Pillar 3 Disclosures- 31st December 2017

As required by the Reserve Bank of India (RBI) vide its circular RBI/2015-16/58, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015,this document records disclosures made by Ujjivan Small Finance Bank Limited (hereinafter called "the Bank" or "USFB") under Pillar 3 of the Basel framework for the quarter ended 31st December 2017.

Commencing formal operations as a Small Finance Bank (SFB) from 6th February 2017 and included in the second schedule of the Reserve Bank of India Act, 1934 as a Scheduled Commercial Bank vide an-RBI notification dated 7th September 2017, the Bank had a total of 121 bank branches as at 31st December 2017, of which 6 were in Unbanked Rural Centres (URC). The Bank had also opened 2 branches which qualify as URC branches (branches situated in tier 3-6 locations in North Eastern (NE) states and Left Wing Extremism (LWE) districts). The Bank has provided RBI with a plan for progressive conversion of its erstwhile microfinance branches into Bank branches, while commensurately opening URCs to comply with the licensing conditions. 321 branches currently operate as asset only branches which are pending for conversion into Bank branches. The Bank provides retail banking services to economically active poor in urban and semi urban areas and has also commenced its Para-banking activities as a corporate agent of Bajaj Allianz Insurance Company limited and Aditya Birla Sun life Insurance limited in distributing life insurance products. The Bank is headquartered in Bangalore and has regional offices in New Delhi, Kolkata and Pune. There are no foreign operations of the Bank.

Table DF- 1: Scope of Application

<u>**Qualitative Disclosures**</u>

Parent Organization: Ujjivan Financial Services Limited

Subsidiary: Ujjivan Small Finance Bank Limited (USFB)

As per the Agreement to Transfer Business Undertaking (hereinafter referred to as 'BTA') dated January 12, 2017 Ujjivan Financial Services Limited (UFSL), the parent holding company of the Bank, transferred its business undertaking by way of a slump sale on a going concern basis to USFB with effect from February 01, 2017.

The disclosures in this document pertain to **USFB** as a stand-alone and independent entity.

The Bank does not have any subsidiary nor does it have any interest in any insurance entity.

List of group entities considered for consolidation			
Name of the entity / country of incorporation (as indicated in (I) a. above)	**Principal activity of the entity**	**Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)**	**Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)**
NIL	NIL	NIL	NIL

The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation				
Name of the subsidiaries / country of incorporation	**Principal activity of the entity**	**Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)**	**% of Bank's holding in the total equity**	**Capital deficiencies**
NIL	NIL	NIL	NIL	NIL

The aggregate amounts (e.g. current book value) of the Bank's total interests in insurance entities, which are risk-weighted				
Name of the insurance entities/ country of incorporation	**Principal activity of the entity**	**Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)**	**% of Bank's holding in the total equity / proportion of voting power**	**Quantitative impact of regulatory capital of using risk weighting methods versus using the full deduction method**
Nil	Nil	Nil	Nil	Nil

Table DF- 2: Capital Structure

Qualitative Disclosures

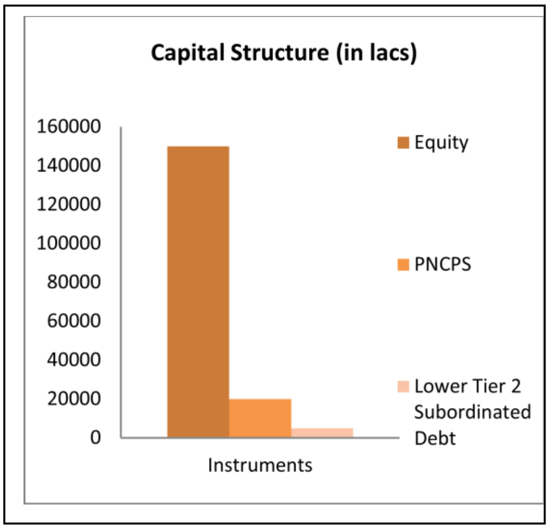
a) Equity capital

The Bank has an authorized capital of Rs.1,50,000 lacs in the form of Common Equity qualifying as Tier 1 capital under the guidelines of RBI. The Bank has issued, subscribed and paid up equity capital of Rs.1, 44,003 lacs, constituting 1,44,00,36,800 numbers of shares of Rs.10 each.

Out of this, 100% shareholding was with UFSL, the holding company as on 31st December 2017. The shares of the Bank are not listed.

Capital Structure- Summary of Tier I & Tier II Capital			
S. No.	**Instrument**	**Whether Tier I or II**	**Amount in Rs. Lacs**
1	Equity	Tier 1	150000
2	PNCPS*	Tier 1	20000
3	Lower Tier 2 Subordinated Debt	Tier 2	5000

**Perpetual Non-cumulative Preference Shares*



Details of PNCPS instruments

Perpetual Non-cumulative preference shares can be issued by Indian banks, subject to the legal provisions, in Indian rupees and in compliance with the terms and conditions issued by RBI for qualification. A key characteristic to PNCPS is that there can be no maturity date and no step ups or other incentives to redeem. The rate of dividend payable to the investors may be either a fixed rate or a floating rate referenced to a market determined rupee interest benchmark rate.

The claims of the investors in the instruments are

(i) Superior to the claims of investors in equity shares;

(ii) Subordinated to the claims of Perpetual Debt Instruments (PDIs), all Tier 2 regulatory capital instruments, depositors and general creditors of the Bank; and

(iii) Is neither secured nor covered by a guarantee of the issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.

Tier II Series name	Issue Amount (Rs. In lacs)	Issue date	Date of Redemption	Basel III complaint (Y/N)	Interest rate (% p.a.)
PNCPS	20000	9th Feb 2017	Perpetual	Yes	11% p.a.

b) Debt Capital instruments (qualifying as Tier II capital)

Details of Subordinated debt instruments (in lacs)

The subordinated debt capital instruments are issued as bonds / debentures by USFB and meet the terms and conditions to qualify for inclusion as Tier 2 Capital for capital adequacy purposes.

These debt instruments are subjected to a progressive discount for capital adequacy purposes as they approach maturity. The interest payable to the investors can either be at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate.

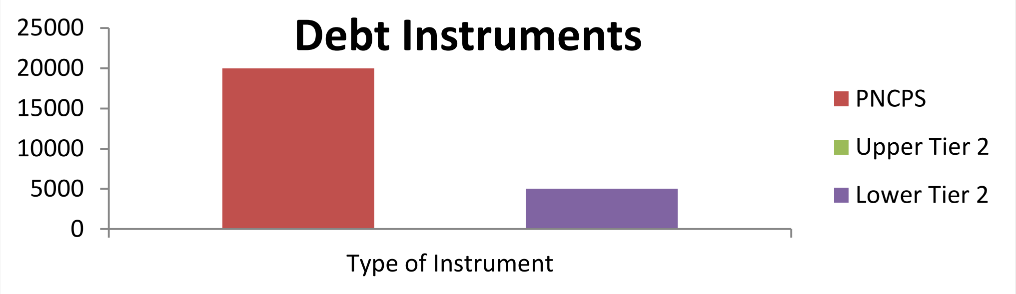
The claims of the investors in instruments are:

(i) senior to the claims of investors in instruments eligible for inclusion in Tier 1 capital;

(ii) subordinate to the claims of all depositors and general creditors of the Bank; and

(iii) Is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis Bank creditors.

Tier II Series name	Issue Amount (Rs. In lacs)	Issue date	Date of Redemption	Basel III complaint (Y/N)	Interest rate (% p.a.)
SIDBI Sub debt-US	5000	29th September 2014	10.4.2020	No	15%



Bank has not issued any Debt instrument qualifying as Upper Tier II bonds.

Quantitative Disclosures

The break-up of Basel II capital funds (in lacs) as on 31st December 2017 is as follows:

Description	Amount in Rs. lacs
Directly issued qualifying common share capital plus related stock surplus (share premium)	1,44,003.68
Retained earnings	(5,825.12)
Common Equity Tier 1 capital before regulatory adjustments	1,38,178.56
	-
Goodwill (net of related tax liability)	-
Deferred tax assets arising from temporary differences	7,625.82
Intangibles (Prepaid Expenses & Computer Software)	9,882.03
50% of Credit Enhancements	3,617.38
	-
Adjustments for Negative Tier 2 Capital	-
Total regulatory adjustments to Common equity Tier 1	21,125.23
	-
Common Equity Tier 1 capital (CET1)	1,17,053.33
	-
Perpetual Non-Cumulative Preference Shares	20,000.00
Additional Tier 1 capital (AT1)*	20,000.00
	-
Tier 1 Capital	1,37,053.33
	-
SIDBI sub-debt	5,000.00
Sub - debt eligible as Tier 2 capital	1,666.67
General Provisions on Std Assets admissible as Tier 2***	3,332.41
Tier 2 Capital before regulatory adjustments	4,999.08
	-
Regulatory adjustments to Tier 2 Capital	-
50% of Credit Enhancements	3,617.38

	-
Total Regulatory Adjustments to Tier 2 Capital	3,617.38
	-
Tier 2 Capital before adjustments to CET1	1,381.70
	-
Tier 2 Capital after adjustments to CET1	1,381.70
	-
Total Regulatory Capital	1,38,435.03

Table DF- 3: Capital Adequacy

Qualitative Disclosures

The Bank has been making a concerted effort to change its asset composition, with increased focus on building its portfolio of Micro, Small and Medium Enterprises (MSME) loans and loans to the affordable housing sector. However, as on 31st December, 2017, the credit book of the Bank primarily comprised microfinance credit, totalling Rs.6, 57,045 lacs from a total credit base of Rs 6, 97,088 lacs. The Bank had a total retail deposit base of Rs. 1,05,668 lacs and CD base of Rs. 1,37,900 lacs as on 31st December 2017; the latter being used to meet funding requirement and also to pay high cost legacy borrowings. The Bank is fully compliant with the Priority Sector Lending (PSL) requirement of SFBs as stipulated by RBI.

