55,644 ('000) for the financial year 2020-21, which includes ₹ 49,567 ('000) two per cent of the average net profit for preceding 3 years and ₹ 6,077 ('000) unspent amount carry forwarded from previous financial year. The Bank as per proviso to section 135(5) of Companies Act 2013, has transferred an amount of ₹ 305 ('000) to PM CARES fund specified under Schedule VII.

Notes to Financial Statements

for the year ended March 31, 2021

32 PAYMENTS TO AUDITOR'S (SCHEDULE -16 AUDITOR'S FEES AND EXPENSES)

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
Audit Fees	4,088	3,706
Tax Audit Fees	194	109
Certification and other attest services (including Out of Pocket Expense)	5,119	4,855
Total	9,401	8,670

33 SHARE-BASED PAYMENTS

33(A) Employee Share Option Plan(ESOP)

33(A)(1) Details of the employee share option plan of the Bank

The Bank has share option scheme for employees (which includes the employees of the Holding Company), being ESOP 2019.

ESOP 2019

The ESOP 2019 is the scheme under which the Bank has issued options to the employees (which includes the employees of the Holding Company). The Bank has approved its ESOP Plan, 2019 in the Shareholders meeting held on March 29, 2019. On August 08, 2019, the Nomination & Remuneration Committee of the Bank has granted 3,70,00,403 ESOPs at ₹ 35 per shares to eligible employees of the Bank (which includes the employees of the Holding Company). Further, pursuant to the resolution passed by Nomination & Remuneration Committee on December 4, 2019, 3,798,697 additional options were granted under ESOP 2019 scheme. During the Financial Year 2020-21, 3,04,549 number options were granted on November 02, 2020 at the rate of ₹ 30.75 per shares to selected employees of the Bank.

The vesting period for the options granted under ESOP 2019 is as under:

Particulars	Options Granted	Year 1	Year 2	Year 3	Year 4	Year 5
ESOP 2019 - Original	37,000,403	20%	20%	20%	20%	20%
ESOP 2019 - Additional	3,798,697	52%	48%	-	-	-
ESOP 2019 - Senior Hire	304,549	20%	20%	20%	20%	20%
Total	41,103,649					

The following share-based payment arrangements were in existence during the current year:

Options Series	Number	Grant Date	Date of Vesting	Expiry Date	Exercise Price	Fair value at Grant Date
ESOP 2019 - Original	37,000,403	August 08, 2019	August 07, 2020	August 07, 2025	35.00	17.25
		August 08, 2019	August 07, 2021	August 07, 2026	35.00	19.31
		August 08, 2019	August 07, 2022	August 07, 2027	35.00	21.13
		August 08, 2019	August 07, 2023	August 07, 2028	35.00	22.77
		August 08, 2019	August 07, 2024	August 07, 2029	35.00	24.24
ESOP 2019 - Additional	3,798,697	December 4, 2019	December 12, 2020	December 12, 2025	35.00	17.25
		December 4, 2019	December 12, 2021	December 12, 2026	35.00	19.31
ESOP 2019 - Senior Hire	304,549	November 02, 2020	November 02, 2021	November 01, 2026	30.75	11.78
		November 02, 2020	November 02, 2022	November 01, 2027	30.75	13.08
		November 02, 2020	November 02, 2023	November 01, 2028	30.75	14.81
		November 02, 2020	November 02, 2024	November 01, 2029	30.75	16.03
		November 02, 2020	November 02, 2025	November 01, 2030	30.75	16.83

33(A)(2) Fair value of share options granted in the year

The weighted average fair value of the share options granted during the FY 2020-21 is 14.51 and for FY 2019-20 is ₹ 20.69. Options were calculated using Black and Scholes Model. Vested ESOPs can be exercised within five years from their corresponding dates of vesting. ESOPs vested can be exercised between date of vesting and on or before option expiry date. The term of the option is assumed to be the sum of a) duration till vesting; and b) the midpoint of the remaining exercise period from date of vesting, in absence of historical exercise pattern. Volatility of comparable Banks have been considered for the purposes of valuation.

Notes to Financial Statements

for the year ended March 31, 2021

Inputs considered for calculating options fair value are as follows:

Particulars	ESOP 2019				
	Vesting 1	Vesting 2	Vesting 3	Vesting 4	Vesting 5
Grant date share price	40.76	40.76	40.76	40.76	40.76
Exercise price	35	35	35	35	35
Expected volatility	40.08%	40.08%	40.08%	40.08%	40.08%
Option life	3.5	4.5	5.5	6.5	7.5
Risk-free interest rate	5.75%	5.90%	6.03%	6.13%	6.22%

Particulars	ESOP 2019 - Senior Hire				
	Vesting 1	Vesting 2	Vesting 3	Vesting 4	Vesting 5
Grant date share price	30.75	30.75	30.75	30.75	30.75
Exercise price	30.75	30.75	30.75	30.75	30.75
Expected volatility	43.50%	41.93%	43.29%	43.12%	41.66%
Option life	3.5	4.5	5.5	6.5	7.5
Risk-free interest rate	5.30%	5.30%	5.40%	5.40%	5.40%

33(A)(3) Movements in share options issued

During the year ended March 31, 2021

Particulars (Nos.)	Options granted and outstanding as at beginning of year	Granted during the year	Exercised during the year	Forfeited/ Expired during the year	Option exercisable at the end of the year
ESOP 2019 - Original	34,277,160	-	61,967	3,267,883	30,947,310
ESOP 2019 - Additional	3,798,697	-	-	-	3,798,697
ESOP 2019 - Senior Hire	-	304,549	-	-	304,549
Total	38,075,857	304,549	61,967	3,267,883	35,050,556
Weighted average exercise price	35.00	30.75	35.00	35.00	34.96

During the year ended March 31, 2020

Particulars (Nos.)	Options granted and outstanding as at beginning of year	Granted during the year	Exercised during the year	Forfeited/ Expired during the year	Option exercisable at the end of the year
ESOP 2019 - Original	-	37,000,403	-	2,723,243	34,277,160
ESOP 2019 - Additional	-	3,798,697	-	-	3,798,697
Total	-	40,799,100	-	2,723,243	38,075,857
Weighted average exercise price	-	35.00	-	35.00	35.00

33(A)(4) Share options exercised during the year

61,967 options has been exercised out of the ESOPs granted under the ESOP Plan 2019.

33(A)(5) Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of ₹ 35 for ESOP 2019 scheme and ₹ 30.75 for ESOP 2019 - Senior Hire and a weighted average remaining contractual life of 6.24 Years (PY - 7.24 Years).

33(A)(6) Expense arising from share based payment transaction recognized in Statement of profit or loss as employee benefit expense are as follows:

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
Employee benefit expense	224,465	211,464

Notes to Financial Statements

for the year ended March 31, 2021

33(A)(7) "ESOP arrangement with the Holding company (Ujjivan Financial Services Limited)

As per guidance note issued by ICAI on Share-based Payment, stock options have to be fair valued on the grant date and expense has to be recognised over the vesting period. The Bank has accordingly determined the cost of the employee share-based payments considering the fair value principles, recognised the share based payment expense for all the unvested options as on date for the period starting from the grant date. Total 473,240 options granted to Holding Company employees for which Bank has decided to cross charge the stock compensation expense through related party transaction. Accordingly, ₹ 2,374 (000's) has been booked as recoverable from Holding Company as on March 31, 2021.

33(B) Employee Stock Purchase Scheme 2019 (ESPS):

The ESPS Scheme was approved by the Shareholders in the Extra-Ordinary General Meeting held on August 03, 2019. Under the ESPS 2019 scheme the employees of the Bank and of Ujjivan Financial Services Limited (UFSL) subscribed to 1,40,55,097 number of equity shares at a price of ₹ 35 per equity share. During the year ended March 31, 2021, the Bank allotted 29,069 equity shares under ESPS 2019 on November 07, 2020 at price of ₹ 35 per equity share.

33(B)(1) ESPS is issued in three phases timelines of which are detailed below:

Phase	Subscription Start Date	Subscription End Date
I	August 09, 2019	September 09, 2019
II	September 10, 2019	September 26, 2019
III	October 07, 2019	October 16, 2019

33(B)(2) Expense arising from share based payment transaction recognized in Statement of profit or loss as employee benefit expense are as follows:

Particulars	(₹ in 000's)	
	Year ended 31/03/2021	Year ended 31/03/2020
Expense on ESPS	-	79,741

Consequent to the outbreak of COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases.

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities, which may persist even after the restrictions related to the COVID-19 outbreak are lifted. The slowdown during the year has led to a decrease in loan originations and in collection efforts' efficiency. This may lead to a rise in the number of customers defaults and consequently an increase in provisions there against.

The extent to which the COVID-19 pandemic, including the current "second wave" that has significantly increased the number of cases in India, will continue to impact the Bank's operations and financial results will depend on ongoing as well as future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Bank.

In order to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses, the RBI through its circulars dated March 27, 2020 and April 17, 2020, permitted Banks to grant a moratorium, on the payment of all instalments and/ or interest, falling due between March 01, 2020 and May 31, 2020 to their borrowers. This period was extended by RBI till August 31, 2020 through its circular dated May 23, 2020. The Bank accordingly extended the moratorium option to its borrowers in accordance with its Board approved policies. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

Notes to Financial Statements

for the year ended March 31, 2021

The quantitative disclosures as required by the above referred RBI circular dated April 17, 2020 are given below:

(₹ in 000's)	
Particulars	Amount
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular*	1,202,034
Term Loan Instalments: ₹ 1,199,636 ('000)	
Cash Credit / Overdraft : ₹ 2,377 ('000)	
Respective amount where asset classification benefits is extended*	1,202,034
Term Loan Instalments: ₹ 1,199,636 ('000)	
Cash Credit / Overdraft : ₹ 2,377 ('000)	
Provisions made in terms of para 5 of the circular during the year ended March 31, 2021:	114,718
Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6 of the circular	92,901
Residual provisions in terms of paragraph 6 of the circular	21,817

*represents outstanding balance as on March 31, 2021 in respect of such accounts.-

Above disclosure includes all the accounts which were standard but overdue as on February 29, 2020 and remained overdue as on June 30, 2020.

