

Pillar III Disclosures for year ended March 31, 2024

FY 2023-24

[Ujjivan Small Finance Bank (hereinafter called “the Bank”) is primarily subject to the BASEL II {New Capital Adequacy Framework (NCAF)} framework with some elements of Basel III regulations made applicable and has prepared this disclosure document in compliance with the directions of Reserve Bank of India (hereinafter referred to as “the Regulator” or “RBI”) vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 01, 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, 2024.]

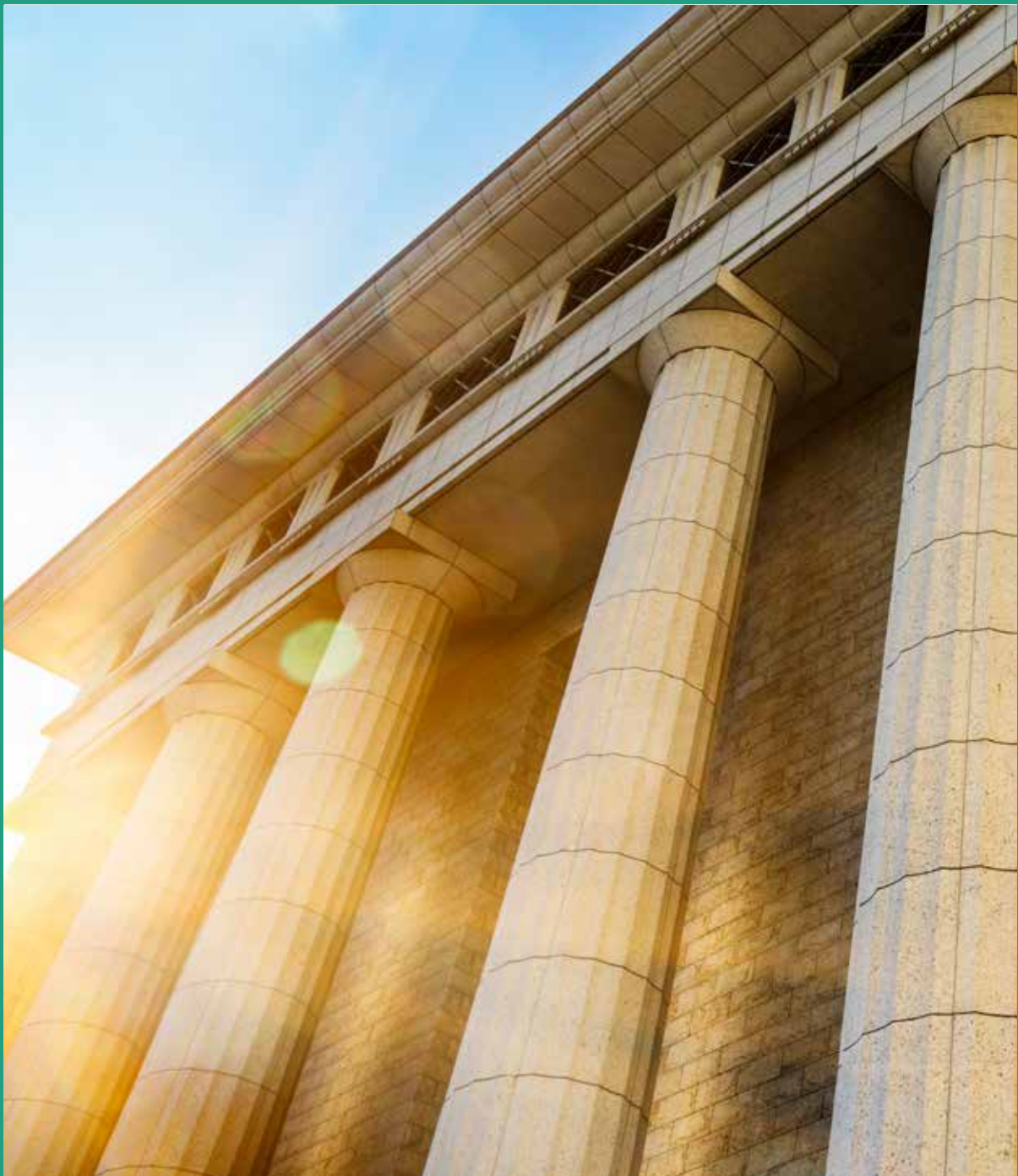


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1. LIST OF KEY ABBREVIATIONS

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

Abbreviation	Full form
ICAAP	Internal Capital Adequacy Assessment Process
ICAI	Institute of Chartered Accountants of India
ICE	Internal Combustion Engine
IFSC	Indian Financial System Code
IGAAP	Indian Generally Accepted Accounting Principles
IMPS	Immediate Payment Service
IPDI	Innovative Perpetual Debt Instrument
IPO	Initial Public Offer
IRAC	Income Recognition and Asset Classification
IRRBB	Interest Rate Risk in Banking Book
IWG	Internal Working Group
KRI	Key Risk Indicator
LAP-SENP-SEP	Loan Against Property- Self Employed Nonprofessional- Self Employed Professional
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LMS	Loan Management System
LR	Leverage Ratio
LWE	Left Wing Extremism
MB	MicroBanking
MCA	Ministry of Corporate Affairs
MD	Modified Duration
MD & CEO	Managing Director and Chief Executive Officer
MDG	Modified Duration Gap
MSE	Micro and Small Enterprises
MVE	Market value of Equity
MV	Market Value
NBFC-ND-SI-CIC	Non-Banking Financial Company-Non-Deposit-taking-Systemically Important-Core Investment Company
NE	North Eastern
NEFT	National Electronic Funds Transfer
NGFS	Network for Greening the Financial System
NPA	Non-Performing Asset
NNPA	Net Non-Performing Asset
NPI	Non-Performing Investment
NSE	National Stock Exchange
NSFR	Net Stable Funding Ratio
Non-URC	Non-Unbanked Rural Centre
OD	Overdraft
ORMC	Operational Risk Management Committee
OSP	Outstanding Principal
PAT	Profit After Tax
PAR	Portfolio at Risk
PB	Payments Bank

Abbreviation	Full form
PD	Probability of Default
PNCPS	Perpetual Non-Cumulative Preference Shares
PPOP	Pre – provision operating profit
PSL	Priority Sector Lending
QIP	Qualified Institutional Placement
QR Code	Quick Response Code
QRT	Quick Response Team
RB	Rural Banking
RBI	Reserve Bank of India
RCA	Root Cause Analysis
RCSA	Risk Control and Self-Assessment
RMCB	Risk Management Committee of the Board
ROA	Return on Asset
ROE	Return on Equity
RSA	Risk Sensitive Assets
RSL	Risk Sensitive Liabilities

Abbreviation	Full form
RWA	Risk Weighted Assets
SA	Standardised Approach
SDA	Standardised Duration Approach
SEBI	Securities and Exchange Board of India
SEL	Secured Enterprise Loan
SFB	Small Finance Bank
SLOD	Second Line of Defence
SLR	Statutory Liquidity Ratio
SMA	Special Mention Accounts
TVR	Tele verification report
UAT	User Acceptance Testing
UFSL	Ujjivan Financial Services Limited
UPI	Unified Payments Interface
URC	Unbanked Rural Centre
USD	United States Dollar
VaR	Value at Risk
WEO	World Economic Outlook
YTD	Year till Date

2. KEY PERFORMANCE HIGHLIGHTS OF THE BANK

Ujjivan Small Finance Bank (hereinafter referred to as “the Bank”) is required to publish disclosures under the Pillar III framework as required in terms of RBI guidelines on New Capital Adequacy Framework issued vide RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 01, 2015. This document provides a review of key observations pertaining to the Bank’s capital adequacy, credit quality, key business highlights and a review of its key risks as at March 31, 2024. All exposure related figures quoted in the document are ‘₹ in Lakhs’, unless otherwise specifically stated.

A. Branch network and distribution reach

The branch position of the Bank as at March 31, 2024 was as follows:

Particulars	Count
Total Banking outlets, of which	752
Banking outlets (Non-URC)	561
Banking outlets (URC) , of which	191
i Qualifying URC Branches (Branches situated in tier 3-6 locations in NE states and LWE districts)	43
ii Business Correspondents (BC)	4

During the Quarter ended March 24, the Bank had opened 23 new branches across regions (South- 2, North -12, East – 7 and West- 2). With 25.39% of Banking outlets in URC, the Bank

¹ A ‘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.

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

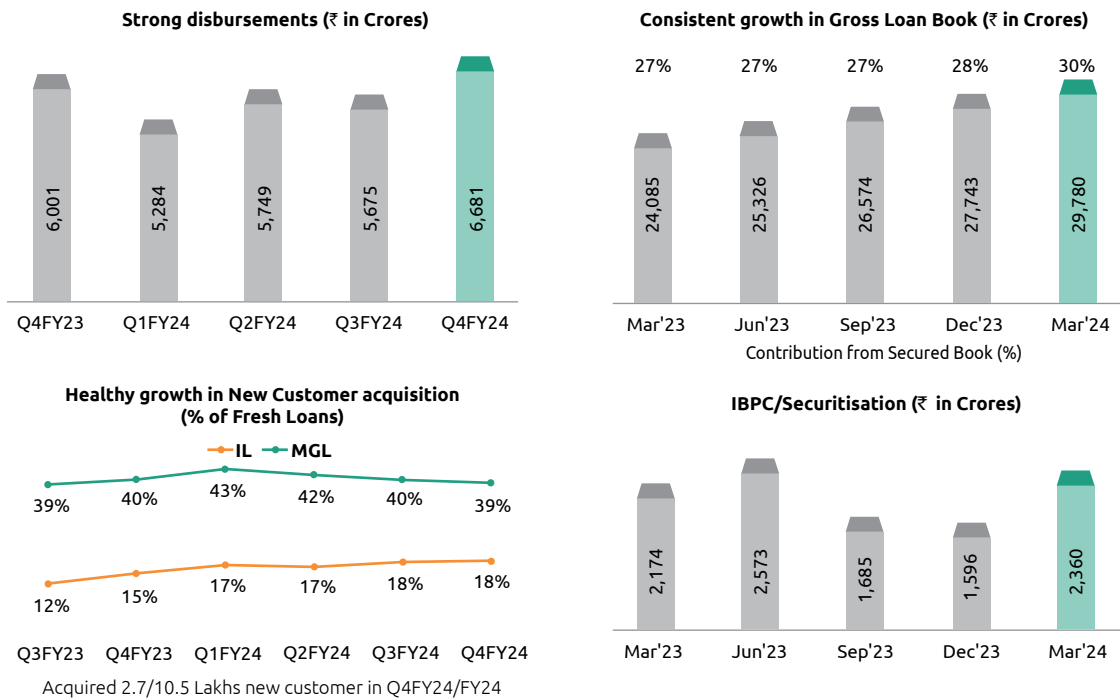
³ North eastern states

⁴ Districts with active Left-Wing Extremism (LWE) is fully compliant with RBI guidelines in this regard. The Bank had closed three of the seven BCs that had operated from commencement of business and replaced them with brick and mortar branches.

With a strategic imperative to expand on its customer base and area of operations, the Bank intends on expanding its network with 50 branches proposed to be launched in FY 2024-25, of which 15 branches will be Micro Banking led branches. The physical reach would also be supplemented by a strong and focussed investment in digital platforms to aid in business development, on both asset and the liabilities side. The Bank operated 596 biometric enabled Automated Teller Machines (ATM) including 62 Automated Cash Recycler (ACR) machines across the country as at March 31, 2024.

B. Financial highlights for FY 2023-24

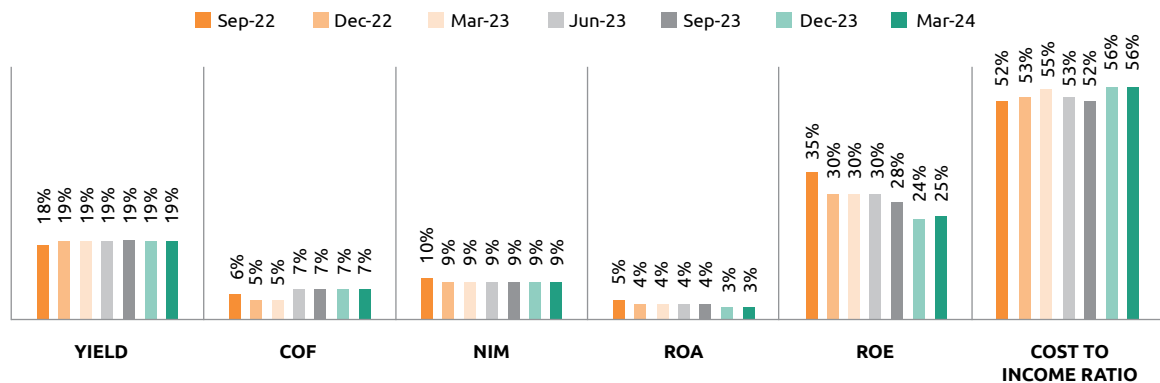
Some of the key achievements made for Year ended March 31, 2024, were as follows:



Customer base	<ul style="list-style-type: none"> Total customer outreach was 86 Lakhs customer through 752 branches as at March 31, 2024 (82 Lakhs as at December 31, 2023, 79 Lakhs as at September 2023, 76 Lakhs as at June 30, 2023; 77 Lakhs as at March 31, 2023)
Loan Portfolio	<ul style="list-style-type: none"> Gross Loan Book (GLB) (without netting off IBPC/Securitisation/Direct Assignment): ₹ 2,977,954.18 Lakhs as at March 31, 2024 (₹ 2,774,347.89 Lakhs as at December 31, 2023, ₹ 2,657,433.69 Lakhs as at September 30, 2023, ₹ 2,532,634.65 Lakhs as at June 30, 2023; ₹ 2,408,511.89 Lakhs as at March 31, 2023). Gross Advances (GA) (after netting off IBPC/Securitisation/Direct Assignment): ₹ 2,741,915.16⁵ Lakhs as at March 31, 2024 (₹ 2,614,767.39⁶ lakhs as at December 31 2023, ₹ 2,488,898.52 Lakhs as at September 30, 2023, ₹ 2,275,317.12 Lakhs as at June 30, 2023; ₹ 2,191,123.23 Lakhs as at March 31, 2023). Non-Microfinance book was 31.49% as at March 31, 2024 (28.3% as at December 31, 2023 on Gross Advances, 28.5% as on September 2023, 28.38% as at June 30, 2023; 29.16% as at March 31, 2023).
Deposit Portfolio	<ul style="list-style-type: none"> Total Deposits (Retail plus Institutional): ₹ 3,146,200 Lakhs as at March 31, 2024 (₹ 2,966,900 Lakhs as at December 31, 2023, ₹ 2,913,900 Lakhs as at September 30, 2023, ₹ 2,666,000 Lakhs as at June 30, 2023; ₹ 2,553,800 Lakhs as at March 31, 2023). CASA: 26.7% as at March 31, 2024, (25.5% as at December 31, 2023, 24.1% as at September 30, 2023, 24.6% as at June 30, 2023; 26.4% as at March 31, 2023).
Asset Quality	<ul style="list-style-type: none"> Gross Non-Performing Assets (GNPA): 2.23%⁷ as at March 31, 2024 (2.18% as at December 31, 2023, 2.35% as at September 30, 2023, 2.62% as at June 30, 2023; 2.88% as at March 31, 2023) Net Non-Performing Assets (NNPA): 0.28% as at March 31, 2024⁸, 0.17% as at December 31, 2023 (0.09% as at September 30, 2023, 0.06% as at June 30, 2023; 0.04% as at March 31, 2023)

Capital Adequacy	<ul style="list-style-type: none"> CRAR ratio of the Bank as at March 31, 2024 was 24.69% (24.37% as at December 31, 2023, well above the mandated norms, 25.19% as at September 2023, 26.69% as at June 30, 2023; 25.81% as at March 31, 2023)
Employee strength	<ul style="list-style-type: none"> 22,566 as at March 31, 2024 (21,796 as at December 31, 2023, 21,040 as at September 30, 2023, 19,294 as at June 30, 2023; 17,870 as at March 31, 2023)
Provisions and Credit costs	<ul style="list-style-type: none"> Total provisions including Floating Provision as at March 31, 2023 was ₹ 67,637.06 Lakhs (₹ 66,992.29 Lakhs as at December 31, 2023, ₹ 69,196 Lakhs as at September 2023, ₹ 70,134 Lakhs as at June 30, 2023; ₹ 73,530 Lakhs as at March 31, 2023) Total NPA provision (excluding floating provision) held was ₹ 41,623.25 Lakhs (₹ 40,799.19 Lakhs as at December 31, 2023, ₹ 44,398 Lakhs as at September 30, 2023, ₹ 46,391 Lakhs as at June 30, 2023; ₹ 50,157 Lakhs as at March 31, 2023). Total NPA provision increased by ₹ 824.06 Lakhs during quarter ended December 31, 2023 however the Provision reduced by ₹ 8,533.75 Lakhs as compared to March 2023.