As defined by RBI in its operating guidelines to Small Finance Banks (DBR.NBD.No.26/16.13.218/2016-17 dated October 6, 2016) SFBs are required to adopt the Standardized approach for credit risk and maintain a minimum CRAR of 15% segregated as under:

Minimum Capital Requirement	15%
Minimum Common Equity Tier 1	6%
Additional Tier I	1.5%
Minimum Tier I capital	7.5%
Tier II Capital	7.5%
Capital Conservation Buffer	Not applicable
Counter- cyclical capital buffer	Not Applicable
Pre-specified Trigger for conversion of AT I	CET1 at 6% up to March 31, 2019 , and 7% thereafter

The Guidelines state that the prudential framework for market risk and operational risk are being examined and the instructions in this regard will be issued separately. (I*n a separate communication dated 8th November 2017 marked DBR. NBD. No. 4502/16.13.218/2017-18, RBI has advised that no separate charge for market risk and operational risk for SFBs is prescribed for the time being)*

However, as a good governance practice, USFB separately computes capital charge for all the Pillar 1 risks viz. Credit, Market and Operational Risk following the Standardized approach for Credit Risk, Standardized Duration Approach for Market Risk and the Basic Indicator Approach for Operational Risk As directed by RBI, the Bank follows the Basel II guidelines when computing capital adequacy, though for its internal and regulatory reporting it also complies with certain aspects of Basel III requirement, such as computation and maintenance of RBI prescribed minimum Liquidity Coverage Ratio (LCR) and Leverage Ratio. For its capital adequacy calculation as at 31st December 2017 under Basel II guidelines the Bank has also taken into cognizance, as required by RBI, assets under lien for its "grandfathered" portfolio of legacy borrowings and applied an additional Risk Weight (RW) of 25% to these assets. This portfolio is progressively being paid down and alternate sources of funding such as certificates of deposit (CD) and term deposits are being tapped to additionally prepay the high cost external borrowings. The progressive repayment and prepayment of its legacy borrowings will release the underlying assets charged to the lending financial institutions and with that also release expensive RWA. The capital adequacy position, which was very comfortable as at 31st December 2017, is expected to improve further.

Likewise, the securitized portfolio which was transferred under the BTA is being paid down. The capital adjustment made to Tier I and Tier II capital on account of the credit enhancement provided for this securitized portfolio as required under the Basel II guidelines, will also be progressively reduced with the payment of the securitized obligation, thereby improving capital under both Tier I and Tier II.

Quantitative Disclosures

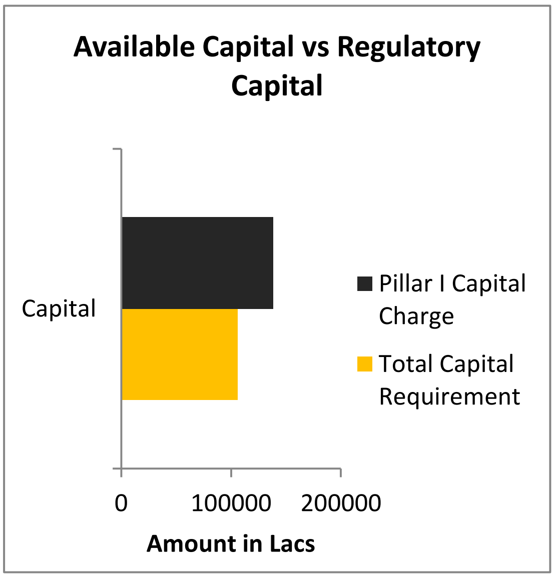
Capital Requirements for Various Risks		
S.No	**Capital Requirements for various Risks**	**Amount(in Rs. Lacs)**
A	**Credit Risk**	94179
A.1	For non-sec portfolio	93913
A.2	For Securitized portfolio	266
B	**Market Risk**	189
B.1	For Interest Rate Risk	189
B.2	For Equity Risk	NIL
B.3	For Forex Risk (including gold)	NIL
B.4	For Commodities Risk	NIL
B.5	For Options risk	NIL

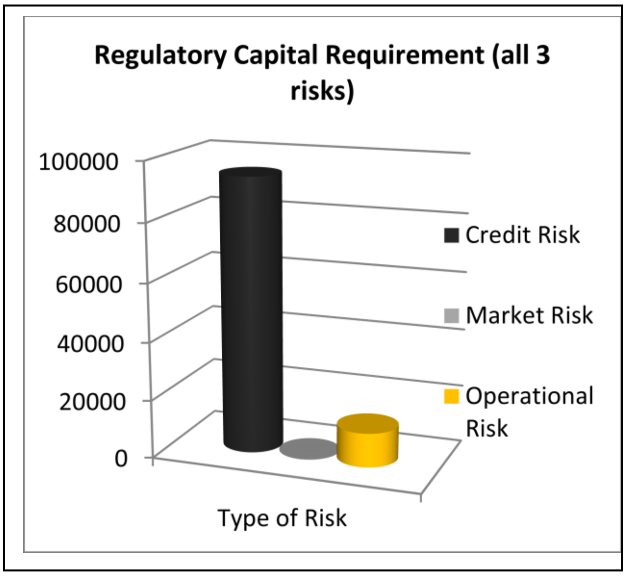
C	**Operational Risk**	11719
D	**Total Capital Requirement**	106086
E	**Total Risk Weighted Assets**	776704
F	**Pillar I Capital Charge**	138435

Basel II Ratios as on 31st December 2017 (in Rs. Lacs)

Particulars	**Amount/Ratio(Only Credit RWA)**	**Amount/ Ratio (all Pillar 1 risks)**
Tier I Capital	137053	137053
Tier II Capital	1382	1382
Total Capital	138435	138435
Total RWA	6,27,856.77	7,76,704.22
Tier I Ratio	**21.83%**	**17.65%**
Tier II Ratio	**0.22%**	**0.18%**
Overall CRAR	**22.05%**	**17.83%**

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





General Qualitative Disclosures

Table DF- 4: Credit Risk: General Disclosures

Qualitative disclosures

Credit risk

A) Definitions of past due and impaired

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

(i) Interest and/or instalment of principal remains overdue for a period of more than 90days in respect of a Term Loan;
(ii) The account remains out of order for 90 days
(iii) The bill remains overdue for a period of more than 90days in the case of bills Purchased and Discounted
(iv) In case of advances granted for Agricultural purposes
a) The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops
b) The instalment of principal or interest thereon remains overdue for one crop seasons for long duration crops
(v) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006.

in respect of derivative transactions, the overdue receivables representing positive mark to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

B) Provisioning Norms of the Bank

The provisioning norms of the Bank, as approved by its Board, have been consistently more conservative than that defined by the Reserve Bank of India. The increased provisioning norms help recognize the actual risk and gradually account higher for sub-standard assets and also provide fully for an asset that is past due over 365 days. The provisioning policy of the Bank as at 31st December 2017 was as below:

Table 1: Unsecured loans: Group and Individual loans including unsecured MSE loans:

Asset Classification	Sub-category	Overdue Buckets	Regulatory Norms	Board approved Bank's Provision
Standard Asset	No Due	0 days	0.4%	0.5%
Standard Asset	SMA- 0	1-30 days	0.4%	0.5%
Standard Asset	SMA- 1	31-60 days	0.4%	1%

Standard Asset	SMA-2	61-90 days	0.4%	1%
Sub-standard Asset	NPA	91-150 days	25%	25%
Sub-standard Asset	NPA	151-180 days	25%	50%
Sub-standard Asset	NPA	181-365 days	25%	75%
Sub-standard Asset	NPA	366-455 days	25%	100%
Doubtful Asset	NPA	>455 days	100%	100%

. The reasons for the accelerated provisioning when compared to regulatory minimums are as below:

- USFB has a robust credit review and credit risk management process. The granular review of the portfolio enabled the Bank to identify areas and groups that were severely affected post demonetization. Taking cognizance of assets that had been impaired and where any recovery was in doubt, USFB followed a policy of making full provision for these assets. This has been successively reviewed and confirmed by the external auditors of the Bank. As part of its Internal Capital Adequacy and Assessment Process (ICAAP), which is due for submission by June 2018, the Bank assesses whether there has been any underestimation in its credit provisioning. The accelerated provisioning has ensured that the Bank has at all times provided completely for its sub-standard (366-455 days past due) and doubtful assets, and that at no point in time has there been an instance where external auditors or the RBI has asked for increased provisioning on a review of the credit portfolio;
- As it steps up its MSE and Affordable Housing portfolio, the Bank has developed an Early Warning System (EWS) that provides alerts of imminent stress in an account. Corrective action is initiated to reverse the stress, but should this persist, the Bank reviews the possibility of making provisions against such accounts.