35 Details of resolution plan implemented under the Resolution Framework for COVID-19 related stress as per RBI circular dated August 6, 2020 are given below:

(A) Details of resolution plan implemented under the Resolution Framework for COVID-19 related stress as per RBI circular dated August 6, 2020 are given below:

(₹ in '000, except number of accounts)					
Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window*	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan**
Personal Loans	36,412	1,009,904	0	0	100,990
Corporate persons	0	0	0	0	0
Of which, MSMEs	0	0	0	0	0
Others	226,664	5,035,675	0	0	503,568
Total	263,076	6,045,579	0	0	604,558

* represents accounts which were restructured and active as on March 31, 2021.

** Provisions held as on March 31, 2021.

(B) The Bank has restructured accounts in accordance with RBI Circular on 'Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances' - DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018, DBR.No.BP.BC.108/21.04.048/2017-18 dated June 06, 2018, DBR.No.BP.BC.18/21.04.048/2018-19 January 01, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020.

(₹ in '000 except number of accounts)		
Particulars	As at 31/03/2021	As at 31/03/2020
No. of Accounts Restructured	91,308	-
Amount	2,351,802	-



Notes to Financial Statements

for the year ended March 31, 2021

36 REFUND / ADJUSTMENT OF 'INTEREST ON INTEREST'

In accordance with the instructions in the aforesaid RBI circular dated April 07, 2021, the Bank shall refund/ adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been circulated by the Indian Banks Association ('IBA'). Based on the methodology recommended by the IBA, the Bank has calculated the said amount to be refunded and accordingly reduced ₹ 3.50 lacs from the interest income for the year ended March 31, 2021.

37 The Bank received notice on March 16, 2021, regarding non-remittance of statutory Provident Fund (PF) dues on the applicable wage components from February 2017 till March 2019 amounting to ₹ 227,040 ('000). Bank have filed the initial responses to PF commissioner and contented that said notice doesn't have a stand based on definition of basic wages under EPF ACT, and various case laws. However, due to ongoing pandemic the hearing have been adjourned until further notice. Since the possibility of liability is remote and Bank may challenge the same before appropriate authority, therefore no provision has been made in the books. The said amount has been disclosed as contingent liability under Schedule 12.

38 SECURITIZATION TRANSACTION

The details of Securitization deals outstanding as at March 31, 2021 and as at March 31, 2020 as below.

Particulars	(₹ in 000's)	
	As at March 31, 2021	As at March 31, 2020
No. of SPVs sponsored by the Bank for securitization transactions	-	-
Total amount of securitized assets as per books of the SPVs sponsored by the Bank	-	-
Total amount of exposures retained by the Bank to comply with MRR as on the date of balance sheet	-	-
a) Off balance sheet exposures	-	-
First loss	-	-
Others	-	-
b) On-balance sheet exposures	-	-
First loss	-	-
Others	-	-
Amount of exposures to securitization transactions other than MRR	-	-
a) Off balance sheet exposures	-	-
i) Exposure to own securitizations	-	-
First loss	-	-
Loss	-	-
ii) Exposure to third party securitizations	-	-
First loss	-	-
Others	-	-
b) On balance sheet exposures	-	-
i) Exposure to own securitizations	-	-
First loss	-	-
Others	-	-
ii) Exposure to third party securitizations	-	-
First loss	-	-
Others	-	-

39 DIVIDEND:

The RBI, vide notification dated December 04, 2020, stated that in view of the ongoing stress and heightened uncertainty on account of COVID-19, banks should continue to conserve capital to support the economy and absorb losses. The notification also stated that in order to further strengthen the banks' balance sheets, while at the same time support lending to the real economy, banks shall not make any dividend payment on equity/preference shares from the profits pertaining to the financial year ended March 31, 2020. The Bank did not declare final equity/preference dividend for the financial year ended March 31, 2020.

Notes to Financial Statements

for the year ended March 31, 2021

Given that the current "second wave" has significantly increased the number of COVID-19 cases in India and uncertainty remains, the Board of Directors of the Bank, at its meeting held on May 18, 2021, have considered it prudent to currently not propose any dividend for the financial year ended March 31, 2021.

The Bank with the approval of Directors through resolution passed on July 30, 2019 declared an Interim Preference Dividend of 5.5% i.e. ₹ 0.55 per preference Share of ₹ 10 each (within the maximum permissible coupon rate of 11%) amounting to ₹ 110,000 (000's) (excluding Dividend Distribution Tax) on 200,000,000 11% Perpetual Non-Cumulative Preference Shareholders.

Particulars	(₹ in 000's)	
	As at 31/03/2021	Year ended 31/03/2020
First Interim Preference Dividend of ₹ Nil (Previous year-₹ 0.55) per preference share (exclusive of dividend distribution tax of ₹ 22,611)	-	110,000
Second Interim Preference Dividend of ₹ Nil (Previous year-₹ Nil) per preference share (exclusive of dividend distribution tax)	-	-

40 COMPARATIVE FIGURES

Figures of the previous period/ year have been regrouped/ reclassified wherever necessary to confirm to the current period's/ year's presentation.

As per our report of even date

For MSKA & Associates

Chartered Accountants

Firm Registration Number: 105047W

Swapnil Kale

Partner

Membership No: 117812

For and on behalf of Board of Directors of

Ujjivan Small Finance Bank Limited

Nitin Chugh

DIN: 01884659

Managing Director & CEO

Mahadev Lakshminarayanan

DIN: 05003710

Independent Director

Umang Bedi

DIN: 02432920

Independent Director

Nandlal Laxminarayan Sarda

DIN: 00147782

Independent Director

Upma Goel

Chief Financial Officer

Chanchal Kumar

Company Secretary

Mumbai
May 18, 2021

Bengaluru

NOTICE

UJJIVAN SMALL FINANCE BANK LIMITED CIN: L65110KA2016PLC142162

Registered Office: Grape Garden, No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala, Bengaluru – 560 095, Karnataka, India

Email: corporatesecretarial@ujjivan.com, **Ph. No.:** 080 – 40712121

Website: www.ujjivansfb.in

NOTICE FOR CONVENING 5TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 5th Annual General Meeting ("AGM or Meeting") of Ujjivan Small Finance Bank Limited ("Bank") shall be held on Monday, September 27, 2021 at 03:30 P.M. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the following business:

ORDINARY BUSINESS: ITEM NO. 1

TO RECEIVE, CONSIDER AND ADOPT THE AUDITED FINANCIAL STATEMENTS OF THE BANK FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021 AND THE REPORTS OF THE BOARD OF DIRECTORS AND AUDITORS THEREON

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

"RESOLVED THAT the Audited Financial Statements of the Bank for the Financial Year ended March 31, 2021 and the Reports of the Board of Directors and the Auditors thereon as circulated, be and are hereby received, considered and adopted."

ITEM NO. 2

TO APPOINT M/S. MUKUND M CHITALE & CO., CHARTERED ACCOUNTANTS AND M/S. B. K. RAMADHYANI & CO. LLP, CHARTERED ACCOUNTANTS AS JOINT STATUTORY AUDITORS OF THE BANK AND TO FIX THEIR REMUNERATION

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

"RESOLVED THAT pursuant to the provisions of Sections 139, 141, 142, and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 and Section 30 and other applicable provisions, if any, of the Banking Regulation Act, 1949 read with the Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021 issued by the Reserve Bank of India ("RBI") ("RBI Guidelines"), the applicable provisions,

if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and further to the recommendation of the Audit Committee and Board of Directors ("Board"), and approval of RBI for the Financial Year 2021-22, M/s. Mukund M Chitale & Co., Chartered Accountants (FRN: 106655W) and M/s. B. K. Ramadhyani & Co. LLP, Chartered Accountants (FRN: 002878S/S200021), who have offered themselves for appointment and have confirmed their eligibility to be appointed as Joint Statutory Auditors, be and are hereby appointed as Joint Statutory Auditors of the Bank for the period of 3 (Three) consecutive financial years until the conclusion of 8th (Eight) AGM of the Bank to be held in the Financial Year 2024-25, subject to approval of RBI on an annual basis from the next financial year and fulfillment of eligibility conditions, on a yearly basis, prescribed under the Companies Act, 2013 and RBI Guidelines and other applicable provisions of Banking Regulation Act, 1949 and applicable circular(s) issued by RBI in this regard from time to time, at such remuneration as may be determined by the Audit Committee and the Board of the Bank from time to time."

"RESOLVED FURTHER THAT the Audit Committee and the Board, be and are hereby authorized to finalize/modify the terms and conditions of appointment and/or remuneration and to avail such other services as may be required from Joint Statutory Auditors from time to time in accordance with the applicable laws."

"RESOLVED FURTHER THAT the Audit Committee and the Board be and are hereby authorised to do all such acts, deeds, matters and things including the power to settle all questions, difficulties or doubts that may arise with regard to the aforesaid appointment, as it may in its absolute discretion deem fit, including but not limited to the determination of the scope of work, roles and responsibilities of the respective Joint Statutory Auditors, negotiating, finalising, amending, signing, delivering, executing, the terms of appointment including any contracts or documents in this regard, and seeking approval of RBI or any other regulatory / statutory authorities, as may be required, to give effect to this resolution, without seeking any further consent or approval of the Members of the Bank."

SPECIAL BUSINESS: ITEM NO. 3

TO APPOINT MS. RAJNI ANIL MISHRA (DIN: 08386001) AS AN INDEPENDENT DIRECTOR OF THE BANK

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152, 160, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014, Section 10A and other applicable provisions, if any, of the Banking Regulation Act, 1949 and relevant circular(s) issued by Reserve Bank of India, applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Articles of Association of the Bank and further to the recommendation of the Nomination and Remuneration Committee and the Board of Directors ("Board"), Ms. Rajni Anil Mishra (DIN: 08386001), who was appointed as an Additional Director (Independent) pursuant to the provisions of Section 161 of the Companies Act, 2013 in the meeting of the Board held on December 15, 2020 to hold office with effect from December 16, 2020 up to the date of this AGM and in respect of whom the Bank has received a Notice in writing under Section 160 of the Companies Act, 2013 proposing her candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Bank for a term of 3 (Three) consecutive years commencing from December 16, 2020 up to December 15, 2023 AND THAT she shall not be liable to retire by rotation."

"RESOLVED FURTHER THAT Ms. Rajni Anil Mishra be paid sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws."

"RESOLVED FURTHER THAT the Board /Nomination and Remuneration Committee be and is hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to the above resolution."