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



The Bank recorded exceptional performance across all parameters during the Q4 of FY 2023-24 and Year ended FY 2024-25. A summary of the key highlights of the Bank as at March 31, 2024 is given below:

- Pre-Provision Operating Profit (PPoP) for financial year ended March 31, 2024 was ₹ 191,711 Lakhs up 29% Y-o-Y; PAT for FY 2023-24 was ₹ 128,150 Lakhs up 17% Y-o-Y.
- Disbursements were at ₹ 668,100 Lakhs / ₹ 2,338,900 Lakhs in Q4FY24/FY24 up 11%/17% YoY.
- Total Deposits registered a growth of 23%/6% on Q-o-Q/Y-o-Y basis. Retail Term Deposit registered a growth of 36%/7% on Y-o-Y/Q-o-Q basis.

- Continued traction on Collections with ~99% efficiency in March 2024; NDA collection consistently at ~100%. Portfolio at risk was stable at 3.5% as of March 2024⁹. GNPA on GLB basis, stable at 2.1% as of March 2024; NNPA continues to be negligible at 0.3% as at March 2024. Total of ₹ 6,500 Lakhs written-off in Q4 FY24; Provision coverage ratio as at March 2024 was 87%¹⁰.

C. Macro-Economic Outlook:

The global economy faces multiple challenges: prospects of slowing growth, large public debt, increasing economic fragmentation, and prolonging geopolitical conflicts. The following are some of the key developments during the quarter.

⁵ Outstanding balance in IBPC/Securitisation/ Direct Assignment as on March 31, 2024 was ₹ 2,36,006.18

⁶ Outstanding balance in IBPC/Securitisation/ Direct Assignment as on December 31, 2023 was ₹ 1,59,600 Lakhs

⁷ Computed as a percentage to Gross advances. GNPA% on GLB basis was 2.07%

⁸ Computed as a percentage to Net advances. NNPA% as a ratio to Net GLB was 0.27%

⁹ Without adjusting IBPC & Securitisation of ₹ 2,360 / ₹ 1,596 / ₹ 2,174 Crores as on Mar 2024 / Dec 2023 / Mar 2023

¹⁰ Floating provision of ₹ 250 Crores continues to be on books & can be utilised for making specific provisions in future during extraordinary circumstances, with prior approval from the RBI ₹ 30 Crores was moved to Tier II capital in Jun'22 while ₹ 60 Crores, ₹ 10 Crores and ₹ 30 Crores were moved to other provision in Sep'22, Dec'22 and Mar'23 respectively

Global Economic Outlook¹¹

- The global economy remains remarkably resilient, with growth holding steady as inflation returns to target. The journey has been eventful, starting with supply-chain disruptions in the aftermath of the pandemic, a Russian-initiated war on Ukraine that triggered a global energy and food crisis, and a considerable surge in inflation, followed by a globally synchronised monetary policy tightening. Yet, despite many gloomy predictions, the world avoided a recession, the banking system proved largely resilient, and major emerging market economies did not suffer sudden stops.
- For advanced economies, growth is projected to rise from 1.6% in 2023 to 1.7% in 2024 and 1.8% in 2025.
- In emerging market and developing economies, growth is expected to be stable at 4.2% in 2024 and 2025, with a moderation in emerging and developing Asia offset mainly by rising growth for economies in the Middle East and Central Asia and for sub-Saharan Africa. Growth in China is projected to slow from 5.2% in 2023 to 4.6% in 2024 and 4.1% in 2025 as the positive effects of one-off factors—including the post pandemic boost to consumption and fiscal stimulus—ease and weakness in the property sector persists. Growth in India is projected to remain strong at 6.8% in 2024 and 6.5% in 2025, with the robustness reflecting continuing strength in domestic demand and a rising working-age population.
- The inflation surge—despite its severity and the associated cost-of living crisis—did not trigger uncontrolled wage-price spirals. Instead, almost as quickly as global inflation went up, it has been coming down.
- In late 2023, headline inflation neared its pre-pandemic level in most economies for the first time since the start of the global inflation surge. In the last quarter of 2023, headline inflation for advanced economies was 2.3% on a quarter-over-quarter annualised basis.
- A divergence in disinflation speeds among major economies could also cause currency movements that put financial sectors under pressure. High interest rates could have greater cooling effects than envisaged as fixed-rate mortgages reset and households contend with high debt, causing financial stress.
- The record number of elections being held across the world in 2024 represents a salient risk with regard to fiscal consolidation prospects for the year. The 88 economies or economic areas that have already had or are expected to hold nationwide elections (parliamentary or presidential) include Bangladesh, Brazil, the European Union, India, Indonesia, Mexico, Pakistan, Russia, the United Kingdom, and the United States. Those economies represent more than half the world population (or 4.2 Billion people) and 55% of global GDP. In the context of upcoming elections in numerous countries, moves to raise barriers to the international flow of workers could reverse the supply-side gains of recent years, exacerbate labour market tightness and skill shortages, and raise inflationary pressures. Tariff increases could trigger retaliatory responses, raise costs, and harm both business profitability and consumer well-being. Empirical evidence points to a bias toward fiscal slippages in elections years. And this time, the political discourse is particularly loud in favour of fiscal expansion.
- Risks to the global outlook are now broadly balanced. On the downside, new price spikes stemming from geopolitical tensions, including those from the war in Ukraine and the conflict in Gaza and Israel, could, along with persistent core inflation where labour markets are still tight, raise interest rate expectations and reduce asset prices. High interest rates could have greater cooling effects than envisaged as fixed-rate mortgages reset and households contend with high debt, causing financial stress. On the upside, looser fiscal policy than necessary and assumed in projections could raise economic activity in the short term, although risking more costly policy adjustment later on. Inflation could fall faster than expected amid further gains in labour force participation, allowing central banks to bring easing plans forward. Artificial intelligence and stronger structural reforms than anticipated could spur productivity.
- As the global economy approaches a soft landing, the near-term priority for central banks is to ensure that inflation touches down smoothly, by neither easing policies prematurely nor delaying too long and causing target undershoots. At the same time, as central banks take a less restrictive stance, a renewed focus on implementing medium-term fiscal consolidation to rebuild room for budgetary manoeuvre and priority investments, and to ensure debt sustainability, is in order.

Indian Economic Outlook¹²

OPPORTUNITIES:

- Domestic economic activity continues to expand at an accelerated pace, supported by fixed investment and improving global environment.
- India's growth trend is on the cusp of a post-pandemic upshift, with early signs of it rising above 7% recorded during the 2000s before COVID-19 struck. While private consumption typically accounts for about 60 per cent of India's GDP, it is investment

and exports that provide the turning points. In the period 2021-24, the export lever has been muted by global headwinds, but public expenditure on infrastructure is taking over as the locomotive of the step-up in the growth trend. Recent surveys indicate that private investment is getting crowded in.

- India's recent growth performance has surprised many, triggering a flurry of upgrades. For instance, the International Monetary Fund (IMF) has cumulatively revised its forecast for 2023 upwards by 80 basis points between April 2023 and January 2024. In its latest update, it expects India to contribute 16 per cent of global growth, the second largest share in the world in terms of market exchange rates by which metric, India is the fifth largest economy in the world and positioned to overtake Germany and Japan within the ensuing decade. In purchasing power parity (PPP) terms the Indian economy is already the third largest in the world.
- India has the world's largest population and the youngest. The median age is around 28 years; not until the mid-2050s will aging set in. Thus, India will enjoy a demographic dividend window of more than three decades, driven by a rising working age population rate and labour force participation rate. This is a striking contrast to a world widely confronted with the challenge of aging.
- India's growth performance has been historically anchored by domestic resources, with foreign savings playing a minor and supplementary role. In fact, India bears out the puzzle of high correlation between domestic saving and investment rates that was observed by Martin Feldstein and Charles Horioka way back in 1980. This is also reflected in the current account deficit (CAD) which remains within a sustainable threshold of about 2.5 per cent of GDP. Currently, the CAD averages about 1 per cent and this is associated with various indicators of external sector resilience – illustratively, external debt is below 20 per cent of GDP and net international investment liabilities are below 12 per cent. Debt servicing absorbs less than 7 per cent of current receipts, with principal repayments due over 12 months accounting for less than 48 per cent of international reserves. Reflecting these innate strengths, the ₹ has been among the least volatile currencies in 2023; it has, in fact, been appreciating in both nominal and real terms during the early part of 2024.
- The response to the COVID-19 pandemic through a large fiscal stimulus took the general government fiscal deficit to 13.1 per cent of GDP and public debt to 89.3 per cent of GDP in 2020. A gradualist path of fiscal consolidation was adopted beginning FY 2021-22 that has brought the general government deficit to 8.6 per cent of GDP and public debt to 81.6 per cent of GDP by March 2024. Employing a dynamic stochastic general equilibrium (DSGE) model, it is estimated that reprioritising fiscal spending by targeting productive employment-generating sectors, embracing energy-efficient transition and investing in digitalisation could lead to a decline in general government debt to 73.4 per cent of GDP by 2030-31. In contrast, the debt-GDP ratio is projected by the IMF to rise to 116.3 per cent in 2028 for advanced economies and to 75.4 per cent for emerging and middle-income countries.
- India's financial sector is predominantly bank-based. In FY 2015-16, the overhang of asset impairment in the wake of the global financial crisis and the ensuing years was addressed through a deep surgery in the form of asset quality review (AQR). A massive recapitalisation was undertaken during 2017-22. The beneficial effects started to show up from 2018 – gross and net non-performing assets ratios declined to 3.9 per cent and 1 per cent, respectively, by March 2023, with large capital buffers and liquidity coverage ratios well above 100 per cent. An Insolvency and Bankruptcy Code (IBC) has created the institutional environment for addressing stress in banks' balance sheets. On-site supervision is complemented with off-site surveillance, which harnesses SupTech, big data analytics and cyber security drills. More recently, a virtuous credit upswing has taken root alongside a strong improvement in bank profitability. Stress tests for credit risk and interest rate risk reveal that banks would remain above minimum capital requirements even under severe stress scenarios. Macroeconomic and financial stability are providing the foundation for medium-term growth prospects.
- India is undergoing a transformative change leveraged on technology. The trinity of JAM – Jan Dhan (basic no-frills accounts); Aadhaar (universal unique identification); and Mobile phone connections – is expanding the ambit of formal finance, boosting tech start-ups and enabling the targeting of direct benefit transfers. India's Unified Payments' Interface (UPI), an open-ended system that powers multiple bank accounts into a single mobile application of any participating bank, is propelling inter-bank, peer-to-peer, and person-to-merchant transactions seamlessly. Payment systems in India operate on a 24 by 7 by 365 day basis. Functionalities like offline payments, feature phone payments and conversational payments have been incorporated. The internationalisation of the UPI is progressing rapidly.

- Inflation in India is moderating after surging on multiple and overlapping supply shocks from the pandemic, weather-induced food price spikes, supply chain disruptions and global commodity price pressures following the Russia-Ukraine conflict. Notably, however, inflation in India peaked early in response to coordinated monetary-fiscal policies to anchor inflation expectations and dissipate idiosyncratic food price pressures. As a result, inflation has fallen back into the tolerance band since September 2023, with core inflation steadily ebbing to even below the target. The coordinated approach allowed the RBI to look through the first-round effects of food price shocks so that supply management balanced supply with demand. This minimised the financial stability and growth risks of monetary policy tightening.
- The Indian rupee (₹) has remained largely range-bound as compared to both its emerging market peers and a few advanced economies during FY 2023-24. The ₹ was the most stable among major currencies during this period. As compared to the previous three years, the ₹ exhibited the lowest volatility in FY 2023-24. The relative stability of the ₹ reflects India's sound macroeconomic fundamentals, financial stability and improvements in the external position.

CHALLENGES:

- Reaping the demographic dividend hinges around expanding the contribution of the workforce to GDP growth. Currently, the contribution of labour to value added in India compares poorly in a cross-country perspective – in terms of appropriate skills for a specific job, only 51 per cent is employable, highlighting the criticality of the upskilling missions that are underway such as Skill India that aims to bridge the skill gap and enhance employability.
- Start-up and entrepreneurship support initiatives foster innovation and job creation. Digital transformation through the Digital India campaign opens up new avenues for employment. Rural employment programmes and women empowerment schemes also promote the contribution of labour to value added.
- More than 80% of the workforce is employed in the informal sector. Furthermore, India ranks low in women's participation in the workforce. Increasing female labour participation is a key challenge, needing social norms in favour of working women; incentivising diversity in educational institutions and work places; flexible working hours and women friendly policies and facilities at work places; and promoting work-life balance – metaverse may offer exciting opportunities.
- The challenge of the depreciating rupee, although better performing than most other currencies, persists with the likelihood of further increases in policy rates by the US Fed. The widening of the CAD may also continue as global commodity prices remain elevated and the growth momentum of the Indian economy remains strong. The loss of export stimulus is further possible as the slowing world growth and trade shrinks the global market size in the second half of the current year.
- Therefore, the Global growth has been projected to decline in 2023 and is expected to remain generally subdued in the following years as well. The slowing demand will likely push down global commodity prices and improve India's CAD in FY24. However, a downside risk to the Current Account Balance stems from a swift recovery driven mainly by domestic demand, and to a lesser extent, by exports. It also adds that the CAD needs to be closely monitored as the growth momentum of the current year spills over into the next.