Table 2: Secured loans: MSE Secured loans, Loan against Property and Housing loans:

Asset Classification	**Sub-category**	**Overdue Buckets**	**Regulatory Norms**	**Board Approved Provisions**
Standard Asset	No Due	0 days	0.4%	0.5%
Standard Asset	SMA- 0	1-30 days	0.4%	0.5%
Standard Asset	SMA- 1	31-60 days	0.4%	0.5%
Standard Asset	SMA-2	61-90 days	0.4%	0.5%

Sub-standard Asset	NPA	91-180 days	15%	25%
Sub-standard Asset	NPA	181-455 days	15%	50%
Doubtful Asset	NPA	456-545 days	25%	75%
Doubtful Asset	NPA	546-720 days	25%	100%
Doubtful Asset	NPA	721- 970 days	40%	100%
Doubtful Asset	NPA	971- 1000 days	40%	100%
Loss Asset	NPA	>1551 days	100%	100%

- The provisioning norms for Secured loans, both Business and Housing loans are higher than the regulatory norms. The overdue buckets are categorized after analysing the trend/movement in overdue status and traction percentage achieved in these buckets.
- All cases identified as loss assets at any given point in time are fully provided for.

Additional Considerations:

Treatment to the following special cases are as below:

- **Benami loans** and **Sub-lending cases** in its JLG portfolio as identified by the Bank, and as investigated and confirmed by the Risk and Fraud Management Committee are considered as loss asset and fully provided for immediately;
- **Abscond cases** are considered as loss assets from 91 days and fully provided for at 91 days. Any other fraudulent case as identified by the Bank and confirmed by the Risk Management Committee is considered as loss asset and fully provided for immediately

C) Rescheduled loans

All loans, where the repayment terms of existing advances have been revised in order to extend the repayment period and/or decrease the instalment amount as per the borrower's request are marked as rescheduled loans. Loan rescheduling is done for genuine cases and not for technical reasons.

- Rescheduling results in immediate down-gradation of the loan, i.e. a standard loan becomes sub-standard and immediately attracts provision as per the asset classification and subsequent provisioning norms.
- If the account continues to deteriorate post rescheduling, it will slip into further lower asset classification and attract provisioning as per the policy.
- If a non-performing asset is rescheduled, it shall continue to have the same classification as prior to rescheduling and slip into further lower asset classification

as per asset classification norms with reference to the pre-rescheduling repayment schedule and attract provisioning as per policy. If the account performs regularly, it will be upgraded after one year of satisfactory performance of the loan

D) Write-offs

Technical/prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of branches, but have been written off (fully or partially) at head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches

During the current quarter, the Risk Management Committee has approved a write-off of Rs. 3305 lacs. These are the advances where no recoveries have been made in the past six months i.e. accounts in overdue status since June 2017. Further, Bank is of the opinion that there is very low probability of recovery. The summary of write-offs during the nine months ended December 2017 is as follows:

Period	Amount (in Rs. lacs)
Q1 of 2017-18	1000
Q2 of 2017-18	8868
Q3 of 2017-18	3305
Total charge for the nine months	13173

All assets which have been fully provided for are considered for writing off after all recovery efforts have been exhausted:

Category of loans	**Write off Policy**
Unsecured loans (Post Nov'16)	Can be Written off after 365 days, when it is classified as doubtful
Unsecured loans (Prior demonetization)	Can be Written off after 180 days. These are cases largely where the borrower is an intentional defaulter or abscond case or a sub lending case and have been fully provided for
Benami loan/Sub-lending/Abscond cases	Unsecured loans after 180 days Secured loans after 365 days
Secured loans	Can be Written off after 545 days
Fraud Cases *(As confirmed by the Risk and Fraud Management committee and reviewed by the Risk Committee)*	Unsecured loans after 180 days Secured loans after 365 days Any account over and above Rs. 1 lakh is written off by the MD & CEO as defined in the Recovery Policy

Loss assets	Loss Assets can be written off after 180 days from the date of such classification, if approved by Credit Risk Management Committee of the Bank.

E) **Credit Risk Management**

As a measure to counter the effects of demonetization, during the HY 2017-18, the Bank established a dedicated collections teams to recover cases which are >90 Days Past Due (DPD). 50% of the NPA accounts are allocated to the collections team, the balance remains with the branch teams.

Following this, there has been a marked improvement in collection and 30%+ traction (recovery) was observed in December on allocated accounts with an increasing monthly trend from June'17 as shown below:

Quarter Ended	# Employees	Allocated OD A/cs	Traction%	Collection (Rs. Lacs)
June'17	119	23,828	28%	480
Sept'17	460	1,43,205	28%	1350
December 2017	501	1,62,694	34%	2580

Vintage staff members (experienced staff) from affected branches were moved to the collections team.

In Q3, Portfolio quality continued to improve steadily. 18,590 Incremental Overdue accounts (IOD) were originated in Q3 as against 33,858 Incremental ODs originated in Q2. 20% of Q2 Incremental ODs were already normalized by December end. The average monthly incremental overdue accounts were contained to below 7,000 a/cs per month during the quarter. The asset quality of loans disbursed post demonetization i.e. from January 2017 onwards has been healthy which can be evidenced with the collection efficiency at 99.7% as of quarter ended December'17.

Branches with high Portfolio At Risk (PAR) are completely focused on recoveries. Branches are being reviewed on a monthly basis at the credit risk committee to allow/continue/discontinue new customer acquisition. A dedicated leadership team is managing portfolio quality on a full time basis. In a unique effort, the management and leadership team members also mentor critical branches with ground level monitoring

Continued Tele-calling support for high value default clients is provided. Tele-calling Promise to Pay (PTP) conversion was at 78% of the total allocated arrear pool from which there has been a collection in 75% of these cases.

Credit Risk Monitoring

Micro-finance portfolio

The Unsecured Credit function specifically manages and monitors the microfinance business – Joint lending groups (JLG) and Individual Loans through an independent loan underwriting and approval process. Credit risk monitoring for the unsecured lending portfolio is undertaken in the following way:

- Field credit teams ensure implementation of various policies and processes through random customer visits and assessment, training of branch staff on application errors, liaison with other institutions to obtain necessary information/loan closure documents, as the case may be, and highlight early warning signals and industry developments enabling pro-active field risk management. The efforts of the field credit team are supplemented by that of the strong Internal Audit framework of the Bank. This is primarily audit of field and branch banking processes, including the credit sanction and disbursement process. Any breach is highlighted and corrective measures are initiated;
- Branch specific credit limits for JLG business have been formulated that define credit limits for various occupations thereby addressing exposure and concentration risks. The limits so drawn ensure approvals in accordance with customer's maturity in the lending system, vintage with USFB, primary occupation of the family and their locale. The entire policy suite thus enables robust customer selection and assessment;
- Portfolio analysis and reporting is used to identify and manage credit quality and concentration risks. Monthly branch credit performance score cards have been implemented to ascertain the health of the branch portfolio and to review the credit limit of the branch, if necessary

Housing and MSE portfolios

Credit risk monitoring for MSE and the affordable housing sector is broadly done at two levels – account level and portfolio level. Account monitoring aims to identify weak accounts at an incipient stage to facilitate corrective action. Portfolio monitoring aims towards managing risk concentration in the portfolio as well as identifying stress in certain occupations, markets and states where the PAR % is out of sync with the Bank's long term vision.

Quantitative Disclosures

Exposure summary: Facility type

		Fig In Rs. lacs
Exposure Type	**Domestic(outstanding)**	**Overseas (Outstanding)**
Fund- Based*	693588.38	--
Non- Fund Based	--	--
Total	693588.38	**--**

*Fund Based facilities includes loans and advances (customer and staff) excluding Inter Bank Participation Certificate (IBPC) of Rs. 3500 lacs.