ITEM NO. 4

TO APPOINT MR. BANAVAR ANANTHARAMAIAH PRABHAKAR (DIN: 02101808) AS AN INDEPENDENT DIRECTOR OF THE BANK

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152, 160, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors)

Rules, 2014, Section 10A and other applicable provisions, if any, of the Banking Regulation Act, 1949 and relevant circular(s) issued by Reserve Bank of India, applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Articles of Association of the Bank and further to the recommendation of the Nomination and Remuneration Committee and the Board of Directors ("Board"), Mr. Banavar Anantharamaiah Prabhakar (DIN: 02101808), who was appointed as an Additional Director (Independent) pursuant to the provisions of Section 161 of the Companies Act, 2013 in the meeting of Board held on August 19, 2021 to hold office with effect from August 20, 2021 up to the date of this AGM and in respect of whom the Bank has received a Notice in writing under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Bank for a term of 3 (Three) consecutive years commencing from August 20, 2021 up to August 19, 2024 AND THAT he shall not be liable to retire by rotation."

"RESOLVED FURTHER THAT Mr. Banavar Anantharamaiah Prabhakar be paid sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws."

"RESOLVED FURTHER THAT the Board /Nomination and Remuneration Committee be and is hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to the above resolution."

ITEM NO. 5

TO APPOINT MR. RAJESH KUMAR JOGI (DIN: 03341036) AS AN INDEPENDENT DIRECTOR OF THE BANK

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152, 160, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014, Section 10A and other applicable provisions, if any, of the Banking Regulation Act, 1949 and relevant circular(s) issued by Reserve Bank of India, applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Articles of Association of the Bank and further to the recommendation of the Nomination and Remuneration Committee and the Board of Directors ("Board"), Mr. Rajesh Kumar Jogi (DIN: 03341036), who was appointed as an Additional Director (Non-Executive, Non-Independent) pursuant to the provisions of Section 161 of the Companies Act, 2013 in the meeting of the Board of

Directors ("Board") held on March 13, 2021 to hold office with effect from March 13, 2021 up to the date of this AGM and further was re-categorised as an Additional Director (Independent) in the meeting of the Board held on August 25, 2021 to hold Office with effect from August 25, 2021 up to the date of this AGM and in respect of whom the Bank has received a Notice in writing under Section 160 of the Companies Act, 2013 proposing his candidature for the office of the Independent Director, be and is hereby appointed as an Independent Director of the Bank for a term of 2.5 (Two and Half) consecutive years commencing from August 25, 2021 up to March 24, 2024 AND THAT he shall not be liable to retire by rotation."

"RESOLVED FURTHER THAT Mr. Rajesh Kumar Jogi be paid sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws."

"RESOLVED FURTHER THAT the Board/Nomination and Remuneration Committee be and is hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to the above resolution."

ITEM NO. 6

TO APPOINT MR. RAVICHANDRAN VENKATARAMAN (DIN: 02064557) AS AN INDEPENDENT DIRECTOR OF THE BANK

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152, 160, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014, Section 10A and other applicable provisions, if any, of the Banking Regulation Act, 1949 and relevant circular(s) issued by Reserve Bank of India, applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Articles of Association of the Bank and further to the recommendation of the Nomination and Remuneration Committee and the Board of Directors ("Board"), Mr. Ravichandran Venkataraman (DIN: 02064557), who was appointed as an Additional Director (Independent) pursuant to the provisions of Section 161 of the Companies Act, 2013 in the meeting of Board held on August 19, 2021 to hold office with effect from August 20, 2021 up to the date of this AGM and in respect of whom the Bank has received a Notice in writing under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Bank for a term of 3 (Three) consecutive years commencing from August 20, 2021 up to August 19, 2024 AND THAT he shall not be liable to retire by rotation."

"RESOLVED FURTHER THAT Mr. Ravichandran Venkataraman be paid sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws."

"RESOLVED FURTHER THAT the Board/Nomination and Remuneration Committee be and is hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to the above resolution."

ITEM NO. 7

TO APPOINT MR. SAMIT KUMAR GHOSH (DIN: 00185369) AS A DIRECTOR (NON-EXECUTIVE, NON-INDEPENDENT) OF THE BANK

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

"RESOLVED THAT pursuant to the provisions of Sections 152, 160 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014, Section 10A and other applicable provisions, if any, of the Banking Regulation Act, 1949 and relevant circular(s) issued by Reserve Bank of India, applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Articles of Association of the Bank and further to the recommendation of the Nomination and Remuneration Committee and the Board of Directors ("Board"), Mr. Samit Kumar Ghosh (DIN: 00185369), who was appointed as an Additional Director (Non-Executive, Non-Independent) pursuant to the provisions of Section 161 of the Companies Act, 2013 in the meeting of Board held on August 19, 2021 to hold office with effect from August 20, 2021 up to the date of this AGM and in respect of whom the Bank has received a Notice in writing under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director (Non-Executive, Non-Independent), be and is hereby appointed as a Director (Non- Executive, Non- Independent) of the Bank for the period of 3 (Three) consecutive years commencing from August 20, 2021 AND THAT he shall be liable to retire by rotation."

"RESOLVED FURTHER THAT Mr. Samit Kumar Ghosh be paid sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws."

"RESOLVED FURTHER THAT the Board/Nomination and Remuneration Committee be and is hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to the above resolution."

ITEM NO. 8

TO APPOINT MS. SUDHA SURESH (DIN: 06480567) AS A DIRECTOR (NON-EXECUTIVE, NON-INDEPENDENT) OF THE BANK

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

"RESOLVED THAT pursuant to the provisions of Sections 152, 160 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014, Section 10A and other applicable provisions, if any, of the Banking Regulation Act, 1949 and relevant circular(s) issued by Reserve Bank of India, applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Articles of Association of the Bank and further to the recommendation of the Nomination and Remuneration Committee and the Board of Directors ("Board"), Ms. Sudha Suresh (DIN: 06480567) who was appointed as an Additional Director (Non-Executive, Non-Independent) pursuant to the provisions of Section 161 of the Companies Act, 2013 in the meeting of the Board held on August 19, 2021 to hold office with effect from August 20, 2021 up to the date of this AGM and in respect of whom the Bank

has received a Notice in writing under Section 160 of the Companies Act, 2013 proposing her candidature for the office of Director (Non-Executive, Non-Independent), be and is hereby appointed as a Director (Non- Executive, Non- Independent) of the Bank for the period of 3 (Three) consecutive years commencing from August 20, 2021 AND THAT she shall be liable to retire by rotation."

"RESOLVED FURTHER THAT Ms. Sudha Suresh be paid sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws."

"RESOLVED FURTHER THAT the Board/Nomination and Remuneration Committee be and is hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to the above resolution."

**By Order of the Board of Directors
For UJJIVAN SMALL FINANCE BANK LIMITED**

**Sd/-
Chanchal Kumar**
Company Secretary and Compliance Officer

Place: Bengaluru
Date: August 25, 2021

NOTES:

1. Pursuant to the General Circular numbers 14/2020, 17/2020, 20/2020, 02/2021 dated April 08, 2020, April 13, 2020, May 05, 2020 and January 13, 2021 respectively, issued by the Ministry of Corporate Affairs and Circular Numbers SEBI/ HO/CFD/ CMD1/CIR/P/2020/79 and SEBI/HO/CFD/CMD2/ CIR/P/2021/11 dated May 12, 2020 and January 15, 2021 respectively, issued by the Securities and Exchange Board of India (hereinafter collectively referred to as "the Circulars"), companies are allowed to hold Annual General Meeting ("AGM or Meeting) through Video Conferencing ("VC)/Other Audio Visual Means ("OAVM"), without the physical presence of members at a common venue. Hence, in compliance with the applicable provisions of the Companies Act, 2013 and rules made thereunder read with the Circulars, the AGM of the Bank is being held through VC/OAVM. The deemed venue for the AGM shall be the Registered Office of the Bank.
2. The Board of Directors ("Board") have considered and decided to include the Item Nos. 3 - 8 given above as Special Business in this Meeting, as they are unavoidable in nature.
3. With a view to conserve capital in an environment of heightened uncertainty caused by the Covid-19 pandemic, the Board of the Bank has not proposed any dividend on the equity shares for the Financial Year 2020-21.
4. As per Section 105 of the Companies Act, 2013, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on a poll in the Meeting instead of himself/herself. Since the AGM is being held through VC/OAVM, the facility for appointment of proxies by the members will not be available for the AGM and hence, the Proxy Form and Attendance Slip are not annexed to this Notice.
5. Participation of members through VC/OAVM will be reckoned for the purpose of quorum for the AGM as per Section 103 of the Companies Act, 2013.
6. Institutional / Corporate Shareholders (i.e. other than individuals / HUF/ NRI etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative along with attested specimen signature of such representative, to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting or during the AGM. The said Resolution/Authorization shall be sent to the Scrutiniser by email through its registered email address to cs.skannan@gmail.com/kannans@kannancs.in with a copy marked to corporatesecretarial@ujjivan.com and may also upload the same in the e-voting module in their login. The scanned image of the above documents should be in the naming format 'USFB_EVENT No'.

7. The Statutory Auditors' Certificate under Regulation 13 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and all other documents referred to in the Notice shall be made available for electronic inspection without any fee to the members from the date of circulation of this Notice up to the date of AGM, i.e. Monday, September 27, 2021. Members who wish to inspect such documents are requested to send an email to corporatesecretarial@ujjivan.com mentioning their name, folio no./client ID and DP ID and the documents they wish to inspect, with a self-attested copy of their PAN card attached to the email.
8. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote, provided the votes are not already casted by remote e-voting.
9. In compliance with the Circulars, the Annual Report for the Financial Year 2020-21, the Notice of this Meeting are being sent only through electronic mode to those members whose email addresses are registered with the depository participant(s). Members may also note that the Notice of this Meeting and the Annual Report for the Financial Year 2020-21 will also be available on the Bank's website at www.ujjivansfb.in, website of the Stock Exchanges, i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on the website of e-voting agency KFin Technologies Private Limited ("KFin Tech or RTA") at evoting.kfintech.com.
10. Pursuant to Regulation 40 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, any request for effecting transfer of securities shall not be processed unless the securities are held in electronic form with a depository except in case of transmission or transposition of securities.
11. Securities and Exchange Board of India has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore, requested to submit their PAN to their Depository Participant(s).
12. For any queries relating to financial statement you can write to the Bank at investorrelations@ujjivan.com at least seven days before the date of the Meeting i.e; by Monday, September 20, 2021.
13. Members can avail of the nomination facility in respect of shares held by them in physical form by filing Form SH-13, as prescribed under Section 72 of the Companies Act, 2013 and Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014, with the RTA of the Bank and members holding shares in electronic form may contact their Depository Participant for availing this facility.