¹¹Source : <https://www.imf.org/> & <https://www.oecd.org>

- 1) <https://pib.gov.in/PressReleasePage.aspx?PRID=1894932>
- 2) OECD ECONOMIC OUTLOOK
- 4) World bank website
- 5) IMF World economic outlook April 2023
- 6) RBI Financial Stability Report
- 7) RBI Bulletin
- 8) India Brand Equity Foundation (IBEF)

¹²Other sources referred :

- 1) <https://pib.gov.in/PressReleasePage.aspx?PRID=1894932>
- 2) OECD ECONOMIC OUTLOOK
- 3) Crisil Insight report May 2023
- 4) World bank website
- 5) IMF World economic outlook April 2023
- 6) RBI Financial Stability Report
- 7) Research report on "Credit Growth to drive GDP: Nothing Unsecured about Unsecured Lending" by SBI

Indian Banking industry Outlook:

- The Indian banking industry has been on an upward trajectory aided by strong economic growth, rising disposable incomes, increasing consumerism and easier access to credit.
- Digital modes of payments have grown by leaps and bounds over the last few years. As a result, conventional paper-based instruments such as cheques and demand drafts now constitute a negligible share in both the volume and value of payments.
- Bank accounts opened under GOI Pradhan Mantri Jan Dhan Yojana have deposits of over ~USD 25.13 Billion in beneficiary accounts. 5,111 Lakhs beneficiaries banked till December 15, 2023.
- India is one of the fastest-growing Fintech markets in the world. There are currently more than 2,000 DPIIT-recognised Financial Technology (FinTech) businesses in India, and this number is rapidly increasing.
- Data analysis indicates that digital lending is set to account for 60% of the total Indian fintech market by 2030. The increase in the proliferation of formal finance, growing per capita income and greater internet penetration, among others, will drive the growth in digital lending.
- Bank credit and deposits expanded y-o-y by 16.3 per cent and 12.9 per cent, respectively, as on March 22, 2024.

D. Key developments within the Bank

- The Bank has won the following awards :
 - 1) India's Best Companies to Work – 14th Year in a row
 - 2) Top 50 India's Best Place to Work – Culture of Innovation
 - 3) Top 25 India's Best Place to Work – BFSI (out of 167 BFSI participants in India)
 - 4) Best Small Finance Bank in BT Best Banks and NBFC Awards.
 - 5) Won the 19th Annual Banking Technology Conference, Expo & Citations - Best IT Risk Management
- The Bank has achieved following milestones in the realm of the Robotic Process Automation (RPA):
 - 1) Automated UPI and IMPS reconciliation leading to an outsourcing cost saving of ₹ 520 Lakhs
 - 2) 15 new processes automated through RPA
 - 3) 51,597-man hours saved due to the RPA

- 4) Transactions worth ₹ 11,900 Lakhs were processed through RPA.
- During the financial year, the bank's digital savings accounts crossed ₹ 200 Lakhs of portfolio with over 600 digital savings accounts.
 - The vehicle finance department has achieved highest ever disbursement in the month of March 2024.
 - The Bank intends on ramping up its business mix in line with its strategic imperatives. While digital and digital enabled banking services encompassing paperless banking, repayments, leveraging analytical tools and deployment of best-in-industry payment solutions shall remain a mainstay, the Bank, as part of its intent on spreading its geographical coverage and aid in brand recognition and recall, had opened 123 branches in FY 2023-24. The Bank also intends on opening 50 branches in FY 2024-25.
 - The Bank launched a nationwide Brand Campaign, in a prominent step towards establishing a mass market bank and building trust.
 - The Bank has also activated loan acknowledgment on the Hello Ujjivan app, which saves the customer time of visiting branches for signing disbursement documents. This also reduces the pressure on the r branches. The application has seen 7.8 Lakhs downloads since its launch. The Bank has also introduced loan acknowledgement facility for repeat loan and Top up loans on the app that will bring a significant cost saving. As the application gains usage and acceptance, it will provide field staff greater bandwidth to cross-sell to existing customers and also acquire new customers.
 - Digital fixed deposits provide smooth onboarding of digitally savvy and new to bank customers. Jointly, these efforts yielded strong results.
 - The Bank has tied up with four Fintech Partners for Supply Chain financing and has commenced disbursements. It is expected that this business shall contribute significantly towards second half of the year. The Bank continues to evaluate more such fintech partnerships on an ongoing basis.
 - The Housing vertical has achieved yet another milestone of achieving ₹ 500,000 Lakhs OSP.
 - In a significant development, CARE Ratings has upgraded the Rating of the Bank

to CARE AA- Stable (revised from CARE A+ positive, reflecting the considerable enhancement made by the Bank, both in terms of performance and overall governance.

E. Digital Banking Highlights :

- **Hello Ujjivan Application:** Intergration of New languages – Punjabi and Malayalam and Consent for Hospicash (Insurance for TPP) in Loan Acknowledgement Module is live on Hello Ujjivan Application. 7.8 Lakhs downloads of 'Hello Ujjivan' as on Mar'24 aiding in paperless disbursements, digital repayments and reducing TAT.
- **Web / Tablet based origination:** End to End Digital FD / SB account opening for resident Indians. Tablet-based customer acquisition for loan product.
- **Robotic Process Automation:** 26 processes are live via the robotic process saving outsourcing cost for reconciliation of ₹ 431 Lakhs. Process Load equalling to 60 Headcount savings of ₹ 181 Lakhs.
- **Digimitra and Phone Banking:** Launched 'DigiMitra' team/initiative at Phone Banking on August 16, 2023. The DigiMitra Team will handle end-to-end resolution of technical issues regarding Internet Banking, Mobile Banking, BNB, UPI services, by liaising with internal departments, to ensure timely and complete resolution for customers. 24x7 phone banking helpline in 13 Languages. VKYC and Video Banking services launched and running. IVR Supported in 9 languages. Dedicated helpline for NR customers.

F. Climate Risk Management and ESG– developments on capacity building:

- **Climate Finance global outlook**
 - Financing needs for climate change mitigation are large: The International Energy Agency (IEA) estimates that around USD 5 Trillion in yearly global gross investments will be required by

2030 to achieve net zero greenhouse gas emissions by 2050. EMDEs (Emerging Market and Developing Economies), which face important challenges in attracting private capital and have limited fiscal space, need about 40% of these investments so that climate mitigation investments increase to 12% of total investments by 2030 from the 2020 level of 3%.

- Private finance is critical for EMDEs to meet their climate investment requirements for both mitigation and adaptation. Estimates show that public investments will not be sufficient to meet climate investment needs and the share of private capital has to more than double from the current level of 40% by 2030. Risk-return profile of climate projects, however, are not amenable to private capital at scale and public sector participation can help de-risk such projects. Therefore, public-private partnership is essential to mobilise finance to meet the growing climate investment needs.
- In order to build an attractive private investment climate and generate private capital flows to EMDEs, public-private collaboration and sound financial sector policies are vital. Taxonomies, disclosure requirements and suitability and appropriateness standards for GSS financial instruments are critical in this regard. The G-20 Independent Expert Group has suggested an increase in annual spending by multilateral development banks (MDBs) by USD 3 Trillion by 2030, including USD 1.8 Trillion for additional climate action, and USD 1.2 Trillion for achieving other sustainable development goals (SDGs).

During the FY 2023-24, the Bank has made further progress on its capacity building initiatives on climate risk and ESG. Some of the key developments were as follows:

- **The Bank has launched its maiden TCFD (Task Force on Climate related Financial Disclosure) compliant disclosures during the Q3 FY 2023-24 to become the first Small Finance Bank to disclose the TCFD.**

S#	Pillar	Achievement
1.	Sustainable Operations	<ul style="list-style-type: none"> • 100% of the offices are replaced with energy efficient lighting systems • 100% of the employees were provided training on energy and water conservation practices through awareness campaigns, posters etc.

S#	Pillar	Achievement
		<ul style="list-style-type: none"> 15,332 IT equipment units were disposed through authorised recyclers and about 1,351 devices like Handheld devices and Desktops were donated to Govt. schools towards digital literacy Waste segregation at source, measurement and responsible disposal of dry and wet wastes at Corporate and all the Regional offices
2	Sustainable by Design	<ul style="list-style-type: none"> Every new infrastructure has been given due consideration on the green aspects such as Polycarbonate boards as a substitute for glass and Ricron sheets in place of wood which are 100% recyclable; Fitted with 5-star rated ACs and LED bulbs throughout
3	Empowering Communities	<ul style="list-style-type: none"> 102% increase in the beneficiaries impacted through livelihood development programs from that of FY 2022-23 12% of the CSR projects were implemented in the aspirational districts 6494 employees were engaged in the volunteering programs which is 119% from that of 2019-20
4	Human Capital	<ul style="list-style-type: none"> Policies on OHS, Human rights formulated 35.27 hours of training per employee against the target of 30.5 hours Achieved 20% gender diversity ratio with the addition of 2508 women employees during the year with 349 women under "Unpause", an opportunity for the women on career break to resume their career Awareness programs conducted towards prevention of road accidents
5	Effective Governance	<ul style="list-style-type: none"> Obtained ISO 27001:2022 certification Disclosure of BRSR on regulatory compliance Disclosure of maiden voluntary TCFD report
6	Customer Centricity	<ul style="list-style-type: none"> 8-point improvement from previous Bank level service index levels (from 78 to 86) Against the target of 5 points 1,400+ front end employees trained in 64 batches on Aajeevan 400+ end-to-end services were enabled by PhoneBanking Digitisation and Review of ongoing C-SAT surveys initiated, shall be completed by FY 2024-25
7	Aspects Cutting Across	<ul style="list-style-type: none"> Transparency & Disclosures: <ol style="list-style-type: none"> Launched dedicated webpage on Sustainability with essential disclosures Disclosure of maiden voluntary Sustainability report Stakeholder Engagement: <ol style="list-style-type: none"> 5+ investors and 10+ sell-side analysts were engaged over each quarter Vendor code of conduct formulated & formulation of vendor assessment process in progress Digital Transformation: <ol style="list-style-type: none"> Launched Digital Savings Account and Digital Fixed Deposit for both existing to bank (ETB) and new to bank (NTB) customers Launched UPI lite to allow small ticket size payments 3,741 Lakh Crores customers facilitated digitally constituting to 88.54% of transactions 11.8 Million loan repayments conducted through digital channels 100% of contract management was executed digitally during FY 2023-24. 15 Processes automated via RPA saving 56k+ Man-hours

G. Information Security Update (IS Risk)

With the ever-increasing global threat landscape, the Bank recognises the significance of robust Information security structure and implemented efficient information security management system in order to safeguard customer's interest.

The Bank's Information security program is ISO 27001 certified.

Bank has implemented defense in depth technology and orchestrated each and every tool in such a manner that none of the acts by a malicious intruder can go undetected.

The key elements and the teams working in a collaborative manner for managing information security risks are as follows: -

- 1. Risk assessment and Management:** - The team conducts regular risk assessments to identify and mitigate potential vulnerabilities and threats to the Bank. Third party information security assessment is carried out for all critical partners to keep tabs on risks emerging out of all third-party vendor relationships along the entire supply chain.
- 2. Policies and procedures:** - Bank has a set of robust information security policies and procedures which sets us out the path to each and every individual working in the organisation in a secure manner.
- 3. Security awareness and training:** - The Bank understands that employees play a critical role in maintaining information security. Therefore, the organisation invests in regular training and awareness programs to educate our workforce about emerging threats, phishing attacks, social engineering techniques and other security best practices.
- 4. Red team:** - Bank has an independent group of experts who simulate real world attacks and attempt to exploit vulnerabilities. As a result of which, as an organisation the Bank gets valuable insights to enhance security posture of the organisation.
- 5. Blue team:** - Bank has established a 24*7 SOC (Security operation centre) team that monitors, detects, analyzes the potential incidents and take requisite actions to respond to the incidents.
- 6. GRC team:** - Bank has a dedicated GRC (Governance risk and compliance) team to ensure effective management of regulatory requirements, risks and operational controls.

The Bank recognises that information security is an ongoing requirement and requires continuous involvement, improvement and adaptation to ever increasing threat landscape. 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 improve incident response preparedness and to ensure the availability of critical services in the event of a disaster. The Bank has adopted a proactive approach instead of reactive approach by following security by design principle for all products and services.

H. Major Regulatory Update

Through its guideline dated April 26, 2024 the Regulator has provided a detailed framework for conversion of SFBs into Universal Commercial Bank. The eligibility criteria for an SFB to transition into a Universal bank will now be as follows:

- Scheduled status with a satisfactory track record of performance for a minimum period of five years;
- Shares of the Bank should have been listed on a recognised stock exchange;
- Having a minimum net worth of ₹ 1,000 Crores (₹ 10,000,000,000) as at the end of the previous quarter (audited);
- Meeting the prescribed CRAR requirements for SFBs;
- Having a net profit in the last two financial years; and
- Having GNPA and NNPA of less than or equal to 3% and 1% respectively in the last two financial years.

The Bank will review its compliance in the next financial year and then the matter of conversion will be considered at the Board.

3. TABLE DF- 1: SCOPE OF APPLICATION

3.1 Qualitative Disclosures

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

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

3.1.1 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

3.1.2 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

3.1.3 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

4. Table DF-2: Capital Structure

4.1 Qualitative Disclosures

4.1.1 Tier I capital

The Bank has an authorised capital of ₹ 262,500 Lakhs in the form of Common Equity qualifying as Tier 1 capital.

Pursuant to the Scheme of Amalgamation being effective as on March 31, 2024, the Bank had an issued, subscribed and paid-up equity capital of ₹ 193,142.85 Lakhs, having 1,931,428,509 shares of face value ₹ 10 each further pursuant to the scheme.

Please note that pursuant to the effect of the Scheme of amalgamation, 1,440,036,800 equity shares and 200,000,000 preference shares of the Bank held by UFSL are extinguished. Further, basis the allotment of 1,412,702,033 fully paid equity shares of 10/- each of Bank to the eligible shareholders of the erstwhile UFSL, who were holding equity shares of UFSL as on the Record date i.e., May 03, 2024, consequent to which the paid-up equity capital of the Bank as on May 06, 2024 is ₹ 19,317,951,170.

The licensing guidelines for SFBs permit the aggregate foreign investment in a private sector bank from all sources up to a maximum of 74% of the paid-up capital (automatic up to 49% and approval route beyond 49% to 74%). As foreign shareholding in the Bank was 33.33% comprising of (a) Foreign Portfolio investors (FPI), (b) Non-Residential Indians (NRI) and (c) Non-Resident Indian Non Repatriable as at March 31, 2024, the Bank was compliant with RBI guidelines on SFBs.

4.1.1.1. Promoter contribution¹³:

As the Reverse Merger of the Promoter – UFSL with the Bank being effective, the Bank is now a 100% publicly held entity with no identified Promoter. Before the Scheme being effective the promoter contribution in the Bank was 73.52%.