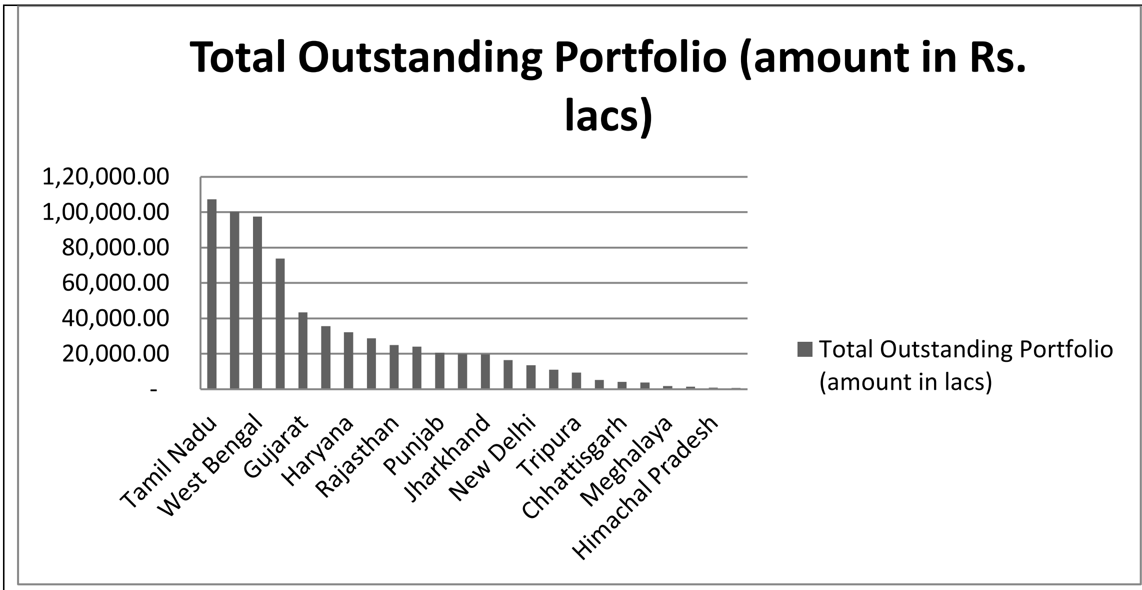
Geographic Distribution of advances (State-wise) (Excluding Staff Loans)

State	OSP Rs. lacs	%Share
Tamil Nadu	1,07,368.50	15.42%
Karnataka	1,00,256.55	14.40%
West Bengal	97,532.52	14.01%
Maharashtra	73,786.38	10.60%
Gujarat	43,332.46	6.22%
Bihar	35,603.01	5.11%
Haryana	32,159.25	4.62%
Assam	28,787.30	4.14%
Rajasthan	24,951.96	3.58%
Uttar Pradesh	23,997.25	3.45%
Punjab	20,528.67	2.95%
Orissa	19,913.41	2.86%
Jharkhand	19,708.59	2.83%
Kerala		2.36%

	16,457.73	
New Delhi	13,605.12	1.95%
Madhya Pradesh	10,945.02	1.57%
Tripura	9,359.57	1.34%
Pondicherry	5,293.88	0.76%
Chhattisgarh	4,055.54	0.58%
Uttarakhand	3,831.54	0.55%
Meghalaya	1,725.41	0.25%
Chandigarh(UT)	1,435.36	0.21%
Himachal Pradesh	825.19	0.12%
Goa	711.96	0.10%
Grand Total	**6,96,172.18**	**100.00%**

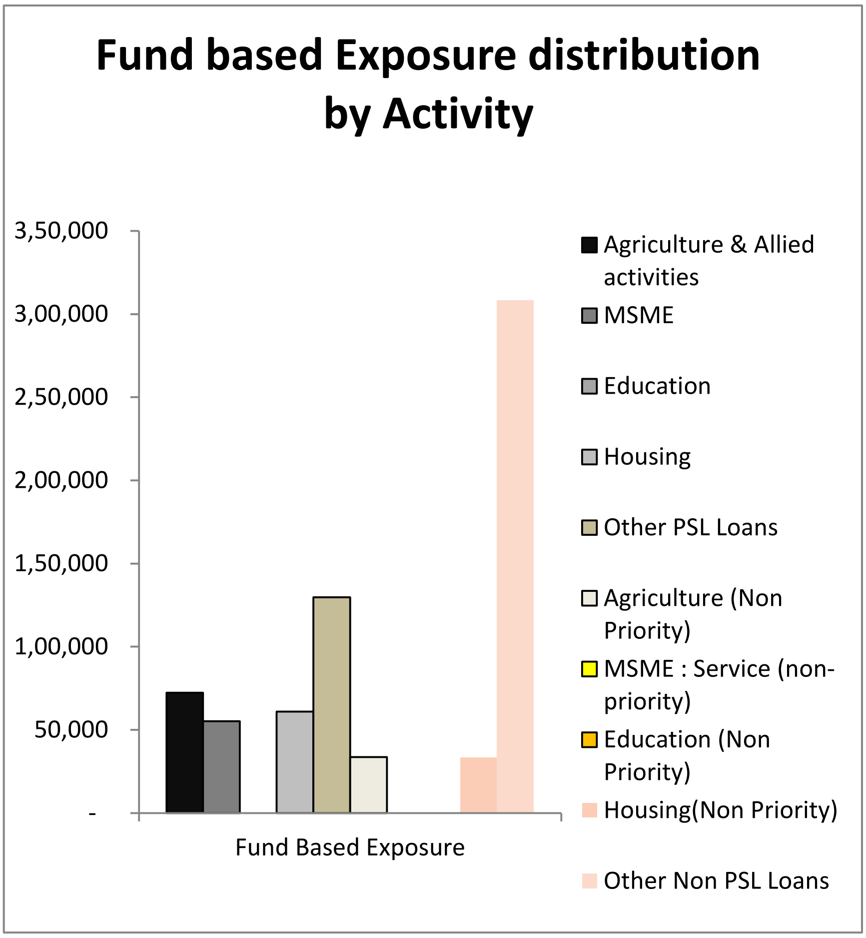
As per CRIF HIMARK report, the top 5 states in Micro-finance lending are Tamilnadu, West Bengal, Karnataka, Maharashtra and Bihar. The total exposure distribution of the Bank (which includes a significant contribution from MFI business) is roughly similar to the industry with the exception to Gujarat which contributes 6.22% (5th place) of the total portfolio in the Bank.

In the Top 5 states, the PAR% of the Bank is found to be lower than the industry average which signifies efficient credit risk management.



Exposure distribution by activity

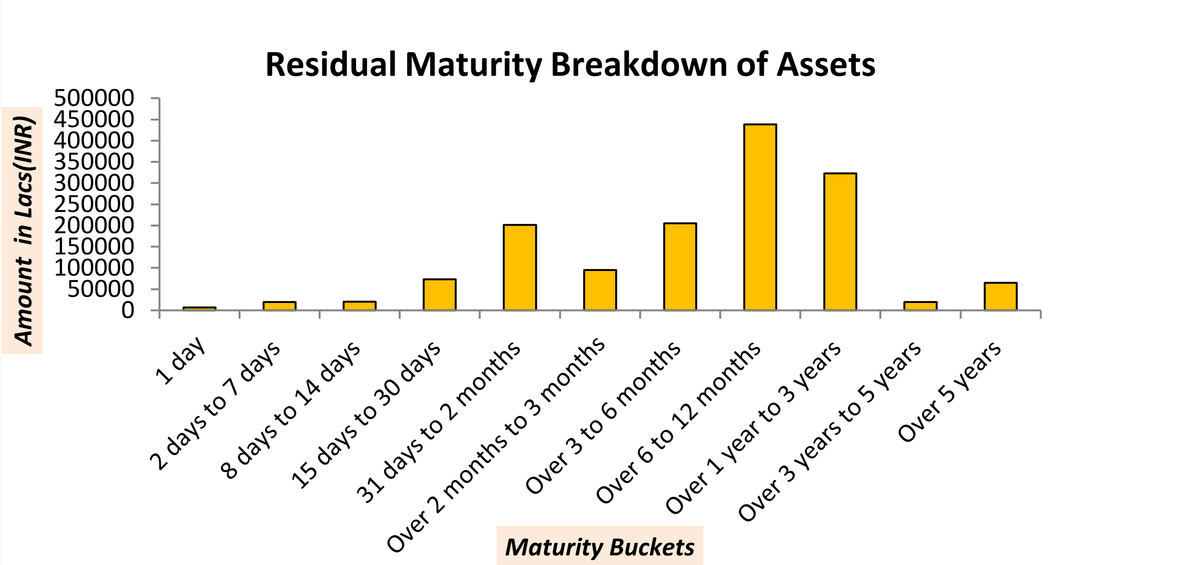
Exposure Distribution by Activity as on 31st Dec 2017 (In Rs. lacs)			
Sr.no	**Industry Classification**	**Fund Based (Outstanding)**	**Non-fund Based (Outstanding)**
1	Agriculture & Allied activities	72,264.97	0
2	MSME	55,252.50	0
3	Education	-	0
4	Housing	60,967.42	0
5	Other PSL Loans	129,668.76	0
	Total Priority Sector Loans	318,153.65	0
6	Agriculture (Non Priority)	33,641.60	0
7	MSME (Service)	-	0
8	Education		0
9	Housing	33,494.66	0
10	Other Non PSL Loans	308,298.77	0
	Total Non-Priority Sector Loans	375,435.03	0
	Total Advances	693,588.68	0