14. Members of the Bank under the category of 'Institutional Investors' are encouraged to attend and vote at the AGM.
15. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, for agenda Item No. 3-8 of this Notice is annexed herewith and forms part of this Notice.

Further, pursuant to Regulation 36 the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard -2 on General Meetings, specified by the Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs under Section 118(10) of the Companies Act, 2013, an Explanatory Statement for agenda Item No. 2-8 of this Notice is annexed herewith and forms part of this Notice.

16. The resolutions as set out in this Notice are being conducted through e-voting, the said resolutions will not be decided by a show of hands at the AGM.
17. The Board and Nomination and Remuneration Committee have taken note that no director will be retiring by rotation at this AGM.
18. Since the AGM will be held through VC/OAVM, the route map is not attached to this Notice.

19. Voting through electronic means

1. Remote e-voting and e-voting during the AGM:

- a. Pursuant to the provisions of Section 108 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, as amended, and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank is providing to its members, facility to exercise their right to vote on resolutions proposed to be passed at the AGM by electronic means. Members may cast their votes remotely, using an electronic voting system on the dates mentioned herein below ("remote e-voting"). The members also have the option to cast their votes during the AGM (e-voting), if not casted earlier through remote e-voting. The Bank has engaged the services of KFin Tech as the agency to provide e-voting facility. The manner of voting remotely by members holding shares in dematerialized mode, physical mode and for members who have not registered their email address is provided in the instructions given below.

- b. The remote e-voting facility will be available during the following voting period:

Commencement of remote e-voting: 9:00 a.m. on Thursday, September 23, 2021 and **End of remote e-voting:** 5:00 p.m. on Sunday, September 26, 2021. The remote e-voting will not be allowed beyond the aforesaid date and time and the remote e-voting module shall be forthwith disabled by KFin Tech upon expiry of the aforesaid period.

- c. Voting rights of a member / beneficial owner (in case of electronic shareholding) except the Promoter of the Bank i.e Ujjivan Financial Services Limited shall be in proportion to their share in the paid-up equity share capital as on the cut-off date, i.e., Monday, September 20, 2021.
- d. The Board of the Bank has appointed Mr. S Kannan (FCS: 6261; CoP: 13016) of M/s. S Kannan and Associates, Company Secretaries, Firm No. S2017KR473100, as Scrutiniser to scrutinise the remote e-voting and e-voting process during the AGM in a fair and transparent manner and he has communicated his eligibility and willingness to be appointed as Scrutiniser and given his consent for the same and will be available for the said purpose.
- e. The Result of remote e-voting and e-voting shall be declared within 2 (Two) working days from conclusion of the AGM and subject to receipt of requisite number of votes, the resolutions proposed in the Notice shall be deemed to be passed on the date of this AGM, that is, Monday, September 27, 2021.
- f. The Result of voting declared along with Scrutiniser's Report will be published on the website of the Bank at www.ujjivansfb.in and on Service Provider's website at <https://evoting.kfintech.com> within 2 (Two) working days from the conclusion of the AGM and the same shall also be simultaneously communicated to the BSE Limited and the National Stock Exchange of India Limited.

2. Information and instructions relating to remote e-voting and e-voting :

- a. The members can join the AGM through VC/OAVM mode 30 minutes before the scheduled time of the commencement of the Meeting by following the procedure mentioned herein. The Facility to join the Meeting shall be kept open throughout the proceedings of the AGM. The facility of participation at the AGM through VC/OAVM will be made available for 1,000 members on first come first served basis. This will not

- include large Members (Members holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairperson of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
- b. The members who have cast their vote(s) by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote(s) again at the Meeting. Once the vote on a resolution is casted by a Member, whether partially or otherwise, the Member shall not be allowed to change it subsequently or cast the vote again.
 - c. A member can opt for only single mode of voting per EVEN, i.e., through remote e-voting or e-voting during the Meeting. If a member casts vote(s) by both modes, then voting done through remote e-voting shall prevail and vote(s) casted at the Meeting shall be treated as "INVALID".
 - d. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e Monday, September 20, 2021 only shall be entitled to avail the facility of remote e-voting or e-voting. A person who is not a member as on the cut-off date should treat the Notice for information purpose only.
 - e. Any person who becomes member of the Bank after dispatch of the Notice of the Meeting and holding shares as on the cut-off date may obtain the User ID and password from KFin Tech.
 - f. The Bank has opted to provide the same electronic voting system during the Meeting, as used during remote e-voting, and the said facility shall be operational till all the resolutions proposed in the Notice are considered and voted upon at the Meeting and may be used for voting only by the members holding shares as on the cut-off date who are attending the Meeting and who have not already casted their vote(s) through remote e-voting.
 - g. While all efforts would be made to make the VC/ OAVM meeting smooth, participants connecting through mobile devices, tablets, laptops etc. may at times experience audio/video loss due to fluctuation in their respective networks.

- Use of a stable Wi-Fi or LAN connection can mitigate some of the technical glitches.
3. **Procedure for registering the email address and obtaining the Annual Report, AGM notice and e-voting instructions by the shareholders whose email addresses are not registered with the Depositories (in case of shareholders holding shares in Demat form) or with RTA (in case of shareholders holding shares in physical form):**
Those members who have not yet registered their email addresses are requested to get their email addresses registered by following the procedure given below:
 - a. Members holding shares in Demat form can get their email addresses registered by contacting their respective DP.
 - b. Members holding shares in physical form may register their email address and mobile number with KFin Tech by:
 - i. Clicking on <https://ris.kfintech.com/client services/mobile req/mobileemailreg.aspx>.
 - ii. Select the Company Name i.e. UJJIVAN SMALL FINANCE BANK LIMITED.
 - iii. Select the Holding type from the drop down i.e. - NSDL / CDSL / Physical.
 - iv. Enter DP ID – Client ID (in case shares are held in electronic form) / Physical Folio No. (in case shares are held in physical form) and PAN.
 - v. If PAN details are not available in the system, the system will prompt to upload a self-attested copy of the PAN Card for updating records.
 - vi. In case shares are held in physical form and PAN is not available in the records, please enter any one of the PAN/Share Certificate No. in respect of the shares held by you.
 - vii. Enter the email address and mobile number.
 - viii. System will validate DP ID – Client ID/ Physical Folio No. and PAN / Share certificate No., as the case may be, and send the OTP at the registered Mobile number as well as email address for validation.
 - ix. Enter the OTPs received by SMS and Email to complete the validation

- process. OTPs validity will be for 5 minutes only.
- x. The Notice and e-voting instructions along with the User ID and Password will be sent on the email address updated by the Member.
 - xi. Please note that in case the shares are held in Electronic Form, the above facility is only for temporary registration of email address for receipt of the Notice and the e-voting instructions along with the User ID and Password. Such members will have to register their email address with their DPs permanently, so that all communications are received by them in electronic form.
 - xii. In case of queries, members are requested to write to einward.ris@kfintech.com or call at the toll free number 1-800- 309-4001.
4. **Procedures for remote E-Voting for Members Holding Equity Shares in Physical Form:**
Members, who are holding equity shares of the Bank in physical form, are requested to follow the below instructions for remote e-voting:
 - i. Launch internet browser by typing the URL: <https://evoting.kfintech.com>.
 - ii. Enter the login credentials provided in the Email and click on Login.
 - iii. Password change menu appears when you login for the first time with default password. You will be required to mandatorily change the default password.
 - iv. The new password should comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.,).
 - v. Update your contact details like mobile number, email address, etc. if prompted. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep it confidential.

- vi. Login again with the new credentials.
 - vii. On successful login, the system will prompt you to select the "EVENT" i.e. "Ujjivan Small Finance Bank."
 - viii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut-off date under "FOR / AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR / AGAINST" taken together shall not exceed your total shareholding as mentioned above. If the member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
 - ix. Members holding multiple folios may choose to vote differently for each folio / demat account.
 - x. You may then cast your vote by selecting an appropriate option and click on "Submit. A confirmation box will be displayed. Click "Ok" to confirm or "Cancel" to modify. Once you confirm the voting on the resolution, you will not be allowed to modify your vote thereafter. During the voting period, members can login multiple times and vote until they confirm the voting on the resolution by clicking "Submit".
 - xi. In case of any queries/grievances, you may refer the Frequently Asked Questions (FAQs) for members at <https://evoting.kfintech.com/public/Faq.aspx> or call KFin Tech on 1-800-309-4001 (toll free).
5. **Procedure for Login for E-voting and Attending AGM through VC/OAVM for Individual Shareholders holding securities in Demat mode**
In terms of SEBI circular dated December 09, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in Demat mode are allowed to vote through their Demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email address in their Demat accounts in order to access e-Voting facility.
- Login method for individual shareholders holding securities in Demat mode is given below:

Individual shareholders holding securities in Demat mode with National Securities Depository Limited ("NSDL")

A. User already registered for IDEAS facility:

1. Open <https://eservices.nsdl.com>
2. Click on the "Beneficial Owner" icon under 'IDEAS' section.
3. On the new page, enter User ID and Password. Post successful authentication, click on "Access to e-Voting"
4. Click on Bank Name or e-Voting service provider and you will be re-directed to e-voting service provider website for casting your vote during the remote e-Voting period

B. User not registered for IDEAS e-Services:

1. To register, open <https://eservices.nsdl.com> either on a Personal Computer or on a mobile
2. Select "Register Online for IDEAS" Portal or click on <https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp>
3. Proceed with completing the required fields

C. By visiting the e-Voting website of NSDL:

1. Open <https://www.evoting.nsdl.com> either on a Personal Computer or on a mobile
2. Click on the icon "Login" which is available under 'Shareholder/Member' section
3. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit Demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen
4. Post successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page
5. Click on Bank name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period

Individual Shareholders holding securities in Demat mode with Central Depository Services (India) Limited ("CDSL")

A. Existing user who have opted for Easi/Easiest

1. Click at <https://web.cdslindia.com/myeasi/home/login> or www.cdslindia.com
2. Click on New System Myeasi
3. Login with user ID and Password
4. After successful login of Easi / Easiest, Option will be made available to reach e-voting page
5. Click on e-voting service provider name to cast your vote

B. User not registered for Easi/Easiest

1. Option to register is available at <https://web.cdslindia.com/myeasi/Registration/EasiRegistration>
2. Proceed with completing the required fields

C. By visiting the e-Voting website of CDSL:

1. Visit at www.cdslindia.com
2. Provide Demat Account Number and PAN No
3. System will authenticate user by sending OTP on registered Mobile & Email as recorded in the Demat Account
4. After successful authentication, user will be provided links for the respective e-voting service provider where the e-voting is in progress

You can also login using the login credentials of your Demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility.

Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on Bank Name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period.

Individual Shareholders (holding securities in Demat mode) login through their depository participants

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at atevoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 22-23058542-43.

6. Instructions and Process for participation through VC/OAVM

- a. The Bank is providing VC/OAVM facility to its members for participating at the AGM. Members will be able to view the live webcast at <https://emeetings.kfintech.com> by using their e-voting login credentials.
- b. Members are requested to follow the procedure given below:
 - i. Launch internet browser (chrome/firefox/safari) by typing the URL: <https://emeetings.kfintech.com>.
 - ii. Enter the login credentials (i.e., User ID and password for e-voting).
 - iii. After logging in, click on "Video Conference" option.
 - iv. Then click on camera icon appearing against AGM event of Ujjivan Small Finance Bank Limited, to attend the Meeting.
- c. Members who do not have User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the procedure given in the above e-voting instructions.
- d. Members who would like to express their views or ask questions during the AGM may register themselves by logging on to <https://emeetings.kfintech.com> and

clicking on the 'Speaker Registration' option available on the screen after log in. The Speaker Registration will be open from Thursday, September 23, 2021 to Sunday, September 26, 2021. Only those members who are registered will be allowed to express their views or ask questions. The Bank reserves the right to restrict the number of questions and number of speakers, depending upon availability of time as appropriate for smooth conduct of the AGM.

- e. A video guide assisting the members attending AGM either as a speaker or participant is available for quick reference at <https://emeetings.kfintech.com>.
- f. Members who need assistance before or during the AGM, can contact KFin Tech on <https://emeetings.kfintech.com> or call on toll free number 1-800- 309-4001. Kindly quote your name, DP ID-Client ID / Folio no. and E-voting Event Number in all your communications.

EXPLANATORY STATEMENT PURSUANT TO REGULATION 36 OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 ("SEBI LISTING REGULATIONS")

ITEM NO. 2

TO APPOINT M/S. MUKUND M CHITALE & CO., CHARTERED ACCOUNTANTS AND M/S. B. K. RAMADHYANI & CO. LLP, CHARTERED ACCOUNTANTS AS JOINT STATUTORY AUDITORS OF THE BANK AND TO FIX THEIR REMUNERATION

Background

The members of the Bank, in the 3rd Annual General Meeting held on July 12, 2019, had reappointed M/s. MSKA & Associates, Chartered Accountants (FRN: 105047W) as Statutory Auditors of the Bank for the period of 3 (Three) financial years until the conclusion of 6th (Sixth) Annual General Meeting to be held in the FY 2022-23, subject to the annual approval of RBI.

The Reserve Bank of India has issued Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) on April 27, 2021 ("RBI Guidelines") which mandates the entities, with asset size of Rs. 15,000 Crore and above as at the end of the previous year, to appoint Two Chartered Accountants [Partnership firms/Limited Liability Partnerships (LLPs)] as the Joint Statutory Auditors.

Further, the RBI Guidelines prescribe that in order to protect the independence of the auditors/audit firms, entities will have to appoint the SCAs/SAs for a continuous period of three years, subject to the firms satisfying the

eligibility norms each year. Further, Commercial Banks (excluding RRBs) will be required to take prior approval of RBI for appointment/reappointment of SCAs/SAs, on an annual basis.

In view of the above RBI Guidelines, the Bank has adopted a Policy for Appointment of Statutory Auditors of the Bank ('Policy'). Accordingly, in terms of the RBI Guidelines and the Policy of the Bank, the Bank is required to have two Statutory Auditors to act as the Joint Statutory Auditors.

Conclusion of tenure of M/s. MSKA & Associates, Chartered Accountants (FRN: 105047W) as statutory auditors of the Bank

In compliance with aforesaid RBI Guidelines and Policy of the Bank, M/s. MSKA & Associates, Chartered Accountants (FRN: 105047W) shall conclude their tenure as statutory auditors in this AGM. The Bank has received a letter dated August 13, 2021 from M/s. MSKA & Associates, Chartered Accountants expressing their ineligibility to be re-appointed as Statutory Auditors of the Bank for the Financial Year 2021-22 pursuant to the aforesaid RBI Guidelines.

Appointment of Joint Statutory Auditors

The Audit Committee and the Board of Directors of the Bank had shortlisted four Chartered Accountants Firms and the Bank had made an application to RBI for their appointment as the Joint Statutory Auditors for a continuous period of three years.

The RBI, vide its letter dated July 20, 2021, has approved the appointment of 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 their first year i.e Financial Year 2021-22.

Profile

M/s. Mukund M Chitale & Co., Chartered Accountants (FRN 106655W)

M/s. Mukund M Chitale & Co. is a firm of chartered accountants with professional standing of more than 47 years. It was established in 1973. The Firm is engaged in providing auditing, taxation and advisory services. It has experience in auditing listed companies, public sector undertakings, banks, insurance companies, mutual funds, private equity funds and other entities in the financial and non-financial sectors. The Firm has been awarded the Peer Review Certificate issued by The Institute of Chartered Accountants of India. It has offices in Mumbai and Pune and serves clients across India.

M/s. B. K. Ramadhyani & Co. LLP, Chartered Accountants (FRN 002878S/ S200021)

M/s. B. K. Ramadhyani and Co. LLP is a firm of chartered accountants with over 80 years of professional standing. The firm renders a range of services including assurance engagements, direct and indirect tax services, corporate law consultancy and support services for accounting,

compliance and MIS functions. It services both Indian and multinational companies and has clients across several key business verticals like manufacturing, retail, technology, real estate, mining, hospitality, banking, insurance etc. It has extensive experience in the BFSI segment having carried out assurance engagements for several nationalized and private sector banks, insurance companies, stock exchange and other financial services companies. The Firm holds a valid peer review certificate issued by the Institute of Chartered Accountants of India.

Eligibility

The Bank has received all the necessary eligibility declarations from M/s. Mukund M Chitale & Co., Chartered Accountants (FRN: 106655W) and M/s. B. K. Ramadhyani & Co. LLP, Chartered Accountants (FRN: 002878S/S200021) certifying that they meet all the eligibility criteria as envisaged under Section 141 of the Companies Act, 2013 and RBI Guidelines. They have also conveyed their consent to act as Joint Statutory Auditors of the Bank.

Terms of Appointment and Fee/Remuneration

Further to the recommendation of the Audit Committee, the Board has approved the payment of a fee of Rs. 80 Lakhs per annum plus applicable taxes and out of pocket expenses for the Financial Year 2021-22.

The fee may be allocated by the Bank between the joint Statutory Auditors, as may be mutually agreed between the Bank and the said joint statutory auditors, depending upon their respective scope of work and additional certification fees, out of pocket expenses, outlays and taxes as applicable, with the power to the Board/ Audit Committee to alter and vary the terms of remuneration during the current tenure of joint Statutory Auditors, etc.

Pursuant to Section 142 of the Companies Act, 2013 and RBI Guidelines, the Audit Committee and the Board be authorized to vary/modify/revise including making any upward revisions, if required, and finalize the remuneration payable to Joint Statutory Auditors for conducting statutory audit and other services including but not limited to Tax Audit, Long Form of Audit Report, GST Audit etc, issue of various certificates/certifications as may be required from time to time.

The terms of appointment of Joint Statutory Auditors of the Bank shall be in accordance with the applicable terms and conditions prescribed under the Companies Act, 2013, RBI Guidelines and other applicable laws.

The Audit Committee and the Board be authorized to determinate the scope of work, roles and responsibilities of the respective Joint Statutory Auditors, to modify the terms and condition of appointment and/or remuneration and to avail such other services as may be required from Joint Statutory Auditors from time to time in accordance with the applicable laws.

Tenure and Interest of Directors/KMPs

The Audit Committee and the Board recommend their appointment as Joint Statutory Auditors of the Bank for

the period of 3 (Three) consecutive financial years until the conclusion of 8th (Eight) Annual General Meeting of the Bank to be held in the Financial Year 2024-25, subject to approval of RBI on annual basis from next financial year, as the RBI has accorded its approval for the Financial Year 2021-22, and fulfillment of eligibility conditions, on a yearly basis, prescribed in the Companies Act, 2013 and RBI Guidelines and other applicable provisions of Banking Regulation Act, 1949 and applicable circular issued by RBI in this regard from time to time.

Since the appointment of 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 is proposed, as mandated by the RBI Guidelines, in place of the existing Statutory Auditors, M/s. MSKA & Associates, Chartered Accountants (FRN: 105047W), no special notice is required under Section 140 (4) of the Companies Act, 2013 for moving resolution no. 2 of this Notice.

The Board recommends the passing of the Resolution at Item No.2 as an Ordinary Resolution.

None of the Directors or Key Managerial Personnel of the Bank or their relatives are concerned or interested in the proposed resolution.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 AND SECRETARIAL STANDARD-2 ISSUED BY THE INSTITUTE OF COMPANY SECRETARIES OF INDIA ('ICSI') AND REGULATION 36 OF SEBI LISTING REGULATIONS

ITEM NO. 3

TO APPOINT MS. RAJNI ANIL MISHRA (DIN: 08386001) AS AN INDEPENDENT DIRECTOR OF THE BANK

Background

The Board of Directors ("Board") of the Bank, on the recommendation of the Nomination and Remuneration Committee, had appointed Ms. Rajni Anil Mishra (DIN: 08386001) as an Additional Director (Independent) of the Bank w.e.f. December 16, 2020 to hold office up to date of this AGM.

Rationale for Appointment

Ms. Rajni Anil Mishra has been a career banker for nearly four decades, with State Bank of India as well as its Associate Banks where she has handled varied assignments and diverse portfolios, gaining exposure in

Branch Administration, Corporate Credit, Forex Treasury, Vigilance, Audit & Inspection etc. She is the Chairperson and Independent Director on the Board of M/s NCL Buildtek Limited, Hyderabad, a leading manufacturer of building materials and a Group Company of M/s NCL Industries (erstwhile Nagarjuna Cement Limited). She has completed M. Com (Gold Medalist) from M S University, Vadodara.

Considering her expertise in the Banking Industry, Accountancy, Finance, Agriculture and Rural economy, Small Scale Industry, Risk Management, Human Resources, Business Management, Credit Recovery & Treasury Management, it would be in the interest of the Bank to have her on the Bank's Board.