The shareholding pattern of the Bank as at March 31, 2024 and Post Merger are as under:

Category of the Shareholder	Pre-Merger		Post-Merger (May 06, 2024)		Post-Merger (May 06, 2024 being the date of actual allotment)	
	No. of shares held	%age of shareholding	No. of shares held	%age of shareholding	No. of shares held	%age of shareholding
Promoter	1,440,036,800	73.52	Nil	Nil	Nil	Nil
Mutual Funds	11,271,630	0.58	83,628,614	4.33	86,893,404	4.50
Alternate Investment Funds (AIF)	19,418,235	0.99	43,260,202	2.24	43,931,250	2.27
Foreign Portfolio Investors (FPI)	68,283,602	3.48	467,260,428	24.19	520,702,938	26.96
Resident Individuals/Hindu Undivided Family (HUF)	374,236,956	19.11	975,986,585	50.53	1,006,893,210	52.12
Others	45,516,053	2.32	361,292,680	18.71	273,374,315	14.15
Total	1,958,763,276	100.00	1,931,428,509	100.00	1,931,795,117	100.00

¹³Refer RBI on Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014.

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

Capital Structure- Summary of Tier I & Tier II Capital				
Sl. No.	Instrument	Whether Tier I or II	Pre-Merger	Post-Merger
			Amount (₹ in Lakhs)	
1	Equity ¹⁴ (refer note 1)	Common Equity Tier 1 (CET 1)	195,876.32	193,142.85
2	PNCPS ¹⁵	Additional Tier I	20,000.00	Nil
3	Subordinated Debt Instruments	Tier II	30,000.00	30,000.00
	Total		245,876.32	223,142.85

4.1.1.2. Additional Details on 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. The Bank's PNCPS complies with the requirements prescribed under Basel III capital regulation. 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 date of allotment which was completed on February 10, 2022. The rate of dividend as agreed with the investor is 11% per annum or at a rate as specified in terms of Basel Master Circular and / or any other applicable law.

The claims of the investors in the instruments are:

- a Superior to the claims of investors in equity shares;
- b Subordinated to the claims of Perpetual Debt Instruments (PDIs), all Tier 2 regulatory capital instruments, depositors and general creditors of the Bank; and
- c 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 I Series name	Tier I Series name	Issue date	Date of Redemption	Basel III complaint (Y/N)	Contractual Dividend rate (% p.a.) (on a fixed rate basis)
PNCPS (refer note 1)	20,000	February 09, 2017	Perpetual	Yes	11% p.a.

Note 1:

Pursuant to the effect of the Scheme of amalgamation, 1,440,036,800 equity shares and 200,000,000 preference shares of the Bank held by UFSL are extinguished. Consequent to the aforesaid extinguishment of UFSL shares in the Bank and issue of equity shares to the shareholders of UFSL, the paid-up equity capital of the Bank is revised from ₹ 19,591,298,840 to ₹ 19,317,951,170. Further, since the preference capital of ₹ 200 Crores is extinguished, the issued capital of the Bank is reduced from ₹ 21,591,298,840 to ₹ 19,317,951,170.

4.1.2. Subordinated Debt Instrument

As per specific directions received from the Regulator¹⁷, the Bank can issue Tier II capital instruments in compliance to either NCAF or Basel III guidelines of RBI. As on March 31, 2024 following are the Tier II Instruments raised by the Bank.

¹⁴ Issued and Paid up equity capital

¹⁵ Perpetual Non-Cumulative Preference Shares (PNCPS)

¹⁶ RBI/2022-23/12 DOR.CAP.REC.3/21.06.201/2022-23 dated April 01, 2022

¹⁷ RBI communication to the Bank vide email dated December 13, 2017

Capital	Description of the Security	Issue Amount (₹ in Lakhs)	Issue date	Date of Redemption	Contractual Dividend rate (% p.a.) (on a fixed rate basis)
Tier II – Subordinated Debt	Subordinated, rated, unlisted, unsecured, transferable, redeemable, fully paid up, non-convertible debentures	22,500	August 26, 2022	April 26, 2028	11.95% p.a.
		7,500	September 09, 2022 ¹⁸	April 26, 2028	11.95% p.a.
Total		30,000	-	-	-

4.1.3. 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 (since extinguished) 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 04, 2005.

5. Table DF- 3: Capital Adequacy

5.1 Qualitative Disclosures

The Bank has been well capitalised since inception and its capital position has been further augmented after equity raise through a QIP in Q2 FY 2022-23. As required by RBI in its operating guidelines to SFBs¹⁹, 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 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 7%

While SFBs are required to comply with Basel II norms for Capital Adequacy calculation purposes, the structure and nature of capital instruments such as Common Equity, Additional Tier 1 instruments are required to be compliant with the Basel III guidelines. In essence therefore, in the case of SFBs, the Regulator has adopted a hybrid model.

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 08, 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 New Standardised Approach (NSA) for Operational Risk. It is pertinent to note that the Regulator has now dispensed with the existing approaches of Operational Risk capital charge with the revised New Standardised Approach (NSA) vide Reserve Bank of India (Minimum Capital Requirements for Operational Risk) Directions, 2021 which is applicable to universal banks with effect from April 01, 2023.

¹⁸ Deemed Allotment Date: August 26, 2022

¹⁹ Refer RBI guidelines on Operating Guidelines for Small Finance Banks issued vide DBR.NBD. No.26/16.13.218/2016-17 dated October 06, 2016.

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 100%, NSFR at 100% and Leverage Ratio at 4.5%.

The disclosures pertaining to capital adequacy are as per the Generally Accepted Accounting Practices (GAAP). Preparation of Financial statements under Ind-AS regime by banks have been deferred by RBI until further notice and hence a comparison of capital adequacy under both the regimes will be made part of disclosures after the same is made applicable to banks. There are indications f that the Regulator may consider adopting a dynamic loan loss provisioning under IFRS9/Ind-AS framework. To this effect, a Discussion Paper was released by the Regulator on January 16, 2023 and formal guidelines in the matter are awaited. From the readiness standpoint, the Bank has put in place the necessary processes to compute Expected Credit Loss (ECL) and Ind-AS compliant financial statements. While the Bank has utilised internal capabilities in automating ECL components, the preparation of Ind-AS compliant financial statements continues to be manual. A final guideline from the Regulator is awaited to commence engagement with technology partners in developing necessary systems.

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 ICAAP framework for the identification and evaluation of the material risks that the Bank faces, which may have a bearing 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)
Operational Risk	Reputational Risk
Market Risk	Strategic Risk
Interest Rate Risk in Banking Book (IRRBB)	Compliance Risk
Liquidity Risk	People Risk
Concentration Risk	Information Technology and Information Security Risk
Outsourcing Risk	Group Risk ²⁰
Securitisation Risk	Fintech Risks
Climate induced financial risks	ESG risks

The Bank has implemented a Board approved Stress Testing policy and framework which forms an integral part of the Bank's ICAAP. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible stressed business conditions. The changes in the levels of credit risk, market risk, liquidity risk, IRRBB, operational risk and reputational risk are assessed under assumed "stress" scenarios and sensitivity factors. Typically, these relate, inter alia, to the impact on the Bank's profitability and capital adequacy. The stress tests are conducted and the results are placed to the Risk Management Committee of the Board (RMCB) , 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.

²⁰ As per RBI guidelines on Guidelines on Management of Intra-Group Transactions and Exposures issued vide RBI/2013-14/487DBOD.No.BP.BC.96/21.06.102/2013-14 dated February 11, 2014

5.2 Quantitative Disclosures

5.2.1. Basel II capital calculation

The break-up of Basel II capital funds as March 31, 2024 was as follows:

		₹ in Lakhs
	Description	Amount
	Core Equity Tier 1 Capital - Instruments and Reserves	
	Directly issued qualifying common share capital plus related stock surplus (share premium)	193,142.85
	Retained earnings	361,005.12
A	CET1 capital before regulatory adjustments	554,147.97
	Core Equity Tier 1 Capital - Regulatory Adjustments	
	Deferred tax assets arising from temporary differences	22,747.63
	Intangibles (Prepaid Expenses & Computer Software)	13,875.06
	Credit Enhancements	2,020.71
	Regulatory Adjustments applied to CET1 Capital due to insufficient funds in Tier 2 to cover deductions	0.00
B	Total regulatory adjustments to CET1 Capital	38,643.40
C	CET1 capital (A-B)	515,504.57
	Additional Tier 1 Capital - Instruments and Reserves	
	Preference Shares	
E	AT1 capital before regulatory adjustments	
	Additional Tier 1 Capital - Regulatory Adjustments	
F	Total regulatory adjustments to AT1 Capital	-
G	AT1 Capital	
H	Tier 1 Capital (C + G)	515,504.57
	Tier 2 Capital - Instruments and Provisions	
	Sub - debt eligible as Tier 2 capital	24,000.00
	General Provisions on Std. Assets admissible as Tier 2	17,013.81
	Investment Fluctuation Reserve	7,167.20
	Investment Reserve Account	34.04
I	Tier 2 Capital before regulatory adjustments	48,215.05
	Tier 2 Capital - Regulatory Adjustments	
J	Total Regulatory Adjustments to Tier 2 Capital	-
K	Tier 2 Capital (I - J)	48,215.05
L	Total Regulatory Capital (H + K)	563,719.62

5.2.2. 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		0.00
Balances with Banks and Money at Call and Short Notice		132.95
Investments		23,664.38
Advances		2,150,023.89
Fixed Assets		28,791.38
Other Assets		57,231.73
Off Balance Sheet		23,005.16
Total Credit RWA		2,282,849.48

A significant regulatory guideline impacting the RWA on consumer loans was issued by the Regulator on November 16, 2023 vide its Circular RBI/2023-24/85 dated November 16, 2023.

The Bank has evaluated the impact of the revised guidelines on its book, especially that small component of unsecured loans that do not satisfy the PSL criteria or the criteria for regulatory retail. There are also some loans in its FIG book where based on the rating a higher risk weight will apply. The net impact of the revised application of RWA is 0.8%, and the Bank is adequately capitalised to weather this impact.

5.2.3. Operational Risk RWA

The Regulator has issued Master Directions on Minimum Capital Requirements for Operational Risk under the New Standardised Approach (NSA) which will be applicable with effect from April 01, 2023 for Universal Banks. While the Regulator is yet to take a decision on its applicability for SFBs, the Bank has already commenced computation of Operational RWA under this new approach for internal reporting purposes.

The detailed computation is as follows:

Particulars	₹ in Lakhs		
	T FY'24	T-1 FY'23	T-2 FY'22
Total amount of operational losses net of recoveries (no exclusion)	1,263.55	527.35	906.96
Total number of operational risk losses	1,322.00	1,416.00	1,253.00
Total amount of excluded operational risk losses#	866.73	474.69	807.83
Total number of exclusions	1,152.00	1,255.00	990.00
Total amount of operational losses net of recoveries and net of excluded losses	396.82	52.66	99.13

Sr. No.	Business Indicator (BI) and its sub components	₹ in Lakhs		
		T	T-1	T-2
1	Interest, lease, and dividend component			
1a	Interest and lease income	567,715.41	416,499.47	281,279.91
1b	Interest and lease expenses	226,770.39	146,709.26	103,920.70
1c	Interest earning assets	36,64,893.73	30,42,153.98	21,64,058.57
1d	Dividend Income	0	0	0
2	Services component	0	0	0
2a	Fee and commission income	39,631.88	31,737.78	21,874.86
2b	Fee and commission expense	1,851.00	1417.61	1392.79
2c	Other operating income	27,811.05	22822.14	11466.14
2d	Other operating expense	63,573.17	51036.29	40062.39
3	Financial Component			
3a	Net P&L on the trading book	2,076.56	178.40	1,575.63
3b	Net P&L on the banking book	326.38	0	185.34
4	BI	150,619.52	115,606.75	92,414.17
5	Business Indicator Components (BIC)	18,074.34	13,872.81	11,089.70
6a	BI gross of excluded divested activities			150,619.52
6b	Reduction in BI due to excluded divested activities			-

Disclosure on the BI		₹ in Lakhs
1	Business indicator component (BIC)	18,074.34
2	Internal loss multiplier (ILM)	0.60
3	Minimum required operational risk capital (ORC)	18,074.34
4	Operational risk RWA	225,929.28

5.2.4. Market Risk RWA*

As at March 31, 2024, the AFS²¹ book consisted of Government of India Securities, Treasury Bills and unquoted equity and the HFT²² book consisted of Government Securities, Commercial Paper, Certificate of Deposits and Mutual Funds. On the basis of SDA²³, the capital requirement for market risk reported to the Board from a governance perspective was as under:

Capital Requirement for Market Risk	₹ in Lakhs Amount
Interest Rate Risk	1,379.50
Equity Position Risk	2.76
Foreign Exchange Risk	-
Total	1,382.26
Total Market Risk RWA	17,278.26

* Revised guidelines for computation of Market Risk capital charge will be adopted effective April 01, 2024.

²¹Available for Sale

²²Held for Trading

²³Standardised Duration Approach

5.2.5. Basel II CRAR (with only Credit RWA)

₹ in Lakhs

Particulars	RBI thresholds	Amount/Ratio (Only Credit RWA)
Tier I Capital	--	515,504.57
Tier II Capital	--	48,215.05
Total Capital	--	563,719.62
Total RWA	--	2,282,849.48
CET Ratio	Minimum 6%	22.58% (Complied)
Tier I Ratio	Minimum 7.5%	22.58% (Complied)
Tier II Ratio	Maximum cap at 7.5% of CRWA	2.11% (Complied)
CRAR	Minimum 15%	24.69% (Complied)

Presently, the operating guidelines for SFBs mandate that the minimum CRAR be computed in relation to only the Credit Risk Weighted Assets (CRWA). The CRAR of the Bank at **24.69%** is well above the minimum ratio of 15% as applicable for SFBs.

5.2.6. Capital Adequacy under Pillar I Risk (Credit, Market and Operational risks)

Particulars	Amount/ Ratio (all Pillar 1 risks)
Tier I Capital	5,15,504.57
Tier II Capital	48,215.05
Total Capital	5,63,719.62
Total RWA	2,526,057.02
CET Ratio	20.41%
Tier I Ratio	20.41%
Tier II Ratio	1.91%
CRAR	22.32%

It may be noted that the Bank's CRAR is assessed at 22.32% after inclusion of Credit RWA, Operational Risk RWA and Market Risk RWA. The capital adequacy, is higher than the mandated SFB requirement of 15%, which is solely on the basis of CRWA, and also considerably higher than the minimum mandated for Universal Commercial Banks. While the Regulator is yet to notify the applicability of the other two pillar 1 risks, there is a possibility to align the minimum capital adequacy norms with that of Universal Commercial Banks for SFBs. Hence, not only from a governance perspective but also to meet its future projections in growth, the Bank has always been well capitalised, when taking into consideration capital charges for Credit Risk, Market Risk and Operational Risk.

6. Table DF- 4: Credit Risk: General Disclosures

6.1. Qualitative disclosures

Credit risk arises as a result of failure or unwillingness on part of customer or counterparties to fulfil their contractual obligations. The Bank is exposed to credit risk in its lending operations. Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contracts.

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

RMCB regularly reviews the Bank's portfolio composition and the status of impaired assets.