Maturity pattern of assets and liabilities (in Rs. lacs)

Maturity Buckets	Loans & Advances	Investment	Deposits	Borrowings
1 day	6.72	0	139.35	6295.46
2 days to 7 days	7688.87	10494.98	507.37	577.92
8 days to 14 days	13254.02	0	567.55	6404.5
15 days to 30 days	25476.43	11468.94	20269.16	15654.35
31 days to 2 months	49849.27	0	85313.27	66413.75
Over 2 months to 3 months	52183.62	0	29765.62	12906.2
Over 3 to 6 months	139528.83	15307.49	11613.16	38939.22
Over 6 to 12 months	198138.55	19890.36	68022.15	152249.98
Over 1 year to 3 years	157900.88	0	27457.47	137633.82
Over 3 years to 5 years	13190.32	0	32.3	6466

Over 5 years	13914.53	50786.99	10.14	0
Total	671132.04	107948.76	243697.54	443541.2



Non-performing assets (NPA) (in Rs. lacs)

Category of Gross NPA	31st December 2017
Sub-standard	18,507.97
Doubtful	46.22
Loss	10,875.16
Total	**29,429.35**

Net NPA	6,973.08

NPA Ratios	Percentage
Gross NPA to Gross Advances	4.24%
Net NPA to Net Advances	1.05%

Movement of Gross NPA's

Particulars	Amount
Opening Balance	1639.95
Additions during the period	49,191.12
Reductions during the period	21,401.73
Closing Balance	29,429.35

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

Particulars	Amount
Opening Balance	1460.23
Provisions made during the period	35,430.60
Write back of excess provisions	14,434.56
Closing Balance	22,456.27

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

Movement of provisions for depreciation on investments	Amount
Opening Balance	--
Provisions made during the period	--
Write-off	--
Write- Back of excess provisions	--
Closing Balance	--

Table DF-5: Credit Risk: Disclosures for Portfolios Subject to the Standardised Approach

Qualitative Disclosures

a) The Bank has adopted Standardized approach for computation of capital charge for Credit risk as per RBI guidelines. These guidelines envisage different risk weights for different asset classes, which have been duly applied.

b) The loan book of USFB is predominantly comprised of retail category loans. Therefore, the risk weight as applicable to Regulatory Retail, Claims under residential mortgage and staff loans is applied.

c) No Borrower is currently risk-weighted as per Ratings assigned by Eligible Credit Rating Agencies as prescribed by RBI.

d) Bank has also taken into cognizance assets under lien for its “grandfathered” portfolio of legacy borrowings and applied an additional RWA of 25% to these assets as per the specific directives by RBI to SFBs.

Quantitative Disclosures

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on 31st December 2017	
Risk Weight	**Amount in Rs. Lacs**
Below 100% Risk Weight	548799
100% Risk Weight	233773
More than 100% Risk Weight	87559
Deductions from Credit Risk Mitigants (CRM)	0
Total	870131

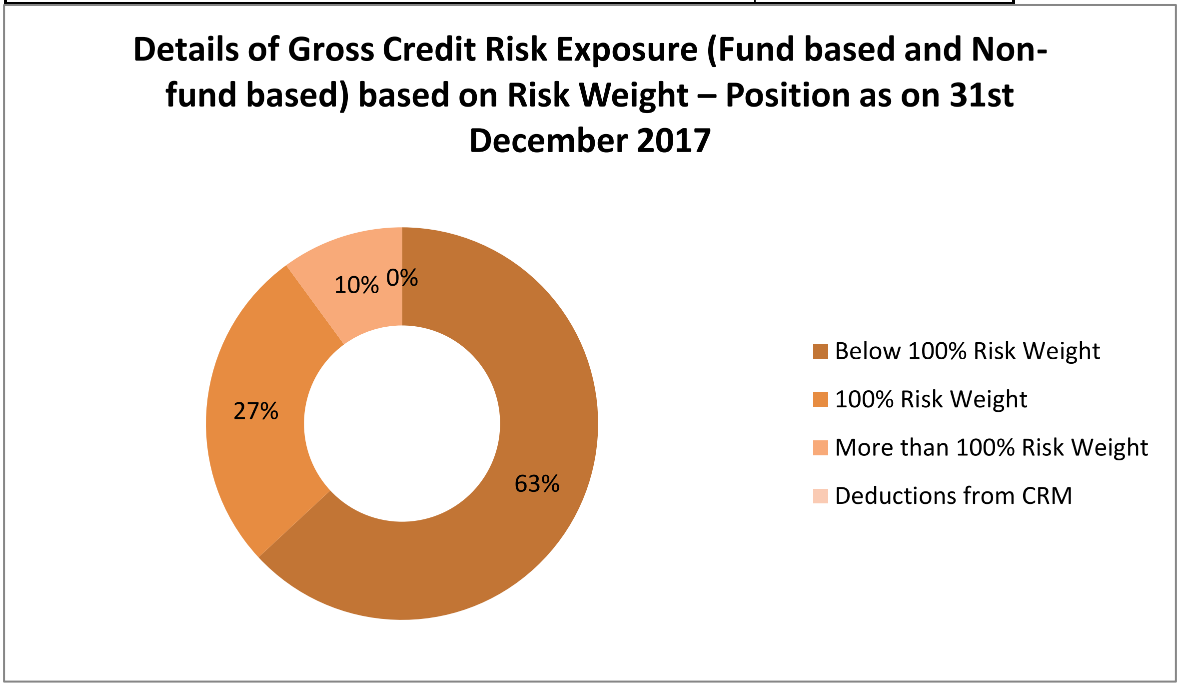


Table DF-6: Credit Risk Mitigation: Disclosures for Standardised Approaches

Qualitative Disclosure

- The JLG and Individual Loan portfolio of the Bank is unsecured. Loans to the affordable housing segment are collateralized by a mortgage over the property financed.
- Credit risk mitigation refers to the use of methods to reduce the risk of lending to a borrower. The Bank has put in place a detailed credit appraisal process which is captured in separate product manuals and product programs. The mitigants used in the unsecured lending portfolio are as follows:

1) Life insurance is mandatory for all the borrowers availing any of Bank's products.
2) Bank works with 4 credit bureaus and ensures 100% application screening through the bureaus. State of the art paperless approval process, through the document

management system enables a quick and uniform approval process.

3) NPA Customers are identified and follow up is undertaken by the tele-calling team. The tele calling team updates the field recovery officer through revised Promise to Pay (PTP) dates from the borrower. Further, the Early Warning System (EWS) tool for Housing and MSE loans also enables the Bank to monitor the repayment behaviour and discipline of the borrower. This tool provides valuable insights which enable the Bank to focus more on customers deemed to be of higher risk.
4) A robust process is in place for end use monitoring of funds post disbursement through Loan Utilization Checks (LUC) for disbursements above Rs. 1 lac. LUC checks are also undertaken on sample basis for disbursements of above Rs. 50,000 to Rs. 1 lac.
5) Centre meetings in JLG portfolio enable the Bank to have an active dialogue with its customers to determine area-specific issues and instances of political interference, if any.
6) Bank also undertakes independent surveys and analysis to identify negative areas/No- go areas based on historical events. These surveys enable the Bank to discourage increasing business from these areas as identified above.

Table DF-7: Securitisation Exposures: Disclosure for Standardised Approach

Qualitative Disclosure

The securitized transactions which were transferred under the BTA are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank.

Quantitative Disclosures

There are no securitization exposures which do not meet the ‘true sale criterion’ as prescribed by RBI. However, the credit enhancements provided to the securitized exposure have been duly deducted at 50% from Tier I and 50% from Tier II capital.

There are no securitization exposures in the Trading Book.

Table DF- 8: Market Risk in Trading Book

Qualitative Disclosures

The Bank has a well-defined Investment and Market Risk Management Policy. This policy covers all important areas of market risk measurement. The other policy which also deals with Market Risk Management is the Asset Liability Management (ALM) Policy. The policies set various prudential exposure limits and risk limits for ensuring that the operations are in line with Bank's expectations of return through proper Market Risk Management and Asset Liability Management.

The Bank defines Market Risk as the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market process, in particular, changes in interest rates, exchange rates and equity and commodity prices.

Liquidity is the ability of a bank to fund increase in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity Risk is one of the most persistent risks in the books of a bank. With Scheduled Bank status, Bank now has access to short term money market instruments which it actively utilises to manage the liquidity needs for its regulatory as well as short term requirements. Bank is also active in the inter-bank market for lending/borrowing its short term surplus/shortfall situations within the applicable limits as prescribed by RBI.

Capital of the Bank is a scarce resource and its effective utilisation is an important parameter on the returns expected from it. Mid-Office advises Asset Liability committee (ALCO) on the current status of Capital Adequacy of the Bank along with the capital consumed by various products based on internal framework and projects the need of capital in the near future.