Eligibility and Disclosures

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), 2014 and Regulation 16(1)(b) of SEBI Listing Regulations and she is eligible for appointment as an Independent Director of the Bank.

She is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and other applicable laws. Further, she is not debarred from holding the office of director by virtue of any SEBI order or of any other such authority.

The Bank has received all the necessary disclosures from her in terms of the Companies Act, 2013 and rules made thereunder, RBI guidelines, SEBI Listing Regulations and Code of Conducts of the Bank.

The Bank has received Notice under Section 160 of the Companies Act, 2013 from her signifying her intention to propose her candidature for the office of Independent Director.

The Nomination and Remuneration Committee and the Board had reviewed her profile and found her 'fit and proper' in terms of RBI's Circular on 'Fit and proper' criteria for directors of banks and recommended her appointment as an Independent Director of the Bank, to the members for their approval.

Detailed Profile

Pursuant to Secretarial Standard-2 specified by the ICSI and Regulation 36(3) of SEBI Listing Regulations, detailed profile of Ms. Rajni Anil Mishra is given below:

Name of Director	Rajni Anil Mishra
Date of Birth and Age	January 23, 1957 64 years
Date of first appointment on the Board	December 16, 2020
Qualifications	M.Com (Gold Medalist), M S University, Vadodara
Brief resume including experience	She has been a career banker for nearly four decades, with State Bank of India as well as its Associate Banks where she has handled varied assignments and diverse portfolios, gaining exposure in Branch Administration, Corporate Credit, Forex Treasury, Vigilance, Audit & Inspection etc. She is the Chairperson and Independent Director on the Board of M/s NCL Buildtek Limited, Hyderabad, a leading manufacturer of building materials and a Group Company of M/s NCL Industries (erstwhile Nagarjuna Cement Limited).

Name of Director	Rajni Anil Mishra
Expertise in specific Functional Areas	<ul style="list-style-type: none"> Banking Accountancy Finance Agriculture and Rural economy Small Scale Industry Risk Management Human Resources Business Management Credit Recovery & Treasury Management
Directorship held in other Companies	NCL Buildtek Limited (erstwhile Nagarjuna Cement Limited)
Board Committees membership/ chairpersonship in other Companies	NCL Buildtek Limited Audit Committee Chairperson Corporate Social Responsibility Committee Chairperson She is also a Chairperson of the Board
Relationship with other directors and Key Managerial Personnel of the Bank	None
No. of Board Meetings attended during the FY 2020-21	Eligible: 3 Attended: 3
Terms and conditions of appointment	Appointment as an Independent Director, not liable to retire by rotation, for a term of 3 (Three) consecutive years commencing from December 16, 2020 up to December 15, 2023
Remuneration Sought to be paid	Sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws
Remuneration Last drawn during the FY 2020-21	Rs. 4,25,000 was paid during the FY 2020-21 as sitting fees for attending the Board and Board committee meetings

Recommendation and Interest of Directors/KMPs

The Board of the Bank recommends the passing of the Resolution at Item No. 3 as an Ordinary Resolution.

Except Ms. Rajni Anil Mishra, none of the Directors or Key Managerial Personnel of the Bank or their relatives are concerned or interested in the proposed resolution.

ITEM NO. 4

TO APPOINT MR. BANAVAR ANANTHARAMAIAH PRABHAKAR (DIN: 02101808) AS AN INDEPENDENT DIRECTOR OF THE BANK

Background

The Board of Directors ("Board") of the Bank, on the recommendation of the Nomination and Remuneration Committee, had appointed Mr. Banavar Anantharamaiah Prabhakar (DIN: 02101808) as an Additional Director (Independent) of the Bank w.e.f. August 20, 2021 to hold office up to date of this AGM.

Further, the Board, on the recommendation of the Nomination and Remuneration Committee, in its meeting held on August 25, 2021, has appointed him as the Part-Time Chairman of the Bank, subject to the approval of Reserve Bank of India, for the period co-terminus with his tenure as Additional Director/Independent Director or such other tenure as may be approved by Reserve Bank of India.

Rationale for Appointment

Mr. Prabhakar possesses about 37 years of experience of serving various banks. He carries experience of various positions from banks such as Bank of India, Andhra Bank and Bank of Baroda. He retired as Chairman and Managing Director of Andhra Bank in August, 2013 and has also served as the Executive Director of Bank of India.

He served on various boards representing the banks he had worked with. He was on the Board of Karnataka Bank Ltd. as an Independent Director for five years and on the Board of Canara HSBC OBC Life Insurance Co. Ltd, for 6 years from 2015 to 2021.

He is a Commerce graduate from the University of Mysore and a Chartered Accountant from ICAI.

He is presently on the Board of L&T Finance Holdings Limited, National Securities Depository Limited, ASREC (India) Limited and Conatus Finserve Private Limited. He is presently the Chairman of National Securities Depository Limited.

Considering his expertise in the Banking Industry, Accountancy, Finance, Agriculture and Rural economy, Small Scale Industry, Risk Management, Human Resources, Business Management, Credit Recovery & Treasury Management, it would be in the interest of the Bank to have him on the Bank's Board.

Eligibility and Disclosures

He meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors), 2014 and Regulation 16(1)(b) of SEBI Listing Regulations and he is eligible for appointment as an Independent Director of the Bank.

He is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and other applicable laws. Further, he is not debarred from holding the office of director by virtue of any SEBI order or of any other such authority.

The Bank has received all the necessary disclosures from him in terms of the Companies Act, 2013 and rules made thereunder, RBI guidelines, SEBI Listing Regulations and Code of Conducts of the Bank.

The Bank has received Notice under Section 160 of the Companies Act, 2013 from him signifying his intention to propose his candidature for the office of Independent Director.

The Nomination and Remuneration Committee and the Board had reviewed his profile and found him 'fit and

proper' in terms of RBI's Circular on 'Fit and proper' criteria for directors of banks and recommended his appointment as an Independent Director of the Bank, to the members for their approval.

Detailed Profile

Pursuant to Secretarial Standard-2 specified by the ICSI and Regulation 36(3) of SEBI Listing Regulations, detailed profile of Mr. Banavar Anantharamaiah Prabhakar is given below:

Name of Director	Banavar Anantharamaiah Prabhakar
Date of Birth and Age	August 04, 1953 68 years
Date of first appointment on the Board	August 20, 2021
Qualifications	<ul style="list-style-type: none"> Chartered Accountant from the Institute of Chartered Accountants of India Commerce Graduate from University of Mysore
Brief resume including experience	He possesses about 37 years of experience of serving various banks. He carries experience of various positions from banks such as Bank of India, Andhra Bank and Bank of Baroda. He retired as Chairman and Managing Director of Andhra Bank in August, 2013 and has also served as the Executive Director of Bank of India. He served on various boards representing the banks he had worked with. He was on the Board of Karnataka Bank Ltd. as an Independent Director for five years and on the Board of Canara HSBC OBC Life Insurance Co. Ltd, for 6 years from 2015 to 2021.
Expertise in specific Functional Areas	<ul style="list-style-type: none"> Banking Finance Accountancy Agriculture and Rural economy Small Scale Industry Risk Management Human Resources Business Management Credit, Recovery & Treasury Management
Directorship held in other Companies	1. L&T Finance Holdings Limited 2. National Security Depositories Limited 3. ASREC (India) Limited 4. Conatus Finserve Private Limited
Board Committees membership/ chairpersonship in other Companies	National Security Depository Limited Audit Committee Member Nomination and Remuneration Committee Member Corporate Social Responsibility Committee Chairman Member Committee Chairman Standing Committee on Technology Member Advisory Committee Chairman Stakeholders Relationship Committee Member Pricing Committee Chairman Regulatory Oversight Committee Chairman IPO Committee Chairman L&T Finance Holdings Limited Risk Management Committee Chairman ASREC(India)Limited Audit Committee Chairman Nomination and Remuneration Committee Member Acquisition Committee Member Resolution Committee Member CSR Committee Member
Relationship with other directors and Key Managerial Personnel of the Bank	None
No. of equity shares held in the Bank (Including shareholding as a beneficial owner)	Nil
No. of Board Meetings attended during the FY 2020-21	Eligible: 0 Attended: 0
Terms and conditions of appointment	Appointment as an Independent Director, not liable to retire by rotation, for a term of 3 (Three) consecutive years commencing from August 20, 2021 up to August 19, 2024
Remuneration Sought to be paid	Sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws
Remuneration Last drawn during the FY 2020-21	Nil

Recommendation and Interest of Directors/KMPs
The Board of the Bank recommends the passing of the Resolution at Item No.4 as an Ordinary Resolution.

Except Mr. Banavar Anantharamaiah Prabhakar, none of the Directors or Key Managerial Personnel of the Bank or their relatives are concerned or interested in the proposed resolution.

ITEM NO. 5
TO APPOINT MR. RAJESH KUMAR JOGI (DIN: 03341036) AS AN INDEPENDENT DIRECTOR OF THE BANK

Background

The Board of Directors ("Board") of the Bank, on the recommendation of the Nomination and Remuneration committee, had appointed Mr. Rajesh Kumar Jogi (DIN: 03341036) as an Additional Director (Non-Executive, Non-Independent) of the Bank w.e.f. March 13, 2021 to hold office up to date of this AGM.

Further, his category of directorship was re-categorised from Additional Director (Non-Executive, Non-Independent) to Additional Director (Independent) w.e.f. August 25, 2021.

Rationale for Appointment

Mr. Rajesh Kumar Jogi is a seasoned risk management professional and has over 27 years of experience in banking, which includes 10 years with NatWest Group India (erstwhile Royal Bank of Scotland) and 17 years with Citibank N.A. He held the position of Head of Risk for India and also led Asia Pacific Risk for the NatWest Group from 2016 to 2017 where he was responsible for all risk disciplines across NatWest Group India and has been a member of the Bank's Executive Committees in India. He has also held Executive Directorship positions on the Boards of various NatWest Group India legal entities and he was also the Chief Risk Officer at RBS Bank (India). Mr. Jogi is a Chartered Accountant and has completed Advanced Management Program from Harvard Business School.