The Bank's Risk Management department drives credit risk management centrally. It is primarily responsible for implementing the risk strategy approved by the Board, developing procedures and systems for managing risk, carrying out an independent assessment of various risks, providing guidance in individual credit exposures for accepting deviations and monitoring portfolio composition and quality. 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 with any business targets.

The Credit Risk Management Committee (CRMC) is responsible for overseeing implementation of the credit risk management framework across the Bank and providing recommendations to the RMCB. CRMC ensures monitoring of credit risks on Bank wide basis

and in ensuring compliance with the Board approved risk parameters/prudential limits and monitor risk concentrations. It also reviews the status of portfolio management, loan review mechanism, risk monitoring and evaluation, regulatory/legal compliance, adequacy of provision, risk concentrations, industry reviews, and suggests corrective measures and activity reviews for credit management. It reviews and approves the use of credit scorecards for business and risk management purposes, tests its performance and effectiveness and places recommendations before the RMCB.

The Bank's Credit Policy, Credit Risk Management Policy, Credit Manuals, Product Programs, NPA Management Policy, Collateral Management Policy and Interest Rate Policy, form the core set of internal guidelines for management of 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 / programs 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 cognizance 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).

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

Definitions of past due and impaired loans

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

- Interest and/or instalment remains overdue for a period of more than 90 days in respect of a Term Loan;
- The account remains out of order with respect to CC/OD for 90 days on a continuous basis;
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- In case of advances granted for Agricultural purposes
 - The instalment 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 the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.
- In respect of derivative transactions, the overdue receivables representing positive mark to- market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment. The Bank had no derivative transaction on its books.

The Bank is guided by the provisions laid down in Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated April 02, 2024 as amended from time to time.

Provisioning and Regulatory norms applicable to the Bank

- 1) The Board reviews the provisioning norms of the Bank at regular intervals to determine if any enhanced provisioning is required based on credit performance. Despite a history of low Portfolio at Risk (PAR) and delinquencies, the microfinance portfolio of the Bank (the Bank's flagship offering) is unsecured where adverse and acute events (such as demonetisation and the Pandemic) can impact the portfolio quality. To enhance the coverage on MB-RB portfolio, the Bank continuously identifies incipient stress in specific accounts and geographies where accelerated provisions may be required on an on-going basis.
- 2) The Bank's NPA Management Policy, on the directions of the Board, has adopted an accelerated provisioning regime which is higher than the RBI mandated provisioning norms since inception. The Bank's Risk Management Department undertakes a proactive assessment of the likely GNPA's, NNPA, Provision Coverage Ratio (PCR) and incremental credit/provisioning costs by studying historical delinquency trends and external developments which can have a bearing on the asset quality and credit costs. During

the financial year FY 21-22, as a one-time measure, the Bank had created a Floating Provision amounting to ₹ 25,000 Lakhs to address the risk of any recurrence of pandemic associated mobility restrictions. The decision to create a floating provision was made as there was no scientific consensus on the severity and frequency of future pandemic waves. While the chances of a fresh wave with similar levels of severity are low, the presence of the floating provision acts as a strong bulwark to protect against unexpected losses of any kind.

- 3) As on March 31, 2024, out of ₹ 25,000 Lakhs, ₹ 12,000 Lakhs are allocated for netting off Gross NPA for the purpose of computing NNPA/ PCR, while ₹ 3,000 Lakhs have been factored as part of Tier II capital. The residual balance of ₹ 10,000 Lakhs have been grouped as part of other provisions without utilising the same towards Tier II capital. This amount continues to be earmarked for netting off GNPA as and when warranted.
- 4) During the Q3 FY 2023-24, RBI released guidelines on **Regulatory Measures towards Consumer Credit and Bank Credit to NBFCs dated November 16, 2023**, wherein the regulator raised the risk weights on consumer credit exposure of commercial banks and NBFCs, and also on bank credit to NBFCs. The risk weights have been increased to 125 per cent from 100 per cent for consumer credit exposure (outstanding as well as new) of commercial banks and NBFCs, including personal loans, but excluding housing loans, education loans, vehicle loans, and loans secured by gold and gold jewellery. Additionally, microfinance/ SHG loans provided by NBFCs have also been excluded. The risk weights on credit card receivables of SCBs and NBFCs were also increased by 25 percentage points to 125 and 150%, respectively. The risk weight on exposure of SCBs to NBFCs, excluding loans to HFCs and loans to NBFCs which are eligible for classification as priority sector, were also increased by 25 percentage points (over and above the risk weight associated with the given external rating) in all cases where the extant risk weight as per external rating of NBFCs is below 100%. Furthermore, regulated entities (REs) have been asked to review their extant sectoral exposure limits for consumer credit and put in place Board-approved limits in respect of various sub-segments under consumer credit. The Bank has complied with the regulatory measures released.
- 5) During the year as per the Consumer Credit circular dated November 16, 2023, the regulator *has asked the Banks to review their extant sectoral exposure limits for consumer credit and put in place, if not already there, Board approved limits in respect of various subsegments under consumer credit* as may be considered necessary by the Boards as part of prudent risk management. In view of the same the Bank has set exposure limits on subsegments under consumer credit.
- 6) RBI released a discussion paper on **Expected Credit Loss (Loss) framework for provisioning** by banks. Currently, banks are mandated to set aside provisions as per the IRAC guidelines which follows the 'incurred loss' approach. The proposed approach aims to recognise Significant Increase in Credit Risk (SICR) on a forward-looking basis which is expected to strengthen the banking system. The discussion paper has provided the following directions:
 - ECL amount is expected to be over and above IGAAP.
 - To avoid the capital shocks in banks, incremental provision required under ECL (ECL minus IGAAP) can be added back to Common Equity (Tier 1). This benefit to be phased out in 5 years.
 - A bank may choose to phase it out on a shorter period as per their own plan.

Credit Risk Portfolio review and Monitoring:

Micro finance Portfolio:

A comprehensive review of the MBRB Portfolio for past quarters is given below:

	₹ in Lakhs				
MBRB	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Gross Advances*	1,552,066.34	1,606,863.74	1,778,964.36	1,850,651.41	1,878,573.22
GNPA(Value)	37,028.49	33,950.89	33,565.45	35,370.16	40,707.01
GNPA%	2.39%	2.11%	1.89%	1.91%	1.91%

*Excluding IBPC/ Securitisation/DA transactions.

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

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

MicroBanking Group and Individual loans portfolio grew by 20% during the year and continue to report industry best performance in terms of portfolio quality. The GNPA in the vertical has further reduced during the year by 20 bps to close at 1.91%. The composite collection efficiency (CE%) had reached nearly 99% in the month of March 2024. The efforts of enhanced monitoring and collections enabled the Bank to arrest fresh slippages (incremental overdues) and also increase the recovery rates in delinquency buckets.

Given that the microfinance portfolio is subject to adverse event risks, 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.

For the ensuing financial year, in the GL and IL vertical there would be increased focus on staff productivity. The key projects include Hello Ujjivan repeat loans, SMELO Revamp. The Gold loans and Secured livestock book is also projected to grow in the coming years. The Vertical is also prioritising regulatory implementation directives example as per the November 16, 2023 guideline on Consumer credit released by RBI, the vertical is putting up a LUC mechanism in place which is expected to go live by the Second half of the FY 2024-25.

Affordable Housing Loans

A comprehensive review of the Housing Portfolio for past quarters is given below:

	Amt in ₹ Lakhs				
Housing Loans	Mar-23	Jun-23	Sep-23	Dec-23	MAR-24
Gross Advances*	311,398.13	339,651.29	377,513.17	417,144.14	469,356.62
GNPA(Value)	8,877.83	8,623.02	8,691.87	7,353.06	6,888.57
GNPA%	2.85%	2.54%	2.30%	1.76%	1.47%

*Excluding IBPC/ Securitisation/DA transactions

Credit risk monitoring of Secured Housing loans is broadly done at two levels – account level and portfolio level. While regular portfolio reviews are undertaken to assess the health of the portfolio, the Bank also assesses inter-linkages of risks especially legal risk induced credit risk. Collateral related processes and procedures are reviewed to ascertain various gaps in the process. The Bank has designed monitoring mechanisms at process level encompassing credit deviations, collateral management, documentation etc. Regular reports are placed to the CRMC for further direction and actionable. A new LOS (Loan origination System) was piloted in Q4 FY 2023-24 and in April 2024 the LOS was successfully launched. This will help improve efficiency, reduction of manual intervention, enabling digital onboarding and improved productivity.

During Q4 FY 2023-24, the vertical disbursed ₹ 73,000 Lakhs up by 11% as compared to the previous quarter. SARFAESI initiations were accelerated which led to faster recoveries from NPA accounts. The Bank has recovered ₹ 5,761.11 Lakhs through SARFAESI recoveries in Housing Accounts in FY 2023-24.

MSME (Micro and Small and Medium Enterprise)

A comprehensive review of the MSME Portfolio given below:

	₹ in Lakhs				
MSME	Mar-23	Jun-23	Sep-23	Dec-23	MAR-24
Gross Advances*	159,335.80	150,787.08	144,170.48	139,650.74	141,413.45
GNPA(Value)	14,013.74	14,745.42	14,161.17	12,354.84	11,837.95
GNPA%	8.80%	9.78%	9.82%	8.85%	8.37%

*Excluding IBPC/ Securitisation/DA transactions

At the commencement of FY 2023-24, the Bank's MSME unit underwent a comprehensive transition through discontinuation of all existing products and launch of new products. The MSME business will now focus on providing Loan Against Property (LAP) with semi-formal and formal customers as the target segment. In addition to LAP, the MSME vertical will also offer tailored products on working capital facilities, supply chain financing and Fintech based loans. The Bank has launched semiformal LAP in Q1, which is now scaling up. The Bank is investing on internal capabilities to address the other business lines like Fintech Partnership, working capital financing, Supply chain financing, etc; This vertical also intends to leverage digital analytics for MIS/reporting automation. The Disbursements have started to scale up with 21% Q-o-Q growth. The vertical on boarded 2 new Fintechs during the quarter and working capital offering is at a pilot stage. SARFAESI initiations were accelerated which led to faster recoveries from NPA accounts. The Bank has recovered ₹ 6,202.06 Lakhs through SARFAESI recoveries in MSME Accounts in FY 2023-24.

During the Q2 of FY 2022-23, the Bank set up a **Health council** under the ambit of **Credit Risk Monitoring Unit (CRMU)**. The Health Council is mandated to specifically review delinquency cases and deliberate on ways to improve the asset quality of the MSME portfolio. The Health Council is convened at monthly intervals with representation from Credit, Risk, Collections and Business teams who are empowered to take decisions against erring borrowers.

Institutional Lending

A comprehensive review of the Institutional Lending Portfolio is given below:

₹ in Lakhs					
FIG	Mar-23	Jun-23	Sep-23	Dec-23	MAR-24
Gross Advances	112,752.62	121,795.79	130,369.79	143,522.40	173,053.60
GNPA(Value)	441.68	441.68	441.68	441.68	441.68
GNPA%	0.39%	0.36%	0.34%	0.31%	0.26%

As on March 31, 2024, FIG vertical has increased by 53% in the OSB. The Q4 disbursements were ₹ 54,600 Lakhs. The share of the institutional lending book of the Bank increased to be 6 % of the overall lending book and registered a collection rate at 100%. As part of monitoring, the Bank regularly reviews compliance to financial covenants (Capital Adequacy Ratio, GNPA, NNPA, Debt/Equity ratio as stipulated in sanction letter), collection of CA certified receivables statement and potential Early Warning Signals (EWS) alerts.

Vehicle Loans

The Vehicle Loans vertical was also considerably revamped and sought to focus only on two-wheeler financing during the year. As a step towards the relaunch, a new LOS was adopted and the Bank is in an advanced stage of embedding a scorecard in the LOS to facilitate decision making. New locations for the business were identified and locations where business was suspended were revived.

A comprehensive review of the Vehicle loan Portfolio given below:

₹ in Lakhs					
VF	Mar-23	Jun-23	Sep-23	Dec-23	MAR-24
Gross Advances*	14,032.81	13,339.37	14,252.23	16,491.45	19,589.98
GNPA(Value)	875.12	769.87	737.41	704.29	643.50
GNPA%	6.24%	5.77%	5.17%	4.27%	3.28%

*Excluding IBPC/ Securitisation/DA transactions

As on March 31, 2024, the Vehicle Finance vertical recorded its highest ever disbursement of ₹ 2,210 Lakhs in the Q4. . Functionality to collect repayments through third party payment aggregators and other online portals was also enabled to provide ease of transaction. The vertical also propelled new dealerships for Two-wheeler financing. . The business model is focussed on sourcing new loans through tie-ups with direct dealerships. The Bank has also in the developed a trade advance facility to dealers which is not active.

Gold Loans and Micro LAP:

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

In the current FY the Bank is active in 60 branches (Disbursed Gold Loan). By FY 2024-25 the Bank is projecting Gold Loan presence in 250 branches.

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

₹ in Lakhs				
Particulars	Q1	Q2	Q3	Q4
Disbursement-MLAP Actuals	1,762.00	3,639.00	5,556.00	7965

Credit Risk Monitoring Unit (CRMU)

As per management directives, CRMU was created during FY 2022-23 within the Credit Risk Department under the supervision of the Bank's Chief Risk Officer. Some of the key activities undertaken by CRMU during FY 2023-24:

- Conducted monthly Health Council with CRO, CBO and CCRO as council members. The idea of these health councils was to provide an insight into ongoing

concerns in the MSME portfolio and get case specific feedbacks directly from the field which includes Regional Credit Managers, Business as well Collection Team

- Analysis of credit proposals disbursed under newly launched MSME Program "Prime LAP Semi Formal" during Q2 FY 2023-24. A detailed report was placed to the MD & CEO, CRO, CCRO, MSME Business Head and all

the respective RCMs. The report highlighted findings at a case level. Feedback and recommendations for improving product/credit appraisal standards were highlighted.

- Quarterly Quick Mortality analysis is being done by the CRMU and a report on the findings is placed at CRMU.
- File review of New products Elite LAP and Working capital loans on sample basis was started in March 2024.
- Developed a Dashboard internally to monitor the Banks portfolio at a snapshot which includes IOD'S, NPA, Bucket Movements, Roll Rates, etc.

Other Credit Risk management initiatives:

In a continuous endeavour to improve risk management practices, the Bank has, over time, transitioned from being reactive to proactive. In the post pandemic period, the Bank has put in place tools and techniques in order to transition to a proactive approach.

- District Risk Index (DRI) and DPM (District Performance Matrix) were developed to identify and monitor high risk branches on the basis of pre-specified parameters. The Bank is monitoring and taking appropriate steps towards any findings from the matrix.
- Collection productivity analysis for MicroBanking was developed during the year to analyse the performance of the In-house Collections officers, Off roll collections officers and Agencies.
- The Bank performed PDD and OTC documents analysis for Retail verticals on a timely basis.
- During the year, the Bank's board approved the Quick Mortality framework for all the loans in the Bank.
- The Bank has developed an Early Warning System (EWS) framework at an account level to detect and monitor account level behaviour patterns. This framework aids in identifying early signs of stress in loan accounts for early intervention and follow-up. The Bank has onboarded a vendor to put in place a system to capture feedback and enable on going monitoring. The system is currently under configuration and is expected to go-live sometime in Q1 FY 2024-25.
- With the availability of credit and loan performance data in the post pandemic period, the Bank has restarted its risk analytics journey for development of statistical application scorecards. Application scorecards are being redeveloped with post pandemic data for microfinance, vehicle and housing loans. Leveraging on the EWS outputs, the Bank also intends on developing behavioural scorecards, the outputs of which will be used in advanced capital charge calculation frameworks (FIRB approach).