The Bank defines Asset Liability Management as the risk of mismatch in the residual maturity of its assets and liabilities which can impact the Net Interest Income of the Bank which in turn can affect the expected returns on banking book. Strategic funding plan is presented in ALCO at monthly intervals to understand the requirement as well as the ideal sources available to bridge the gap. Bank uses various analytical reports available at its disposal to understand the future ALM requirements as well as means to optimize its utilization. Apart from proprietary analysis, Bank utilizes regulator prescribed Liquidity Coverage Ratio (LCR), Structural Liquidity Statement (SLS) & Interest Rate Sensitivity (IRS) templates to forecast the needs to contain the ALM mismatch, if any. With Bank's loan profile following a set maturity pattern, a combination of short term and long term instruments are used to cover the asset growth and maturity within the permissible limit of RBI.

Macro-economic indicators including interest rate movement and peer analysis play a vital role in the effective functioning of the Bank. Mid-Office keeps ALCO and senior management informed on the recent developments in the economy and its possible implication on the interest rate movement.

Liquidity Coverage Ratio (LCR) has become a standard tool on a global platform to understand the short term liquidity stress impact on Bank's Capital. The Bank computes LCR on an on-going basis and advises ALCO on the effect of liquidity profile of the Bank, both on a short term 30 day period as well as on a long term period. Bank regularly conducts stress test to advise ALCO on the medium and severe stress scenario losses and its impact on Bank's Capital. Bank also computes Value at Risk (V-a-R) on its investments.

On the basis of Standardized Duration Approach, the capital requirement for market risk reported to the Board from a governance perspective was as under:

Quantitative Disclosures

Capital Requirement for Market Risk	**Amount in Rs. lacs**
Interest Rate Risk	188.65
Equity Position Risk	--
Foreign Exchange Risk	--
Total	188.65
Total Market Risk RWA	2,358.08

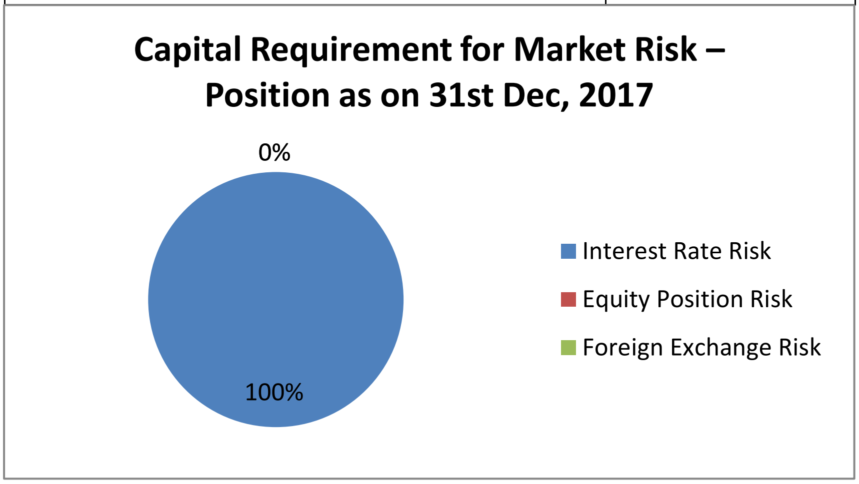


Table DF- 9: Operational Risk

Qualitative Disclosures

Strategy and policy for Operational Risk Management

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It excludes strategic and reputational risks but includes legal risk. Strategic or reputation risks are second order effect of operational risk.

Legal risk includes, however not limited to, exposure to penalties, fines, punitive damages arising out of supervisory action, civil litigation damages, related legal costs and any private settlements

The Bank faces operational risk due to use of technology, several processes that have exposure to errors, internal or external frauds and any unforeseen situation that may disrupt the normal functioning and lead to some unexpected losses in the course of day-to-day activities.

Operational risk seeks to identify why a loss happened and aims to classify at a broad level under People, Process, Systems and External Factors. These identification cannot solely be based on single data points and hence Bank has adopted a combined approach of both qualitative assessment substantiated with quantitative data for an embedded approach model.

Since operational risk is a fluctuating and hidden risk which cannot be easily measured or reported, a combination of qualitative and quantitative approach is essential to capture the associated underlying risks in operating processes.

Consistent with Basel requirements, the Board has approved an Operational Risk Management policy of USFB 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 policy provides :

1) A comprehensive view of operational risks across business for proactively assessing key risks and initiating mitigating measures;
2) Reduce ‘Impact’ and ‘Probability’ of risk events through introduction of sound practices for operational risk, embedding right sized controls in a proactive manner to minimize losses from operational failures;
3) Create awareness by developing a common understanding and taxonomy of risks across the Bank and embed risk ownership by business

Governance Structure for ORM

The Bank has an Operational Risk Management Framework and the Board of Directors gives direction on the risk management strategies and approves the operational risk policy of the Bank commensurate with the size of the Bank. For effective management of Operational Risk, the Bank has constituted an Operational Risk Management Committee (ORMC) consisting of senior management drawn from different functions, Operations, Finance, Information Technology (IT) and Human Resources (HR). The ORMC supports the RMC of the

Board and is responsible for implementing the best practices in managing operational risk. The main function of the ORMC is to ensure appropriate processes are in place to mitigate/contain Operational Risk losses. It is also responsible for recommending suitable control measures for risk mitigation.

The operational risk team performs root cause analysis on operational risk incidents for identification of open risks and suggestion of risk mitigants. Near miss incidents are collated to create a database for loss events and to understand the different risk drivers.

Risk identification, measurement, monitoring and reporting

Following are some of the key techniques applied to manage operational risks. It involves both a qualitative and quantitative approach

1) Conducting a thorough due diligence by taking input from business and all control functions before opening any new branch. In addition a periodic assessment of the competitive environment in the branch operating area through an analytics tool is done and that acts as proactive risk mitigants;
2) Monthly risk scoring through an internally developed model to measure risk of each branch operation with resultant scores determining the action plan which is devised in consultation with business to ensure quick turnaround of branch operations from high/medium risk to low risk. This is an established process and is proposed to be automated through the SAS module;
   The risk scoring framework has now been enhanced to include both SFB and MFI branches. There are different set of parameters for risk scoring of MFI and SFB branches and these are repeated at monthly intervals. When complemented with a robust internal audit process, the risk scoring at a granular level ensures adherence to laid down processes, especially in newly converted SFB branches. ;
3) Operational risk checklist is in place for assessment of controls in existing liability processes in SFB live branches. Similar checklist is also used for assessment of controls in branches not live with liability products. This is used to raise awareness amongst users of associated operational risks in case of controls being compromised;
4) Operational risk Incident reporting process is established which involves a detailed risk analysis for material incidents and learn from errors for strengthening controls through loss and near miss data. Incident reporting is used to capture operational risk incidents in a systematic manner. This is followed by a Root Cause Analysis (RCA) of each reported incident and to book losses on identified operational risk events;
5) All new products are rolled out post assessment of critical operational and compliance risks and with approval of the Product Approval Committee (PAC);
6) Risk control and Self-Assessment (RCSA) entity selection is phased out across Business Groups & Support groups. Based on the interactions with the process owners, Bank makes recommendations for change in process if warranted which in turn is suitably incorporated in the process note roll out with adequate risk mitigants

and control features.

7) Comprehensive Risk register is currently being compiled
8) Internal control testing framework that assesses design and operating effectiveness of controls. This is an on-going exercise;
9) Framework for on-going monitoring of risks through Key Risk Indicators (KRIs). This includes defining and monitoring Bank level KRIs followed by process level KRIs;
10) Tracking of actions for timely closure of open Issues from RCSAs, control testing, risk incidents and audit;
11) Periodic reporting of material risk exposures to senior management to facilitate timely mitigation;
12) SAS EGRC is implemented to record all loss events across USFB. The module on KRI, Control Testing, Issue and Action is also live. In long run the Bank will have sufficient data to arrive at a proper base for capital charge calculation.
13) Periodic training to frontend staff to create awareness on risk and available controls.
14) The ITGC committee provides direction for mitigation of operational risk in IT security
15) Disaster Recovery and Business Continuity Plan have been established for ensuring continuity of operations and minimal disruption of services in the Bank for its customers.
16) Reports from concurrent audit and internal audit also provide with independent assessment of the operating and the financial controls for the various processes that form an integral part in managing the operational risk that is all pervasive.

Information Technology and Security Risk

Bank is complying with the directives issued by Reserve Bank of India, from time to time in the area of Information/Cyber security standards and follows the best practices. Information Security Risk Team operates under Information Security Management System framework (ISMS) and cyber security framework that is aligned with the regulatory guidelines. In the Bank, this group guides and supports implementation of strong information security principles in the areas of technology solutions, the related processes and people.

Business Continuity

The Bank has adopted robust Business Continuity Management and Disaster Recovery program. The Bank has board approved business continuity policy. Bank also has BCP IT plan and BCP non – IT Plans. BCP policy applies to all employees (permanent & contract employees), non-employees (consultants, contractors, vendors, suppliers and customers), business processes, infrastructure and facilities of Ujjivan.