Name of Director	Rajesh Kumar Jogi
Date of Birth and Age	March 04, 1968 53 years
Date of first appointment on the Board	March 13, 2021
Qualifications	1. Chartered Accountant 2. Advanced Management Program, Harvard Business School 3. B.A. (Economics)
Brief resume including experience	Mr. Rajesh Kumar Jogi is a seasoned risk management professional and has over 27 years of experience in banking, which includes 10 years with NatWest Group India (erstwhile Royal Bank of Scotland) and 17 years with Citibank N.A. He held the position of Head of Risk for India and also led Asia Pacific Risk for the NatWest Group from 2016 to 2017 where he was responsible for all risk disciplines across NatWest Group India and has been a member of the Bank's Executive Committees in India. He has also held Executive Directorship positions on the Boards of various NatWest Group India legal entities and he was also the Chief Risk Officer at RBS Bank (India).
Expertise in specific Functional Areas	<ul style="list-style-type: none">AccountancyFinanceEconomicsRisk ManagementTaxation LawsCorporate LawsSEBI related Laws/RegulationsRBI Regulations

Considering his experience and expertise in Risk Management, Accountancy, Finance, Economics, Taxation Laws, Corporate Laws, SEBI related Laws/Regulations, RBI Regulations, it would be in the interest of the Bank to have him on the Bank's Board.

Eligibility and Disclosures

He meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors), 2014 and Regulation 16(1)(b) of SEBI Listing Regulations and he is eligible for appointment as an Independent Director of the Bank.

He is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and other applicable laws. Further, he is not debarred from holding the office of director by virtue of any SEBI order or of any other such authority.

The Bank has received all the necessary disclosures from him in terms of the Companies Act, 2013 and rules made thereunder, RBI guidelines, SEBI Listing Regulations and Code of Conducts of the Bank.

The Bank has received Notice under Section 160 of the Companies Act, 2013 from him signifying his intention to propose his candidature for the office of Independent Director.

The Nomination and Remuneration Committee and the Board had reviewed his profile and found him 'fit and proper' in terms of RBI's Circular on 'Fit and proper' criteria for directors of banks and recommended his appointment as an Independent Director of the Bank, to the members for their approval.

Detailed Profile

Pursuant to Secretarial Standard-2 specified by the ICSI and Regulation 36(3) of SEBI Listing Regulations, detailed profile of Mr. Rajesh Kumar Jogi is given below:

Directorship held in other Companies	1. Xander Finance Private Limited 2. Wealthfusion Ltd (Company incorporated outside India (UK))														
Board Committees membership/ chairpersonship in other Companies	Xander Finance Private Limited <table><tr><td>Audit Committee</td><td>Chairman</td></tr><tr><td>Nomination and Remuneration Committee</td><td>Member</td></tr><tr><td>Corporate Social Responsibility Committee</td><td>Member</td></tr><tr><td>Risk Management Committee</td><td>Chairman</td></tr><tr><td>Internal Complaint Committee</td><td>Member</td></tr><tr><td>Vigilance and Ethics Committee</td><td>Member</td></tr><tr><td>Credit Committee</td><td>Member</td></tr></table>	Audit Committee	Chairman	Nomination and Remuneration Committee	Member	Corporate Social Responsibility Committee	Member	Risk Management Committee	Chairman	Internal Complaint Committee	Member	Vigilance and Ethics Committee	Member	Credit Committee	Member
Audit Committee	Chairman														
Nomination and Remuneration Committee	Member														
Corporate Social Responsibility Committee	Member														
Risk Management Committee	Chairman														
Internal Complaint Committee	Member														
Vigilance and Ethics Committee	Member														
Credit Committee	Member														
Relationship with other directors and Key Managerial Personnel of the Bank	None														
No. of equity shares held in the Bank (Including shareholding as a beneficial owner)	Nil														
No. of Board Meetings attended during the FY 2020-21	Eligible: 1 Attended: 1														
Terms and conditions of appointment	Appointment as an Independent Director, not liable to retire by rotation, for a term of 2.5 (Two and Half) consecutive years commencing from August 25, 2021 up to March 24, 2024														
Remuneration Sought to be paid	Sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws														
Remuneration Last drawn during the FY 2020-21	Rs. 75,000 was paid during the FY 2020-21 as sitting fees for attending the Board meeting														

Recommendation and Interest of Directors/KMPs
The Board of the Bank recommends the passing of the Resolution at Item No. 5 as an Ordinary Resolution.

Except Mr. Rajesh Kumar Jogi, none of the Directors or Key Managerial Personnel of the Bank or their relatives are concerned or interested in the proposed resolution.

ITEM NO. 6
TO APPOINT MR. RAVICHANDRAN VENKATARAMAN (DIN: 02064557) AS AN INDEPENDENT DIRECTOR OF THE BANK

Background

The Board of Directors ("Board") of the Bank, on the recommendation of the Nomination and Remuneration Committee, had appointed Mr. Ravichandran Venkataraman (DIN: 02064557) as an Additional Director (Independent) of the Bank w.e.f. August 20, 2021 to hold office up to date of this AGM.

Rationale for Appointment

Mr. Ravichandran Venkataraman is a global leader with a track record spanning 30+ years having worked in India, London and Bahrain. He moved from Banking to shared services and is currently into education and consulting. He brings a strong business background and having worked with top Business Leaders in over 100 countries.

He is the Founder-Director of Smrti Academy, a K-12 School and Floretz Academy, a Montessori School.

He is the Chairperson of eVidyaloka Trust, a not-for-profit social enterprise into remote education for rural children in India. eVidyaloka currently operates digital classrooms, mobile applications and teachings through television in 155 districts across 11 States to teach 25 Lakhs children.

He is the Founder-CEO of Alive Consulting that is into Leadership Development and Design Thinking. He

mentors senior leaders (including CEOs) and also conduct workshops.

Earlier, in his role as Senior Vice President of HP's Global Business Services, he was responsible for developing the company's shared services strategy and its global operating model. He led a team of 18,000 people spread across 14 global centers and co-located in 58 countries.

He joined Hewlett Packard from ANZ Bank's global back office where he was the Managing Director, responsible for managing a team of over 5,000 in technology and operations.

Prior to that, he was Vice-President – Corporate and Investment Banking at Bank Muscat and was part of the leadership group that set up the Bank in India.

He has completed FCCA from United Kingdom, ACMA from United Kingdom, Program for CFOs with Wharton Business School, USA and is also a B. Com graduate.

Considering his experience and expertise in Banking, Information Technology, Finance, Accountancy and Business Management, it would be in the interest of the Bank to have him on the Bank's Board.

Eligibility and Disclosures

He meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors), 2014 and Regulation 16(1)(b) of SEBI Listing Regulations and he is eligible for appointment as an Independent Director of the Bank.

He is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and other applicable laws. Further, he is not debarred from holding the office of director by virtue of any SEBI order or of any other such authority.

The Bank has received all the necessary disclosures from him in terms of the Companies Act, 2013 and rules made thereunder, RBI guidelines, SEBI Listing Regulations and Code of Conducts of the Bank.

The Bank has received Notice under Section 160 of the Companies Act, 2013 from him signifying his intention to propose his candidature for the office of Independent Director.

The Nomination and Remuneration Committee and the Board had reviewed his profile and found him 'fit and

proper' in terms of RBI's Circular on 'Fit and proper' criteria for directors of banks and recommended his appointment as an Independent Director of the Bank, to the members for their approval.

Detailed Profile

Pursuant to Secretarial Standard-2 specified by the ICSI and Regulation 36(3) of SEBI Listing Regulations, detailed profile of Mr. Ravichandran Venkataraman (DIN: 02064557) is given below:

Name of Director	Ravichandran Venkataraman
Date of Birth and Age	March 22, 1962 59 years
Date of first appointment on the Board	August 20, 2021
Qualifications	<ul style="list-style-type: none"> FCCA (UK) ACMA (UK) Bachelor of Commerce from Bangalore University
Brief resume including experience	<p>Mr. Ravichandran Venkataraman is a global leader with a track record spanning 30+ years having worked in India, London and Bahrain. He moved from Banking to shared services and is currently into education and consulting. He brings a strong business background and having worked with top Business Leaders in over 100 countries.</p> <p>He is the Founder-Director of Smrti Academy, a K-12 School and Floretz Academy, a Montessori School.</p> <p>He is the Chairperson of eVidyaloka Trust, a not-for-profit social enterprise into remote education for rural children in India. eVidyaloka currently operates digital classrooms, mobile applications and teachings through television in 155 districts across 11 States to teach 25 Lakhs children.</p> <p>He is the Founder-CEO of Alive Consulting that is into Leadership Development and Design Thinking. He mentors senior leaders (including CEOs) and also conduct workshops.</p> <p>Earlier, in his role as Senior Vice President of HP's Global Business Services, he was responsible for developing the company's shared services strategy and its global operating model. He led a team of 18,000 people spread across 14 global centers and co-located in 58 countries.</p> <p>He joined Hewlett Packard from ANZ Bank's global back office where he was the Managing Director, responsible for managing a team of over 5,000 in technology and operations.</p> <p>Prior to that, he was Vice-President – Corporate and Investment Banking at Bank Muscat and was part of the leadership group that set up the Bank in India.</p>
Expertise in specific Functional Areas	<ul style="list-style-type: none"> Banking Information Technology Finance, Accountancy Business Management
Directorship held in other Companies	<ol style="list-style-type: none"> Smrti Academy Private Limited Floretz Academy Private Limited Outpost Visual Effects Private Limited (Under Process of Incorporation)
Board Committees membership/ chairpersonship in other Companies	None
Relationship with other directors and Key Managerial Personnel of the Bank	None
No. of equity shares held in the Bank (Including shareholding as a beneficial owner)	Nil
No. of Board Meetings attended during the FY 2020-21	Eligible: 0 Attended: 0
Terms and conditions of appointment	Appointment as an Independent Director, not liable to retire by rotation, for a term of 3 (Three) consecutive years commencing from August 20, 2021 up to August 19, 2024
Remuneration Sought to be paid	Sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws
Remuneration Last drawn during the FY 2020-21	Nil

Recommendation and Interest of Directors/KMPs

The Board of the Bank recommends the passing of the Resolution at Item No.6 as an Ordinary Resolution.

Except Mr. Ravichandran Venkataraman, none of the Directors or Key Managerial Personnel of the Bank or their relatives are concerned or interested in the proposed resolution.

ITEM NO. 7

TO APPOINT MR. SAMIT KUMAR GHOSH (DIN: 00185369) AS A DIRECTOR (NON-EXECUTIVE, NON-INDEPENDENT) OF THE BANK

Background

The Board of Directors ("Board") of the Bank, on the recommendation of the Nomination and Remuneration Committee, had appointed Mr. Samit Kumar Ghosh (DIN: 00185369), as an Additional Director (Non-Executive, Non-Independent) of the Bank w.e.f. August 20, 2021 to hold office up to date of this AGM.