- The credit risk models are intended to aid banks in quantifying, aggregating and managing risk across geographical and product lines. The outputs of these models also play increasingly important roles in banks' risk management and performance measurement processes, customer profitability analysis, risk-based pricing, active portfolio management and capital structure decisions. Credit risk modelling will aid in better internal risk management and have the potential to be used in the supervisory oversight of banking operations. The Bank has commenced development of scorecards in GL and IL. IL and VF scorecard are directly used in pricing models warranting regular review. As part of ECL preparedness, Bank has developed PD and LGD models using historical data and statistical techniques. **Therefore, the Bank's Board approved a policy to govern Model development, validation and ongoing monitoring. The Credit risk model validation essentially have qualitative as well as quantitative components.**
- During the year the Bank also performed a detailed review of Technical Write off, Settlement cases, Vintage Analysis in Micro and Rural Banking, Housing and MSEM book, Loan officer wise disbursement analysis. These analyses were placed at the Risk Management Committee of the Board for their review and guidance.
- A key exercise initiated during the quarter was a comprehensive review of pricing strategies adopted in all Strategic Business Units. While RBI guidelines on loan pricing mandates delineation of spread components and assignment of benchmarks (MCLR or EBLR) to loan pricing, the Bank undertook an internal exercise to evaluate the reasonableness and effectiveness in pricing of loans to meet strategic imperatives. The Bank developed pricing models using internal data estimates and external benchmarking, wherever applicable. Further, these pricing models were carefully evaluated for alignment to business strategy, budgets, system feasibility, adherence to prudential risk management norms and also ensure compliance to RBI guidelines on interest rate management. A salient feature in these pricing models includes adoption of a differential pricing matrix, in that, pricing of loans to borrowers would be risk adjusted to reflect the borrower's creditworthiness. For instance, in the Bank's flagship offering i.e., Microfinance/Group loans, the Bank is exploring to implement Risk Based Pricing (RBP) wherein concessional rates are proposed to be given in subsequent loans availed by the borrower if pre-specified credit history behaviour is maintained within a band. The Bank believes that the introduction of RBP will aid in encouraging and incentivising borrower/s to maintain a long term relationship. These pricing models are expected to be made effective by June 01, 2024.

6.2. Quantitative Disclosures

The overall distribution of Gross advances and Gross Loan Book as at March 31, 2024 was as under:

₹ in Lakhs

Vertical	Gross Advances	%	Gross Loan Book	%
MB&RB	1,878,573.22	68.51%	2,091,473.22	70.23%
FIG Lending	173,053.60	6.31%	173,053.60	5.81%
Housing	469,356.62	17.12%	492,441.26	16.54%
MSME	141,413.45	5.16%	141,413.45	4.75%
Personal Loans	6,705.80	0.24%	6,705.80	0.23%
Staff Loan	17,242.58	0.63%	17,264.12	0.58%
Vehicle Finance	19,589.98	0.71%	19,589.98	0.66%
Loan/OD Against Deposit/Gold loan	35,979.93	1.31%	35,979.93	1.21%
Total	2,741,915.16	100.00%	2,977,921.37	100.00%

Exposure summary: Facility type

Exposure Type	Domestic (₹ in Lakhs)	Overseas
Fund- Based exposure ²⁴	4,003,578.23	--
Non- Fund Based Exposure*	38,990.37	--
LESS: CRM DEDUCTIONS (GNPA Provisions held)	(41,623.25)	--
Total	4,000,945.35	--

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

Geographic Distribution of advances (State-wise)²⁵ (Rs in Lakhs)

Tamil Nadu	420,478.37	14.12%
Karnataka	390,311.56	13.11%
West Bengal	355,036.87	11.92%
Maharashtra	278,526.69	9.35%
Gujarat	234,723.64	7.88%
Uttar Pradesh	205,612.83	6.90%
Bihar	204,177.14	6.86%
Haryana	163,798.26	5.50%
New Delhi	147,962.46	4.97%
Rajasthan	132,970.92	4.47%
Jharkhand	72,526.88	2.44%
Punjab	71,411.52	2.40%
Odisha	64,868.87	2.18%
Kerala	63,005.71	2.12%
Madhya Pradesh	47,054.29	1.58%
Tripura	33,047.66	1.11%
Assam	29,779.20	1.00%
Uttarakhand	16,646.31	0.56%
Pondicherry	13,993.34	0.47%
Chhattisgarh	13,487.52	0.45%
Chandigarh(UT)	5,314.66	0.18%
Telangana	4,368.30	0.15%
Himachal Pradesh	3,800.87	0.13%
Meghalaya	3,544.00	0.12%
Goa	1,473.50	0.05%
Andhra Pradesh	0.00	0.00%

²⁴Fund Based exposure is computed as per Basel II guidelines

²⁵Geography wise loans and advances is Including IBPC, Securitisation and DA

Maturity pattern of assets and liabilities

₹ in Lakhs

Buckets	Net Advances after netting off IBPC/ Securitisation/Direct assignment	Investments	Deposits	Borrowings
Day – 1	211	509,262	11,286	770
2-7 Days	24,481	7,806	69,491	181,174
8-14 Days	42,154	14,860	60,055	0
15-30 Days	41,540	21,249	77,383	0
31 Days and up to 2 months	117,817	30,111	76,794	0
Over 2 months and up to 3 months	120,932	27,046	103,213	9,050
Over 3 Months and up to 6 months	339,021	90,206	264,974	19,820
Over 6 Months and up to 1 year	584,802	186,377	1,132,055	27,140
Over 1 Year and up to 3 years	760,240	165,220	1,089,673	54,810
Over 3 Year and up to 5 years	78,728	19,100	10,577	46,960
Over 5 years	322,574	21,738	18,426	8,556
Total	2,432,500	1,092,975	2,913,927	348,280

Gross Non-performing assets (NPA)

₹ in Lakhs

Category of Gross NPA	Mar-23	Jun-23	Sept-23	Dec-23	MAR -24
Sub-standard	23,604.11	25,496.61	27,395.28	31,310.04	37,994.01
Doubtful	39,239.83	33,965.53	30,265.28	24,843.83	21,851.52
Loss	217.00	191.62	919.22	920.39	1,406.94
Total	63,060.94	59,653.76	58,579.78	57,074.26	61,252.47

₹ in Lakhs

NNPA	Mar-23	Jun-23	Sept-23	Dec-23	MAR-24
Net NPA	12,903.83	13,262.39	14,181.34	16,275.07	19,629.22
NNPA after factoring Floating Provisions	903.83	1,262.39	2,181.34	4,275.07	7,629.22

₹ in Lakhs

NPA Ratios	March 2023	June 2023	Sept-23	Dec-23	MAR-24
Gross NPA to Gross Advances (excluding IBPC/ Securitisation/DA) ²⁶	2.88%	2.62%	2.35%	2.18%	2.23%
Net NPA to Net Advances (excluding IBPC/ Securitisation/ DA) ²⁷	0.042%	0.057%	0.0897%	0.1669%	0.284%

Movement of Net NPAs (Quarterly basis)

₹ in Lakhs

Particulars	Mar-2023	June 2023	Sept 2023	Dec-23	MAR-24
Opening Balance is Year Opening Balance	9,959.79	903.83	903.83	903.83	903.83
Additions during the period	14,805.19	7,052.85	12,819.62	19,015.71	25,845.80
Reductions during the period	36,861.14	6,694.29	11,542.12	15,644.48	19,120.41
Closing Balance	903.83	1,262.39	2,181.34	4,275.07	7,629.22

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

₹ in Lakhs

Particulars	Mar-23	June- 2023	Sept-2023	Dec-23	MAR-24
Opening Balance	93,447.94	50,157.11	50,157.11	50,157.11	50,157.11
Provisions made during the period	25,255.03	6,811.00	13,729.98	19,732.02	25,578.38
Write back of excess provisions	68,545.86	10,576.75	19,488.65	29,089.94	34,112.25
Closing Balance	50,157.11	46,391.37	44,398.44	40,799.19	41,623.25

²⁶ Gross NPA to Gross Loan Book (including IBPC/Securitisation/Direct Assignment) was 2.07% as on March 31, 2024

²⁷ Net NPA to Net Loan Book (including IBPC/Securitisation/Direct Assignment) was 0.27% as March 31, 2024

Provision Coverage Ratio (PCR)

₹ in Lakhs

CATEGORY	Gross Advances after netting off IBPC, Securitisation & Direct Assignment	GNPA on gross advances	GNPA Provisions on gross advances	Floating Provisions Considered for NNPA*	PCR% on gross advances	PCR ON Gross Loan book
MB-RB	1,878,573.22	40,707.01	27,395.63	10,500.00	93.09%	93.1%
FIG Lending	173,053.60	441.68	441.68	0.00	100.00%	100.0%
Housing	469,356.62	6,888.57	4,478.43	0.00	65.01%	64.0%
MSME	141,413.45	11,837.95	8,273.92	1,500.00	82.56%	82.6%
Personal Loans	6,705.80	699.83	498.77	0.00	71.27%	71.3%
Staff Loan	17,242.58	13.13	7.44	0.00	56.70%	56.7%
Vehicle Finance	19,589.98	643.50	517.18	0.00	80.37%	80.4%
Loan/OD Against Deposit	35,979.93	20.80	10.20	0.00	49.05%	10.2%
Grand Total	2,741,915.16	61,252.47	41,623.25	12,000.00	87.54%	87.28%

*₹ 12,000 Lakhs considered for the purpose of netting of GNPA and factoring the benefit in NNPA/PCR computation.

Write off:²⁸

₹ in Lakhs

Particulars	Total Write off undertaken
Q1 FY 2023-24	6,000.00
Q2 FY 2023-24	5,600.00
Q3 FY 2023-24	9,300.00
Q4 FY 2023-24	6,500.00
Total FY 2023-24	27,400.00

Non-performing Investments (NPI)

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

Movement of provisions for depreciation on investments

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

7. Table DF-5: Credit Risk: Disclosures for portfolios subject to the Standardised Approach

7.1. 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.

²⁸Write off includes actual write off and technical write off

- c. Institutional lending is risk-weighted as per ratings assigned by Eligible Credit Rating Agencies (ECRA) as prescribed by RBI. During the year, the Regulator had issued specific guidelines with respect to treatment of exposures with instances of rating withdrawal and unrated exposures in relation to total borrowings from industry. The Bank has taken cognizance of the same.
- d. In terms of circular No. DBR.BP.BC.No.72/08.12.015/2016-17 dated June 07, 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 and only on the basis of LTV vide a notification on October 16, 2020. The Bank has taken cognizance of the same and these were incorporated for all loans sanctioned after the date of issuance of this circular. The Bank has factored the directions of RBI circular dated April 08, 2022 wherein, it was directed to continue with risk weights contained in the circular ibid for all new individual housing loans sanctioned up to March 31, 2023.

7.2. Quantitative Disclosures

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on March 31, 2024

Sl. No.	Risk Weight	₹ in Lakhs
1	Below 100% Risk Weight	3,277,428.45
2	100% Risk Weight	197,424.60
3	More than 100% Risk Weight	567,715.5
4	Deductions (GNPA PROVISION)	(41,623.25)
5	Total	4,000,945.35

8. Table DF-6: Credit Risk Mitigation: Disclosures for Standardised Approach

8.1. 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 MSME loans. Loans to Financial Institutions are secured by a charge over book debts which are registered with CERSAI. Vehicle loans are collateralised by a charge over the vehicle financed.

The Bank accepts Eligible Financial Collateral²⁹ in a few instances for risk mitigation under secured Institutional lending and MSME loans. These financial collaterals are netted off for its collateralised transactions under comprehensive approach³⁰ while computing its Risk Weighted Assets (RWA). The Bank regularly reviews the health of the portfolio/borrowers and works on mitigation of any risk associated with the portfolio or borrower in particular through a combination of limits and restrictions.

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

- Life insurance cover is mandatory for all the borrowers availing of the Bank's microfinance loans. Housing, two-wheeler, and gold loans are provided with an option to avail a life insurance cover, though this is not a bundled offering along with the loan products.
- The Bank works with 4 Credit Information Companies (CICs) 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 to those categories.

²⁹Refer section 7.3.5 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 01, 2015

³⁰Refer section 7.3 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 01, 2015

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

9.1. Qualitative Disclosure

9.1.1. Securitisation Objectives

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

The RBI issued 'Updated Securitisation Guidelines' on December 05, 2022 (hereinafter, the 'revised securitisation guidelines') covering Securitisation of Standard Assets. The said guidelines define minimum holding period, minimum retention requirements, due diligence, credit monitoring, stress testing requirements etc. The Regulator has also revised "Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021' dated September 24, 2021 (updated on December 05, 2022) covering transfer of loan exposures (herein after, the 'transfer of loan exposure guidelines'). In compliance to the guidelines, the Bank has put in place appropriate policies for undertaking these transactions.

The overall framework for the Securitisation of Standard Assets for the Bank is specified in the Board approved policy on Securitisation of Standard Assets. During the Q1 2022-23 the Bank had undertaken 'sale' transactions through securitisation route and Direct assignment.

9.1.2. The major risks inherent in Securitisation of Standard Assets and Transfer of Loans are given below:

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

Market Risk:

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

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

Operational Risk

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

Reputational Risk:

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

Prepayment Risk:

- This risk arises on account of prepayment of dues by obligors/borrowers in the securitised pool.

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

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

Monitoring credit risk

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

Monitoring market risk

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

9.1.3 Roles Played by the Bank

Originator / Seller

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

Servicer

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

Provider of Liquidity Facilities

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

Credit Enhancement provider

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

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

The Bank as originator sells assets to a special purpose entity only on cash basis. Standard Assets transferred through securitisation are de-recognised in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration is received. Sales / transfers that do not meet true sale criteria are accounted for as borrowings. Standard assets transferred through direct

assignment are de-recognised in the Balance Sheet of the Bank to the extent a portion of the rights, title and interest of the Bank in the underlying loans has been assigned. The Bank follows the accounting treatment specified in the revised securitisation guidelines and transfer of loan exposure guidelines for any realised and unrealised gain arising from the securitisation transactions.

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

9.1.5 Rating of Securitisation Transaction

During FY 2023-24, the Bank used the ratings provided by CARE Ratings limited for the securitisation of retail pools. There has been no change to this rating.