Business Impact analysis and risk assessment are performed to identify risks, critical processes, recovery priorities and recovery objectives. Third party Information Security Assessment is performed to evaluate business continuity arrangement at third party site. Disaster Recovery (DR) drill and fire drill are performed on a periodic basis to test our IT and non-IT business continuity plans. Bank keeps evaluating and continuously improving business continuity program based on findings of risk assessment, BIA, Drills and management reviews.

Information Security and Cyber Security

There is an independent information security group which addresses information and cyber security related risks. Well-documented, Board approved information security and cyber security policies are put in place. Periodical awareness exercise is ensured to update employees on information security practices.

Bank operates in a highly automated environment and makes use of latest technological framework for supporting various operations. Use of technology brings in newer kind of risks like business disruption, risks related to information assets, data security etc. Bank has put in a governance framework, information security practices to mitigate information technology and information system related risks which ensures preservation of Confidentiality, Integrity and Availability (CIA) of all Information assets.

Bank is actively participating in various meetings and forums organized by IDRBT, RBI and other forums to remain updated in latest security technologies and to continuously upgrade the security posture of the bank

Capital Charge assessment

Although RBI is in the process of issuing detailed guidelines on Operational Risk Management for SFBs the Bank has adopted Basic Indicator Approach for measuring the capital requirements for Operational risk as applicable to Scheduled Commercial Banks. While the capital charge on operational risk has witnessed an increasing trend in the first year, the same is expected to stabilize with time. Basic Indicator Approach directs Banks to allocate capital at 15% of the 3 years average gross income. Bank computes its Operational Risk Capital Charge at 15% of gross income as on YTD basis.

Quantitative Disclosure

Operational Risk		
Year	31.12.2017	
Entity	Capital Reqd. in Rs. lacs.	RWA in Rs. lacs.
Ujjivan Small Finance Bank	11719	146489

Other Pillar II Risks

Minimum regulatory capital requirements under Pillar 1 establish a threshold below which a bank’s regulatory capital must not fall. Regulatory capital ratios permit some comparative analysis of capital adequacy across regulated banking entities because they are based on certain common methodology / assumptions. However, Reserve Bank of India performs a more comprehensive assessment of capital adequacy that considers risks specific to a bank, conducting analyses that go beyond minimum regulatory capital requirements. The assessment entails as to whether the bank maintains adequate capital cushion to take care of all material risks and operate with a cushion.

Pillar II risks such as Liquidity risk, Reputational Risk, Strategic Risk, Legal risks, outsourcing risks, Credit Concentration Risk are examples of Pillar II Risks.

These risks will be analysed separately by the Bank under its Internal Capital Adequacy and Assessment Process (ICAAP).

Table DF- 10: Interest Rate Risk in Banking Book (IRRBB)

Qualitative Disclosures

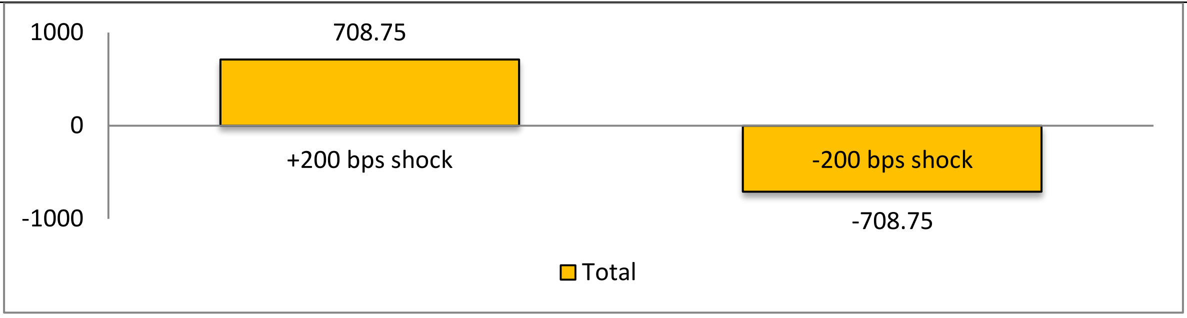
Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings and economic value of a bank's banking book as a consequence of movement in interest rates. The Bank has identified the risks associated with the changing interest rates on its exposures in the banking book from both a short-term and long-term perspective.

The interest rate risk is measured and monitored through two approaches:

1) Earning at risk (Traditional Gap Analysis): The impact of change in interest rates on net interest income is analysed under this approach and calculated under yield curve approach. Under this approach a parallel shift of 2% is assumed both in assets and liabilities.
2) Economic Value of Equity (Duration Gap Approach): Modified duration of assets and liabilities is computed separately to arrive at modified duration gap. A parallel shift in yield curve by 200 basis points is assumed for calculating the impact on economic value of equity.

Earnings at Risk (Earnings Perspective) (in Rs. lacs)

Particulars	**+200 basis point (bps) shock**	**-200 bps shock**
India	708.75	(708.75)
Overseas	--	--
Total	708.75	(708.75)



Economic Value Perspective (in lacs)

Particulars	December 2017
Net-worth/Market Value of Equity(MVE) of the Bank	1,44,004
Weighted Modified Duration of Assets	1.0366
Weighted Modified Duration of Liabilities	1.1979
Modified Duration Gap	-0.29
Impact on ΔMVE due to 200 bps shock	3.21%
Impact on ΔMVE due to 200 bps shock (in amount)	4622.52

Liability profile of the Bank

Transformation from an NBFC-MFI to a Small Finance Bank brings with itself a plethora of opportunities related to diversification of funding sources through mobilisation of deposits from the untapped market of underserved and unserved strata of the society. The modest growth in retail deposits is in line with the expectation set by the Bank for its 1st year of operations. Certificate of deposits (CDs) take the centre stage of funding plan in year 1 while the way forward is to diversify the funding sources through a combination of term money, refinance and portfolio re-financing to bring down the reliance on CDs to a limited portion and allow room for the deposits to grow. As the Bank completes its Branch conversion roll out plan, it is expected to enable a wider reach in building the core deposits.

Mobilization of Institutional deposits has been a key focus area for Q3 to create an entry foot into the rate-sensitive yet service oriented institutional deposit sector. With the proposed way forward, the Bank is expected to better the cost with a more diversified liability book after the initial focus of retiring high cost legacy debts in the 1st year.

The short term money market instruments is the most active interbank market for supporting less than one year funding needs of a bank and will help in managing the asset-liability mix in an efficient manner.

Bank has established a separate Mid-Office Treasury function which manages the ALM of the Bank and advises ALCO on the funding mix and tenure of the instruments to be raised via both money market as well as deposit instruments. Mid-Office also advises ALCO on the immediate as well as long term funding needs of the Bank for a pro-active approach towards the management of ALM.

DF 13: Main features of Regulatory capital Instruments

Disclosure template for main features of regulatory capital instruments			
		Equity Shares	**Preference Shares**
1	Issuer	Ujjivan Small Finance Bank Limited	Ujjivan Small Finance Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA
3	Governing law(s) of the instrument	Applicable Indian Statutes and regulatory requirements	Applicable Indian Statutes & Regulatory requirements and RBI Basel III Guidelines dated July 1, 2015
	Regulatory treatment		
4	Transitional Basel III rules	Common equity Tier 1	Addition Tier 1 Capital (AT1)
5	Post-transitional Basel III rules	Common equity Tier 1	Addition Tier 1 Capital (AT1)
6	Eligible at solo/group/ group & solo	Solo	Solo
7	Instrument type	Common Shares	Perpetual Non-Cumulative Preference shares
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	Rs 14400.368 Million	Rs 2,000.00 Million
9	Par value of instrument	Rs 10/-	Rs 10/-
10	Accounting classification	Capital	Capital
11	Original date of issuance	Rs 0.50 million - July 4, 2016 Rs 1099.868 Million - July 30, 2016 Rs 13,300 Million - Feb 10, 2017	Feb 10,2017
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No Maturity date	No Maturity date
14	Issuer call subject to prior supervisory approval	No	No

15	Optional call date, contingent call dates and redemption amount	Not Applicable	NIL
16	Subsequent call dates, if applicable	Not Applicable	NIL
	Coupons / dividends	Dividend	Dividend
17	Fixed or floating dividend/coupon	Not Applicable	Fixed
18	Coupon rate and any related index	Not Applicable	11.0%
19	Existence of a dividend stopper	Not Applicable	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	NIL
22	Noncumulative or cumulative	Non-Cumulative	Non-Cumulative
23	Convertible or non-convertible	Not Applicable	Non-Convertible
24	If convertible, conversion trigger(s)	Not Applicable	NA
25	If convertible, fully or partially	Not Applicable	NA
26	If convertible, conversion rate	Not Applicable	NA
27	If convertible, mandatory or optional conversion	Not Applicable	NA
28	If convertible, specify instrument type convertible into	Not Applicable	NA
29	If convertible, specify issuer of instrument it converts into	Not Applicable	NA
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	Not Applicable	PONV trigger & CET1 trigger
32	If write-down, full or partial	Not Applicable	Full and Partial
34	If temporary write-down, description of write-up mechanism	Not Applicable	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 1 Ratio (as defined below) to above the CET1 Trigger Event Threshold (as defined below), nor shall such amount of write down exceed the amount which would be required to be written down to ensure that the Common Equity Tier 1 Ratio is equal to the aggregate of the CET1 Trigger Event Threshold and 2.5%, or such other percentage as may be prescribed by the RBI (the "CET1 Write Down Amount").
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Secured Term Loan Borrowings , NCD's , Creditors of the Bank and Depositors	Subordinate to the claims of all depositors and general creditors and all capital instruments qualifying Tier II Capital instruments and perpetual debt instruments. Only Superior to Equity Shares
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not Applicable	Not Applicable