Rationale for Appointment

Mr. Samit Kumar Ghosh is the Non-Executive Director and Chairman of Ujjivan Financial Services Limited ("UFSL"). He founded the UFSL in 2004 and served as its MD & CEO until January 31, 2017. With the approval of the Reserve Bank of India, he was designated and took charge as the MD & CEO of Ujjivan Small Finance Bank Limited effective from February 01, 2017 and he retired on November 30, 2019 from this position on attaining the age of 70 years.

He is a career banker with over 30 years of experience in India & overseas with a specialization in retail banking. He was part of the management team which launched retail banking with Citibank in 1985, Standard Chartered Bank in 1993 and HDFC bank in 1996 and his last employment prior to founding UFSL was in Bank Muscat.

Name of Director	Samit Kumar Ghosh
Date of Birth and Age	December 01, 1949 71 Years
Date of first appointment on the Board	July 04, 2016
Qualifications	MBA from Wharton School of Business at the University of Pennsylvania
Brief resume including experience	<p>Mr. Samit Kumar Ghosh is the Non-Executive Director and Chairman of Ujjivan Financial Services Limited ("UFSL"). He founded the UFSL in 2004 and served as its MD & CEO until January 31, 2017. With the approval of the Reserve Bank of India, he was designated and took charge as the MD & CEO of Ujjivan Small Finance Bank Limited effective from February 01, 2017 and he retired on November 30, 2019 from this position on attaining the age of 70 years.</p> <p>He is a career banker with over 30 years of experience in India & overseas with a specialization in retail banking. He was part of the management team which launched retail banking with Citibank in 1985, Standard Chartered Bank in 1993 and HDFC bank in 1996 and his last employment prior to founding UFSL was in Bank Muscat.</p>
Expertise in specific Functional Areas	<ul style="list-style-type: none"> Banking Strategic Planning Payment and Settlement System Business Management Agriculture and Rural Economy Risk Management, Human Resources Small Scale Industry Micro Finance, Housing and MSE Business
Directorship held in other Companies	<ol style="list-style-type: none"> Ujjivan Financial Services Limited Parinaam Foundation

Considering his experience, expertise in Banking, Strategic Planning, Payment and Settlement System, Business Management, Agriculture and Rural Economy, Risk Management, Human Resources; Small Scale Industry, Micro Finance, Housing and MSE Business and prior association with the Bank, it would be in the interest of the Bank to have him on the Bank's Board.

Eligibility and Disclosures

He is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and other applicable laws. Further, he is not debarred from holding the office of director by virtue of any SEBI order or of any other such authority.

The Bank has received all the necessary disclosures from him in terms of the Companies Act, 2013 and rules made thereunder, RBI guidelines, SEBI Listing Regulations and Code of Conducts of the Bank.

The Bank has received Notice under Section 160 of the Companies Act, 2013 from him signifying his intention to propose his candidature for the office of Director (Non-Executive, Non-Independent).

The Nomination and Remuneration Committee and the Board had reviewed his profile and found him 'fit and proper' in terms of RBI's Circular on 'Fit and proper' criteria for directors of banks and recommended his appointment as a Director (Non-Executive, Non-Independent) of the Bank, to the members for their approval.

Detailed Profile

Pursuant to Secretarial Standard-2 specified by the ICSI and Regulation 36(3) of SEBI Listing Regulations, detailed profile of Mr. Samit Kumar Ghosh is given below:

Board Committees membership/ chairpersonship in other Companies	Ujjivan Financial Services Limited 1. Audit Committee Member 2. Nomination and Remuneration Committee Member 3. CSR Committee Member 4. Risk Management Committee Member 5. IT Strategy Committee Member
Relationship with other directors and Key Managerial Personnel of the Bank	None
No. of equity shares held in the Bank (Including shareholding as a beneficial owner)	Holds 35,47,143 equity shares of the Bank
No. of Board Meetings attended during the FY 2020-21	Eligible: 0 Attended: 0
Terms and conditions of appointment	Appointment as a Director (Non-Executive, Non-Independent, liable to retire by rotation, for term of 3 (Three) consecutive years commencing from August 20, 2021
Remuneration Sought to be paid	Sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Article of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws
Remuneration Last drawn during the FY 2020-21	Nil

Recommendation and Interest of Directors/KMPs

The Board of the Bank recommends the passing of the Resolution at Item No. 7 as an Ordinary Resolution.

Except Mr. Samit Kumar Ghosh, none of the Directors or Key Managerial Personnel of the Bank or their relatives are concerned or interested in the proposed resolution.

ITEM NO.8

TO APPOINT MS. SUDHA SURESH (DIN: 06480567) AS A DIRECTOR (NON-EXECUTIVE, NON-INDEPENDENT) OF THE BANK

Background

The Board of Directors ("Board") of the Bank, on the recommendation of the Nomination and Remuneration Committee, had appointed Ms. Sudha Suresh (DIN: 06480567) as an Additional Director (Non-Executive, Non-Independent) of the Bank w.e.f August 20, 2021 to hold office up to date of this AGM.

Rationale for Appointment

Ms. Sudha Suresh is a finance professional with a rich experience of more than two decades in private and public companies & a decade as practicing chartered accountant. Her areas of expertise include Fiscal management, IPO, Corporate Governance & Compliance, NBFC (ND-SI) Regulatory compliances, Internal Audit & Controls, Risk & ALM and Audit of Bank branches. She is the founding partner of S. Rao & Associates, Chartered Accountants, Bangalore. She is also the founder of Mani Capital, a financial consulting firm whose objective is to leverage the knowledge, experience, skills, and network developed over three decades to provide clients with strategic insights and solutions that accelerate growth.

She was the Managing Director and CEO (2017 - 2018) and Chief Financial Officer (2008 – 2017) of Ujjivan Financial Services Limited. Prior to this, she has served as CFO/ Finance Head for many companies.

Details of Membership with other Professional /Social Bodies:

- Life Member of Association of Women Entrepreneurs of Karnataka
- Life Member of the Karnataka State Chartered Accountants Association
- Member of Institute of Directors

Considering her experience and expertise in Accountancy, Taxation, Finance, Corporate Governance, Taxation Laws, Corporate Laws, SEBI related Laws, Regulations, RBI Regulations, and Treasury Management etc., it would be in the interest of the Bank to have her on the Bank's Board.

Eligibility and Disclosures

She is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and other applicable laws. Further, she is not debarred from holding the office of director by virtue of any SEBI order or of any other such authority.

The Bank has received all the necessary disclosures from her in terms of the Companies Act, 2013 and rules made thereunder, RBI guidelines, SEBI Listing Regulations and Code of Conducts of the Bank.

The Bank has received Notice under Section 160 of the Companies Act, 2013 from her signifying her intention to propose her candidature for the office of Director (Non-Executive, Non-Independent).

The Nomination and Remuneration Committee and the Board had reviewed her profile and found her 'fit and proper' in terms of RBI's Circular on 'Fit and proper' criteria for directors of banks and recommended her appointment as a Director (Non-Executive, Non-Independent) of the Bank, to the members for their approval.

Detailed Profile

Pursuant to Secretarial Standard-2 specified by the ICSI and Regulation 36(3) of SEBI Listing Regulations, detailed profile of Ms. Sudha Suresh is given below:

Name of Director	Sudha Suresh
Date of Birth and Age	December 21, 1963 57 years
Date of first appointment on the Board	August 20, 2021
Qualifications	1. Chartered Accountant from the Institute of Chartered Accountants of India 2. Company Secretary from the Institute of Company Secretaries of India 3. Grad ICWA from the Institute of Cost & Work Accountants of India 4. B. Com (H)
Brief resume including experience	Ms. Sudha Suresh is a finance professional with a rich experience of more than two decades in private and public companies & a decade as practicing chartered accountant. Her areas of expertise include Fiscal management, IPO, Corporate Governance & Compliance, NBFC (ND-SI) Regulatory compliances, Internal Audit & Controls, Risk & ALM and Audit of Bank branches. She is the founding partner of S. Rao & Associates, Chartered Accountants, Bangalore. She is also the founder of Mani Capital, a financial consulting firm whose objective is to leverage the knowledge, experience, skills, and network developed over three decades to provide clients with strategic insights and solutions that accelerate growth. She was the Managing Director and CEO (2017 - 2018) and Chief Financial Officer (2008 – 2017) of Ujjivan Financial Services Limited. Prior to this, she has served as CFO/ Finance Head for many companies. Details of Membership with other Professional /Social Bodies: a. Life Member of Association of Women Entrepreneurs of Karnataka b. Life Member of the Karnataka State Chartered Accountants Association c. Member of Institute of Directors
Expertise in specific Functional Areas	<ul style="list-style-type: none"> Accountancy Taxation Finance Corporate Governance Taxation Laws Corporate Laws SEBI related Laws and Regulations RBI Regulations Treasury Management etc.
Directorship held in other Companies	None
Board Committees membership/ chairpersonship in other Companies	None
Relationship with other directors and Key Managerial Personnel of the Bank	None
No. of equity shares held in the Bank (Including shareholding as a beneficial owner)	Holds 1 equity share of the Bank for and on behalf of Ujjivan Financial Services Limited
No. of Board Meetings attended during the FY 2020-21	Eligible: 0 Attended: 0
Terms and conditions of appointment	Appointment as a Director (Non-Executive, Non-Independent), liable to retire by rotation, for term of 3 (Three) consecutive years commencing from August 20, 2021
Remuneration Sought to be paid	Sitting fees, and reimbursed expenses for attending Board and Board committee meetings as per Articles of Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws
Remuneration Last drawn during the FY 2020-21	Nil

Recommendation and Interest of Directors/KMPs

The Board of the Bank recommends the passing of the Resolution at Item No. 8 as an Ordinary Resolution.

Except Ms. Sudha Suresh, none of the Directors or Key Managerial Personnel of the Bank or their relatives are concerned or interested in the proposed resolution.

By Order of the Board of Directors For UJJIVAN SMALL FINANCE BANK LIMITED

Sd/-

Chanchal Kumar

Company Secretary and Compliance Officer

Place: Bengaluru

Date: August 25, 2021

[illegible]



Ujjivan Small Finance Bank Limited

Registered Office

Grape Garden, 3rd "A" Cross,
18th Main, 6th Block,
Koramangala,
Bengaluru - 560 095

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