9.2. Quantitative Disclosures

Details of Securitisation exposures in the Banking Book

	₹ in Lakhs
Total Exposures Securitised by the Bank*	-

*Represents total exposure of loans securitised and sell-downs via Direct Assignment during Q4 FY 23-24

For exposures securitised, losses recognised by the Bank during the current period broken by the exposure type

	₹ in Lakhs
Exposure type	Losses
PTC (underlying assets being Loan against property) *	-
Total	-

*PTC- Pass Through Certificate

Assets to be securitised within a year as on March 31, 2024

	₹ in Lakhs
Exposure type	Amount
Amount of assets intended to be securitised within a year	-
Of which amount of assets originated within a year before Securitisation	-

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

	₹ in Lakhs	
Exposure Type	Amount*	Unrecognised gains / (losses)
PTC (underlying assets being Loan against property)	15,613.48	-
Direct Assignment	7492.71	-
Total	23,106.19	-

*The amount represents the total outstanding for Securitisation and Direct Assignment as on March 31, 2024.

Securitisation exposures retained or purchased

	₹ in Lakhs		
Exposure Type	On Balance Sheet*	Off Balance Sheet	Total
Equity Tranche	1,262.94	-	1,262.94
Overcollateralisation	1,969.22	-	1,969.22
Direct Assignment	850.43	-	850.43
Total	4,082.59	-	4,082.59

* Represents total principal amount of investment in Equity Tranche, Overcollateralisation and Direct Assignment outstanding under risk sharing as at March 31, 2024.

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

₹ in Lakhs

Exposure Type	50% weight	75% risk weight	114% risk weight*	125% risk weight	Total
Equity Tranche (underlying assets being Loan against property)			1,262.94		1,262.94
Total			1,262.94		1,262.94

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

Securitisation exposures deducted from capital –

Exposure Type	Exposure deducted entirely from Tier-1 capital	Credit enhancing interest-only strips deducted from total capital	Other exposures deducted from total capital
Overcollateralisation	1,969.22	-	-
First Loss Credit Enhancement	1,989.81	-	-
Total	3,959.03	-	-

Details of Securitisation Exposures in the Trading Book

- NIL

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

10.1. Qualitative Disclosures

10.1.1. Overview of Market Risk Management

The Bank defines Market Risk as the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market process, in particular, changes in interest rates, exchange rates and equity and commodity prices. The Bank has adopted the 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 risk i.e. Credit, Market and Operational Risk from a governance perspective.

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

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

Investments: The Bank has a Board approved policy to make investments in both SLR and Non SLR securities. The Bank had investments in the following instruments: Government of India Securities (G Sec), Treasury Bills (T Bills), State Development Loans (SDL), Certificate of Deposits (CD), Commercial Papers (CP), Debt Mutual Funds (MF) and one legacy investment in an unquoted equity. The Bank had also made a token investment in a New Umbrella Entity (NUE) in association with National Payment Corporation of India (NPCI) and investment of ₹ 1,263 Lakhs as Pass through Certificates as part of the Securitisation deal executed during FY 2021-22. The Bank resumed investments in non SLR securities such as certificate of deposits, commercial papers and Mutual Funds during Q1 FY 2024 after successfully completing the automation of NPI module. During the year the Bank also secured necessary approvals to commence investments in select IPOs as a way to deploy short term surpluses and generate a return. This aspect of the investment business is at a nascent stage and no investments were made during the year. As on March 31, 2024, the investment holdings in various SLR and Non SLR instruments were as under:

₹ in Lakhs

INSTRUMENTS	AFS		HFT		HTM	
	BV	MV	BV	MV	BV	MV
SLR						
G Sec	-	-	-	-	434,815	428,612
SDL	-	-	-	-	183,427	182,363
STRIPS	-	-	-	-	-	-
T Bill	241,236	241,236	4,791	4,791	-	-
Total SLR	241,236	241,236	4,791	4,791	618,242	610,975
NON-SLR						
PTC	1,263	1,389	-	-	-	-
Equity	10	11	-	-	-	-
CP	16,677	16,677	-	-	-	-
CD	94,384	94,384	-	-	-	-
MF	0.00	0.00	-	-	-	-
Total NSLR	112,334	112,461	-	-	-	-
Total Investment	353,560	353,697	4,791	4,791	618,242	610,975

During the quarter, the Bank had added ~₹ 63,269 Lakhs of securities in its HTM portfolio. There was no transfer of securities from HTM to AFS portfolio in the current quarter. However, in accordance with the RBI Circular, direct sales up to 5% were undertaken by the Bank (duly approved by Board) to manage its HTM portfolio more efficiently. A total of ₹ 24,261 Lakhs (Book Value) was sold down and ₹ 326 Lakhs was realised. The details of sell transaction are as below:

₹ in Lakhs

SECURITY	FACE VALUE	BOOK VALUE	Market Value	Profit Booked
7.95% GS 2032	1,000.00	1,030.05	1,052.95	22.90
6.54% New GS 2032	10,000.00	9,550.98	9,658.75	107.77
6.54% New GS 2032	7,500.00	7,163.24	7,244.06	80.83
7.72 MAHARASHTRA SGS 2032	4,000.00	4,002.51	4,066.60	64.09
7.54% New GS 2036	500.00	505.93	517.70	11.77
7.54% New GS 2036	500.00	505.93	517.55	11.62

As at March 31, 2024, there was no negative MTM from positions held in HFT and AFS. As the rate has stabilised, the Bank started purchasing securities of slightly higher duration in HTM portfolio in order to capture the benefit of reduction in interest rate during FY 2024-25. The HTM duration stood at 4.27 years. The Bank continued to operate under the HTM limit of 23% applicable until March 31, 2024. However, this limit is no longer applicable in terms of RBI's Master Direction on Investments dated September 12, 2023. The Bank monitors the market signals and yield curve for any investment opportunity which can maximise yield. The current investment mix of the HTM portfolio is well poised to generate a positive MTM in the event of interest rate reduction. From risk management standpoint, the duration mix of the investment portfolio is also strategically maintained in a manner to limit incremental negative MTM in the event of recommencement of rate hikes.

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

₹ in Lakhs

Month	Average SLR requirement	Average SLR maintenance	Average SLR requirement maintained as a % of NDTL
Jan-2024	517,748.93	707,556.41	25%
Feb-2024	526,799.50	688,245.64	24%
Mar-2024	527,004.90	742,556.56	25%

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

Reserve Bank of India had issued revised guidelines for investments vide its Circular number RBI/DOR/2023-24/104 dated September 12, 2023. This will be a major change affecting both accounting of all investments and also classification, with the introduction of the separate category called Fair Value Through Profit and Loss (FVTPL). The circular has become effective from April 01, 2024. The Bank took various steps to implement and comply with the Master Direction such as revised investment policy incorporating the provisions of the Direction was put in place with the approval of Board of Directors, necessary system enhancements were made to create new portfolios and accounting step up and also existing book was transitioned to new regime and appropriate reserve was created for revised carrying value of the investment portfolio. Also, it was necessitated by the provisions of the Master Direction to align the existing risk and loss limits on Treasury such as Trading Limits, M-duration and PV01 limits, exposure limits and stop loss limit to operate under the new framework.

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

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

10.1.2. Liquidity and Liquidity Risk Management:

Treasury Department is primarily responsible for the day to day liquidity and fund management with an oversight by the ALM desk. The day to day fund excess or shortfall is arrived at based on a daily liquidity statement prepared by Front Office in co-ordination with Finance department.

Based on the daily shortage or excess funds, Front Office undertakes money market borrowing and lending activity. The source of borrowing and lending amongst Call money, Repo, TREPS and CROMS is decided based on the most favourable rate. The regulatory limit on Call/Notice money borrowing and lending is monitored on a daily basis by Middle office and reported to all stakeholders.

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

Liquidity Risk Management is governed as per the provisions of the ALM policy. The ALM position for the Bank was well managed and regulatory thresholds complied during the quarter. The Bank has various avenues to leverage upon in mitigating any future liquidity shortfalls. Some of the measures include securitisation, Direct Assignment, IBPC transactions, refinance and term loan facilities from Bank. The Bank is prioritising long-term funding through deposit mobilisation. The average liquidity position of the Bank is at comfortable levels with LCR hovering above 136.75% during Q4 FY 23-24 (average for the quarter).

Despite the challenges faced on account of spiralling inflation, liquidity reduction in the market and sticky interest rate on deposits, the Bank's ALCO took various proactive measures to align the Bank's funding and interest rate risk management strategies to evolving market dynamics by tweaking the interest rate offered on deposits and advances, diversifying funding avenues with the twin objective of staggered maturities and controlled increase in cost of funds and revisiting the investment portfolio limits which helped to minimise the impact of risks and aiding balance sheet growth. Besides, ALCO reviewed the outcomes of stress testing scenarios, funding concentration including deposits from cooperative banks, contingency funding buffers, cash flows and LCR projections on ex-ante basis to ensure that the Bank maintains resiliency to liquidity and interest rate risks.

Cost of funds:

The FY 2023-24 was a challenging year in terms of stubborn and elevated interest rate on deposits, the Bank took several steps to contain the cost of funds such as controlled sourcing of bulk deposits, tweaked interest rate on savings deposits to garner higher ticket deposits yet without losing competitive advantage and increasing interest cost of funds. The Bank also strategically focussed on alternate channels such as IBPC to raise funds which helped to keep a lid on cost of funds and added to the liquidity profile of the Bank.

On AD1

The Bank initiated putting in place necessary steps to apply for AD1 license with RBI during FY 2024-25 as the Bank has met all the eligibility criteria laid out by RBI in this regard. The AD 1 license enables the Bank to offer wide range of product suits to certain segments of existing customers and also enter into new segments which will facilitate customer acquisition albeit at gradual pace.

Liquidity Coverage Ratio

		₹ in Lakhs	
	Q4 Quarterly Average	Amount	Adjusted Amount
A	High Quality Liquid Assets		
	Level 1 Assets	707,894.49	707,894.49
B	Total Stock of HQLAs	-	707,894.49
C	Cash Outflows	2,594,766.01	647,444.22
D	Cash Inflows	215,097.30	129,804
E	Net Cash flow	-	517,640
F	25% of Total Cash Outflow	-	161,861
G	Higher of E or F	-	517,640
	Liquidity Coverage Ratio		136.75%

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

The Bank's NSFR as at March 31, 2024 was 133.81% as against RBI minimum requirement of 100%.

		₹ in Lakhs
NSFR		Weighted Amount
	Total Available Stable Funding (ASF)	2,610,229.41
	Total Required Stable Funding (RSF)	1,950,686.64
NSFR		133.81%

11. TABLE DF- 9: OPERATIONAL RISK

11.1. Qualitative Disclosures

11.1.1. 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. This Committee which is convened by Chief Risk Officer meets every

10.2. Quantitative Disclosures

Liquidity Coverage Ratio (LCR)

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

quarter to provide an oversight on key Operational Risk issues, the summary of which are presented to the RMCB. The ORMC supports the RMCB 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 Business Continuity Management. This is a continuing process and the Bank is continuously striving to enhance its processes.

In the post pandemic era, the Bank has largely been successful in mitigating the risks of credit quality deterioration, collection risks, liquidity risks and interest rate risks which were largely triggered on account of external dynamics. The Bank has taken concerted efforts in reviewing the operational risk framework to identify and mitigate idiosyncratic risks in processes and systems. For instance, the Bank has identified various deficiencies in branch level operations which can exacerbate internal and external frauds.

11.1.2. 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 department. For process related approvals, PrAC (Process Approval Committee) has been constituted with effect from February 2021 and meetings are held at defined frequency. The Bank's Operational Risk team reviews and provides their observations for including additional controls for the risks identified during the assessment, if warranted. Subsequent to closure, the new/enhanced processes are placed at the PrAC for approval. The Bank continuously reviews and enhances its key processes to adapt to industry best practices. Operational Risk Management Department (ORMD) has approved 58 processes as on March 31, 2024. Few of them to note are process note on SOP – Senior Citizens FD ROI change, Process note on Escrow accounts, SOP of Securitisation & IBPC, Process note on Restructuring of Agri & Allied Agri advances due to natural calamity and Process Note for Direct Tax Payment solution on BNB Application etc.

UAT Testing (including BRD and FSD): For any change management/ automation of products and processes, the respective department owners prepare a Business Requirement Document (BRD). The BRD is reviewed by key personnel from control and business functions for further improvements. Subsequently, the same is provided to the IT department within the Bank. The IT department then prepares a Functional Specification Document (FSD) detailing the scope of the project. Once the project is moved to testing stage, ORMD performs the User Acceptance Testing (UAT) along with other key stakeholders 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. As on March 31, 2024, 125 BRDs and FSDs were reviewed and UAT was undertaken for 70 new developments/changes/fix provided by IT covering - Veefin LMS, Blocking Limit in Petty Cash GL, Capturing Udyam Aadhaar field in Finacle, Housing Fixed to Floating Logic Change, Debit Card Renewal, Housing Loan 70:30 Rescheduling Logic, EBLR and communication on ROI reset 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. The outcome of RCSA provides insight into known as well as potential Operational Risk areas in various process / business lines. Business teams, being the first line of defence, are responsible for carrying out RCSA activity. ORMD, being second line of defence is responsible for providing necessary guidance, training and inputs to the First Line of Defence (FLOD) for carrying out the RCSA. To create a Risk culture in FLOD and assume ownership for this activity, a Special Point of Contact (SPOC) is identified

in each department who is designated as Business Risk and Compliance Officer (BRACO) with whom ORMD shall engage. RCSA framework was approved in April 2021. Based on directions from the Board, in FY'24, RCSA was conducted in 10 identified departments through BRACOs of the vertical who are tasked to ensure that RCSA is done on an ongoing basis as a First line of defense. Departments identified for performing the RCSA viz., Admin & Infra, Branch Banking, Credit, Digital Banking, Housing, Information Technology, Micro & Small Enterprises, Phone Banking, Service Quality & Treasury. ORM team provided the training for BRACOs and respective department SPOC and RCSA was completed for all the identified departments as on March 31, 2024.

Key Risk Indicators: In FY 2023-24, 40 KRIs continue to be monitored at Organisation level. At functional level, 14 KRI's are monitored for Branch Banking vertical, 14 KRI's are monitored for Micro Banking vertical, 9 KRI's for Secured Housing Loans, 25 KRI's for Digital Banking as part of the ORM framework. The thresholds for the KRIs have been set in consultation with the respective stakeholders. These KRIs are analysed on the monthly basis and wherever breached those KRI's are shared with the respective stakeholders for their action plan. The KRI's across all the 5 functions (Organisation, Branch Banking, Micro Banking, Secured Housing Loans & Digital Banking) were computed till Q4'24. Ops Risk has presented the KRIs along with the action plan provided by the department to ORMC held in the month of Mar'24. In Q4 FY'24, ORM has planned to identify the KRIs for other departments viz., Rural Banking, Vehicle Finance, MSME and Operations which will be commenced post obtaining the concurrence for the threshold from the respective departments.

Loss Data Management is in place to record material incidents and learnings from errors and strengthening existing controls. Incidents are recorded as operational loss and near miss events. This is followed by a Root Cause Analysis (RCA) for critical incidents. Bank has onboarded new vendor M/s. Acies to replace existing EGRC module from SAS which was in place to record all loss events across the Bank till June 30, 2023. 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 of any 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.