DF 14: Terms and conditions of Regulatory Capital Instruments

Full Terms and Conditions of Equity Shares of Ujjivan Small Finance Bank(USFB)

SN	Particulars	Full Terms and Conditions
1	Voting shares	Equity Shares of USFB are Voting Shares
2	Limits on Voting Shares	Limits on Voting rights are applicable as per provisions of the Banking regulation act, 1949. One share has one voting right

3	Position in Subordination hierarchy	Represent the most Subordinated claim on liquidation of the Bank. It is not secured or guaranteed by issuer or related entity nor subject to any other arrangement that legally or economically enhances the seniority of the claim
4	Perpetuity	Principal is perpetual and never repaid outside of liquidation (Except discretionary repurchases/buy backs or other means of effectively reducing capital in a discretionary manner that is allowable under relevant law as well as guidelines, if any issued by RBI in the matter)
5	Accounting Classification	The paid up amount is classified as Equity Capital in Banks Balance Sheet
6	Distributions	Distributions are paid out of Distributable items (retained earnings included). There are no circumstances under which distributions are obligatory. Non Payment is therefore not an event of default
7	Approval for Issuance	Paid up capital is only issued with approval given by Board of Directors

Full Terms and Conditions of Perpetual non-cumulative Preference Shares (PNCPS) of Ujjivan Small Finance Bank(USFB)

SN	Particulars	Full Terms and Conditions
1	Type of Instrument	Perpetual Non-Cumulative Preference Shares
2	Terms for Raising PNCPS	Issue of PNCPS for augmenting the overall capital of the Issuer to strengthen the Issuer's capital adequacy and enhance its long-term resources in compliance with the applicable law.
3	Seniority	The claims in respect of the PNCPS, subject to applicable law, will rank: 1. Superior to claims of holders of equity shares and 2. Subordinate to the claims of all depositors, term loan borrowings, all capital instruments qualifying as tier II capital and all perpetual debt instruments
	Listing	Unlisted.
5	Tenor	The PNCPS shall be perpetual i.e. there is no maturity date and there are no step-ups or any other incentives to redeem the PNCPS.
6	Dividend Payment Frequency	Subject to Dividend Limitation and Loss Absorption, dividend will be payable annually in arrears.
7	Dividend Rate	11% per annum or at a rate of specified in terms of Basel Master Circular and/or any other applicable law.

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	**Issuer call:** The Issuer may at its sole discretion, subject to Condition 27 (Conditions for Call and Repurchase) and exercise of such call option (with a notification to the holders of the PNCPS which shall specify the date fixed for exercise of the call option), exercise a call option on the PNCPS ("Issuer Call"). The Issuer Call may be exercised at the option of the Issuer no earlier than on the fifth anniversary of the Deemed Date of Allotment.
		Tax Call: If a Tax Event has occurred and is continuing, the Issuer may at its sole discretion, subject to Conditions for Call and Repurchase and notification to the holders of PNCPS of not less than 21calendar days prior to the date of exercise of such call option (which notification shall specify the date fixed for exercise of the call option), exercise a call option on the PNCPS ("Tax Call").Provided further that, subject to conditions for Call and Repurchase the Issuer may substitute the PNCPS with capital instruments that are in accordance with the Basel Master Circular and any other applicable law
		Regulatory Call: If a Regulatory Event has occurred and is continuing, the Issuer may at its sole discretion, subject to Conditions for Call and Repurchase and notification to the holders of PNCPS of not less than 21 calendar days prior to the date of exercise of such call option (which notification shall specify the date fixed for exercise of the call option), exercise a call option on the outstanding PNCPS ("Regulatory Call").Provided further that, subject to Condition 27 (Conditions for Call and Repurchase) the Issuer may substitute the PNCPS with capital instruments that are in accordance with the Basel Master Circular and any other applicable law.
11	Repurchase/ Redemption/ Buy-back	The Issuer may subject to Conditions for Call and Repurchase having been satisfied and such repayment being permitted by the Basel Master Circular, repay the PNCPS by way of repurchase, buy-back or redemption.
12	Loss Absorption	PNCPS should have principal loss absorption through a write-down mechanism which allocates losses to the instrument at a pre-specified trigger point. The write-down will have the following effects: 1. Reduce the claim of the PNCPS in case of liquidation; 2. Reduce the amount re-paid when a call over the PNCPS is exercised by the Issuer; and 3. Partially or fully reduce dividend payments on the PNCPS. The specific criteria for such loss absorption through conversion/write-down/write-off on breach of pre-specified trigger and the point of non-viability will be in accordance with the applicable RBI guidelines (including Annex 16 of the Basel Master Circular) and as more specifically described. The relevant terms of Annex 16 of the

		Basel Master Circular shall be deemed to be incorporated herein.
13	Permanent Principal Write-down on PONV Trigger Event	If a PONV Trigger Event occurs, the Issuer shall: 1.Notify the holders of the PNCPS; 2.cancel any dividend which is accrued and unpaid on the PNCPS as on the write-down date; and 3. Without the need for the consent of the holders of the PNCPS, write down the outstanding principal of the PNCPS by such amount as may be prescribed by RBI ("**PONV Write Down Amount**") and subject as is otherwise required by the RBI at the relevant time. The Issuer will affect a write-down within 30 (thirty) days (or such other time as may be prescribed by applicable law) of the PONV Write-Down Amount being determined by the RBI.A Permanent Principal Write-down on PONV Trigger Event may occur on more than one occasion. Unless specifically permitted by applicable law, once the face value of the PNCPS has been written down pursuant to PONV Trigger Event, the PONV Write-Down Amount will not be restored in any circumstances, including where the PONV Trigger Event has ceased to continue.
14	Temporary principal Write-down on CET1 Trigger Event	If a CET1 Trigger Event (as described below) occurs, the Issuer shall: 1.Notify the holders of the PNCPS; 2. Cancel any dividend which is accrued and unpaid to as on the write-down date; and 3. Without the need for the consent of holders of the PNCPS, write down the face value of the PNCPS by such amount as the Issuer may in its absolute discretion decide. Provided that, in no event shall such amount of write down be less than the amount required to immediately return the Issuer's Common Equity Tier 1 Ratio to above the CET1 Trigger Event Threshold , nor shall such amount of write down exceed the amount which would be required to be written down to ensure that the Common Equity Tier 1 Ratio is equal to the aggregate of the CET1 Trigger Event Threshold and 2.5%, or such other percentage as may be prescribed by the RBI (the "CET1 Write Down Amount"). A write-down may occur on more than one occasion. Once the value of a PNCPS has been written down pursuant to this temporary Write down, the value of the PNCPS may only be restored in accordance with condition of reinstatement.

DF 17: Summary comparison of accounting assets vs leverage ratio exposure measure

TABLE DF- 17 Summary comparison of accounting assets vs leverage ratio exposure measure		
	Item	Amount (in Rs. lacs INR lakhs)
1	Total consolidated assets as per published financial statements	8,68,862
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	1,770
7	Other Adjustments	-21,125
8	**Leverage ratio exposure**	**8,49,507**

DF 18: Leverage ratio common disclosure template

	Table DF-18: Leverage ratio common disclosure template	
	Item	Amount (in INR lakhs)
	On-balance sheet exposures	
1	**On-balance sheet items (excluding derivatives and SFTs, but including collateral)**	8,68,862
	Domestic Sovereign	1,20,138
	Banks in India	27,383
	Others	7,21,341
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-21,125
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	**8,47,737**
	Derivative exposures	

4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**-**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	1,770
18	(Adjustments for conversion to credit equivalent amounts)	-
19	**Off-balance sheet items (sum of lines 17 and 18)**	**1,770**
	Capital and total exposures	
20	Tier 1 capital	1,37,053
21	Total exposures (sum of lines 3, 11, 16 and 19)	8,49,507
	Leverage ratio	
22	**Basel III leverage ratio**	**16.13%**

Presently the contribution of Tier I capital to Total Basel II capital is 99%. However, Bank intends on increasing the share of Basel III complaint Tier II bonds to fund its future growth.

Since the exposure to Securities Financing Transactions (SFT) and Off Balance Items are presently NIL/low, the Leverage ratio is found to be high in the Bank.

****