Loss Dashboard for YTD FY 23-24 (as on Mar'24):

Event Type	Count		Loss in Lakhs			
	YTD Mar'23	YTD Mar'24	YTD Mar'24			YTD Mar'23
	Total	Total	Gross#	Net#	Ops Loss#	Ops Loss
Business Disruption and Systems Failures	472	365	₹ 29.18	₹ 20.60	₹ 20.34	₹ 6.32
Clients, Products, and Business Practice	16	4	₹ 1.50	₹ 1.50	₹ 0.03	₹ 0.07
Damage to Physical Assets	8	4*	₹ 0.00	₹ 0.00	₹ 0.00	₹ 0.00
Employment Practices and Workplace Safety	1	2	₹ 2.36	₹ 0.00	₹ 0.00	₹ 0.00
Execution, Delivery, and Process Management	377	1,869^	₹ 62.08	₹ 115.48	₹ 57.00	₹ 16.07
External Fraud	283	211	₹ 436.58	₹ 329.24	₹ 319.33	₹ 20.90
Internal Fraud	293	253	₹ 585.36	₹ 247.15	₹ 0.13	₹ 9.29
Total	1,450	2,708	₹ 1,117.06	₹ 713.96	₹ 396.82	₹ 52.66

>Gross loss refers to total amount involved in the reported incidents, Net loss refer to loss which got netted off post recoveries and Ops loss refer to the actual loss booked in Operational loss GL (Fraud & Non-fraud) in case of unsuccessful recovery efforts

*Though the incident is reported to Operational Risk team, complete details of loss incurred is yet to be confirmed by Finance team. We are also in process of discussion with Admin & Finance team to mandate SAS ID for all these incidents and for appropriate GL monitoring.

^ Out of the 2,708 incidents reported in YTD Mar'24, 1,626 (~60%) are from "Cash Excess" and "Cash Shortage", owing to inclusion of all incidents reported, irrespective of amount, whereas, till last FY, incidents amounting to less than ₹ 5,000 /- were not considered for cash shortage & excess.

The Ops Loss Recovery done as on date (31st Mar'24) pertaining to Operational Losses booked in previous financial years is ₹ 9.66 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 standardised 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. In Q4 FY 2023-24, ORMD team performed an analysis on Fraudulent credit chargeback received and the recall process. Key gaps identified during the review were highlighted and discussed in ORMC and RMCB held in the month of May 24.

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'24, user access review was proposed to be performed for 20 applications which are used by the Bank as a part of yearly review and findings were shared with respective stake holders for initiating corrective action. The Bank has a process for 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, contractor's ID's, Generic ID's and system ID's. Role Base Access provision reviews and process to be followed for user de-activation on exit from organisation which is under review.

Exceptions Handling Mechanism is an initiative, which was initiated from July 2020 as guided by the National Controls and Compliance Committee. A list of 32 exception reports was identified and tagged to Operational Risk department of the Bank for initiating the review. In Q4 FY'24, 32 exception reports reviewed for the period of Q3 FY'24.

Observations were identified in 22 exception reports which have been taken up with respective stakeholders for discussing the gaps observed to undertake appropriate corrective actions.

Branch Assurance: Branches across regions are reviewed against a checklist devised by ORMD of the Bank to ensure adherence to branch processes. The checklist is reviewed and enhanced as and when required to strengthen monitoring of branches. Critical and repeat observations are shared with the leadership team for remedial /corrective actions. Checklist was reviewed and enhanced further. In Q4 FY'24, ORM team had reviewed 140 branches PAN India. A monthly connect is also called for with leadership team at Regional level to discuss on critical and key observations made by ORM team as part of their branch visit. These critical observations were presented in ORMC meeting in the month of Mar'24.

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 ORMD has developed the revised Outsourcing Policy based on the Master Directions on IT Outsourcing released in April 2023. This has been approved by all relevant stakeholders and has been approved by the Board . Outsourcing undertaken by the Bank is also subject to an annual audit by the Internal Audit team who provide the required compliance certificate to RBI. Key activities undertaken during Outsourcing are as follows:

Pre-on boarding risk assessment: All outsourcing 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. In Q4 FY24, pre-on boarding risk

assessment was carried out for 5 vendors as on March 31, 2024.

Post – on boarding risk assessment: All material vendors are also subjected to a periodic post on boarding risk assessment. This assessment is carried out by the respective unit that has outsourced the activity.

Annual review of material vendors: ORMD of the Bank along with Information security team of the Bank carries out annual risk review of material vendors. In FY24, there were 33 material vendors for whom Annual Risk Assessment was to be performed. This included Financial and IT Outsourcing vendors (inclusive of Bulk vendors). As per revised regulatory guidelines, 2 out of them were reclassified as “Not Outsourcing”. Remaining all 31 vendors’ assessment were completed as on March 31, 2024.

Business Continuity Planning (BCP): Business Continuity Management is a requirement for a Bank to minimise the adverse effect on critical areas of Operational Risk with respect to High-Impact and Low-Probability Disruptions. Through this, the 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.

The Bank’s 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 quarterly basis. The Bank also has a Board approved Cyber Crisis Management Plan for tackling cyber threats/ attacks.

The Bank reviews BCM policy and plan documents annually and enhances the documents as per the changes made in the Bank’s critical processes and activities. Bank also conducts periodic BCP testing considering various disruptive scenarios which helps identify the gaps in ensuring smooth recovery and resumption of the processes. On an ongoing basis, BCP testing for randomly selected branches is also conducted to ensure that the recovery process becomes more robust and efficient to recover from any disaster / crisis situation. Learnings are documented in the Business Continuity Plan for corrective action. In Q4FY24, 50 planned and 1 unplanned BCPs were conducted across branches in Regions. Also 4 planned BC Exercises were conducted by Clearing, Treasury Front Office, Payments & Settlements and Phone Banking.

Internal Financial Control (IFC) testing: This is an annual exercise and carried out by ORMD of the Bank. The team along with concerned stakeholders prepares and enhances Risk and Control Matrices (RCMs) for activities performed by process owners. The financial and operational controls in these RCMs are then tested by collecting samples

from across the review period covering 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 results of this evaluation are also presented to ORMC and RMCB to update them on effectiveness of the internal controls of the Bank and take guidance. These results are also shared with the Bank’s statutory auditor to provide insight on adequacy and effectiveness of the controls in the Bank. In Q4 FY’24, IFC testing completed for all the 23 departments and sign off received from the respective HOD. For all the failed controls, action plan and timeline for implementation is obtained from the departments. Once implementation is completed, remediation testing will be completed by ORM.

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

12.1. Qualitative Disclosures

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings and economic value of a bank’s banking book as a consequence of movement in interest rates. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL). The Bank has identified the risks associated with changing interest rates on its exposures in the banking book from both a short-term and long-term perspective.

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

- **Earnings at risk (Traditional Gap Analysis):** The impact of change in interest rates on net interest income is analysed under this approach and calculated under yield curve approach. Under this approach a parallel shift of 200 basis points is assumed both in assets and liabilities.
- **Economic Value of Equity (Duration Gap Approach):** Modified duration of assets and liabilities is computed separately to arrive at modified duration gap. A parallel shift in yield curve by 200 basis points is assumed for calculating the impact on economic value of equity. Additionally, the Bank has also performed steepening of yield curve wherein a change in 100 basis points was considered linearly between 15-day and over 25-year maturities and using an inversion of the yield curve wherein One -year rates were increased by 250 basis points and 10-year rates were decreased by 100 basis points. Such shocks are monitored regularly in order to assess the impact of interest risk on the Bank’s book and its potential impact on the Bank’s business projections. These scenarios are as per the RBI guidelines on stress testing dated 02 Dec 2013.
- The cumulative hikes to the RBI repo rate in FY 2022-23 had also increased Interest Rate Risks (IRR) in the Bank, especially in the long-term floating rate loans. With increasing share of floating rate loans , the rate hikes of the past were likely to increase the tenor of loans, upon conversion to floating regime. The Bank took cognizance that, parallel shifts in pricing, if not passed on to customers, can squeeze profitability

(Business risk) or any increase in EMI to counter extension in tenor might exacerbate defaults (Credit Risk) especially in the Affordable Housing segment. To address the same, the Bank has introduced a panoply of measures to counter the impact. The Bank has developed simulators to estimate impact on EMI/tenor increase. Using a combination of caps and floors on tenor/EMI/borrower age, systems are being reconfigured to provide the ideal rescheduling

which mitigates loss of income and default risk on best effort basis.

- The Bank has also undertaken various simulations to understand the impact of reduction in the valuation of Housing portfolio on account of rate hikes.
- As a risk measurement tool, the Bank has developed an IRRVaR model to aid in applying a Pillar II capital charge under ICAAP under pre-specified breaches to internal limits.

12.2. Quantitative Disclosures

12.2.1. Earnings at Risk (Earnings Perspective)

Interest Rate Risk in the Banking Book (IRRBB)

₹ in Lakhs

Sl. No.	Country	Interest Rate Shock	
		+200 bps shock	(200) bps shock
1	India	(3,990.79)	3,990.79
2	Overseas	-	-
	Total	(3,990.79)	3,990.79

12.2.2. Economic Value Perspective (MDG Approach)

₹ in Lakhs

Category	Items	Amount
A	Computation of Aggregate RSA	3,784,066.65
B	Computation of Aggregate RSL	3,383,297.51
C	Weighted Avg. MD of RSL across all currencies	0.95
D	Weighted Avg. MD of RSA across all currencies	1.91
E	Modified Duration Gap (MDG)	1.06
F	Change in MVE as % of equity for 200 bps change in interest rate	15.42%
G	Change in MVE in absolute terms	80,270.89

³¹ The Bank offers Housing loans on fixed rate basis for the initial period of three years and floating thereafter

12.2.3. Economic Value Perspective (Steepening of Yield Curve)

The Bank calculated the change in MVE using steepening of yield curve wherein a change of 100 basis points was considered linearly between 15-day and over 25-year maturities. Change in MVE under this scenario was (₹ 33,720.41 Lakhs).

12.2.4. Economic Value Perspective (Inversion of Yield Curve)

The Bank calculated the change in MVE using Inversion of yield curve wherein one -year rate was increased by 250 basis points and 10-year rate was decreased by 100 basis points. Change in MVE under this scenario was (₹ 3,213.28 Lakhs).

13. TABLE DF-13: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Equity shares

Disclosure template for main features of regulatory capital instruments – Equity Shares

Sr. No.	Particulars	Details
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 1
5	Post-transitional Basel III rules	Common equity Tier 1
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Common Shares

Sr. No.	Particulars	Details
8	Amount recognised in regulatory capital (₹ in lakh, as of most recent reporting date) 1,931,795,117	Pre-Merger as on March 31, 2024 – ₹ 195,876.32 Lakhs Post-Merger as on March 31, 2024 – ₹ 193,142.85 Lakhs Post-Merger as on May 06, 2024 – ₹ 193,179.51 Lakhs
9	Par value of instrument	₹ 10/-
10	Accounting classification	Capital
11	Original date of issuance	<ul style="list-style-type: none"> • ₹ 5 Lakhs – July 04, 2016 • ₹ 10,998.68 Lakhs – July 30, 2016 • ₹ 133,000 Lakhs – February 10, 2017 • ₹ 1,405.5 Lakhs – November 11, 2019 • ₹ 7,142.9 Lakhs – November 13, 2019 • ₹ 20,270.3 Lakhs – December 10, 2019 • ₹ 0.3 Lakhs – November 07, 2020 • ₹ 0.2 Lakhs – January 19, 2021 • ₹ 0.4 Lakhs – February 15, 2021 • ₹ 0.04 Lakhs – March 15, 2021 • ₹ 22,619.05 Lakhs – September 15, 2022 • ₹ 8.78 Lakhs – February 09, 2023 • ₹ 11.41 Lakhs – March 14, 2023 • ₹ 4.12 Lakhs – April 12, 2023 • ₹ 4.45 Lakhs – May 08, 2023 • ₹ 5.15 Lakhs – June 09, 2023 • ₹ 18.52 Lakhs – July 03, 2023 • ₹ 55.98 Lakhs – August 04, 2023 • ₹ 161.48 Lakhs – September 15, 2023
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity date
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to the claims of all depositors, general creditors, borrowings and all capital instruments qualifying Tier II Capital instruments, perpetual debt instruments and Perpetual non-cumulative preference shares
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

During the HY FY 2023-24, the Bank has made following allotments:

Date of issue and allotment	Method of allotment	Face value (₹)	Issue price (₹)		Number of equity shares allotted
			No. of Shares	Issue Price	
February 09, 2023	ESOP	10		19.95	87,814
March 14, 2023	ESOP	10	No. of Shares	Issue Price	114,130
			101,467	19.95	
			12,663	19.05	
March 14, 2023	ESOP	10	No. of Shares	Issue Price	21,974
			14,351	19.95	
			7,623	16.60	
May 08, 2023	ESOP	10	No. of Shares	Issue Price	22,332
			22,332	19.95	
June 09, 2023	ESOP	10	No. of Shares	Issue Price	25,444
			24,917	19.95	
			527	35	
July 03, 2023	ESOP	10	No. of Shares	Issue Price	25,444
			61,268	19.95	
			18,017	35	
August 04, 2023	ESOP	10	No. of Shares	Issue Price	195,990
			83,793	19.95	
			112,197	35	
September 15, 2023	ESOP	10	No. of Shares	Issue Price	539,651
			159,262	19.95	
			360,727	35	
			12,103	16.70	
			7,559	19.05	
October 09, 2023	ESOP	10	No. of Shares	Issue Price	283,989
			93,897	19.95	
			174,863	35.00	
			15,229	19.70	
November 16, 2023	ESOP	10	No. of Shares	Issue Price	364,321
			81,655	19.95	
			282,666	35.00	
December 12, 2023	ESOP	10	No. of Shares	Issue Price	303,243
			60,205	19.95	
			197,272	35.00	
			45,766	26.39	
January 09, 2024	ESOP	10	No. of Shares	Issue Price	366,450
			73,836	19.95	
			218,722	35.00	
			73,892	27.50	

Date	Scheme	No. of Shares	Details		Total
			No. of Shares	Issue Price	
February 09, 2024	ESOP	10	No. of Shares	Issue Price	366,450
			73,836	19.95	
			218,722	35.00	
			73,892	27.50	
March 12, 2024	ESOP	10	No. of Shares	Issue Price	834,970
			239,548	19.95	
			159,964	35.00	
			425,863	27.50	
			9,595	26.39	

Note:

Please note that pursuant to the effect of the Scheme of amalgamation, 1,440,036,800 equity shares and 200,000,000 preference shares of the Bank held by UFSL are extinguished. Further, basis the allotment of 1,412,702,033 fully paid equity shares of ₹ 10/- each of Bank to the eligible shareholders of the erstwhile UFSL, who were holding equity shares of UFSL as on the Record date i.e., May 03, 2024, consequent to which the paid-up equity capital of the Bank as on May 06, 2024 is ₹ 19,317,951,170

Perpetual Non-Cumulative Preference Shares (PNCPS) – Refer Note 1

Disclosure template for main features of regulatory capital instruments – Preference Shares

Sr. No.	Particulars	Details
1	Issuer	Ujjivan Small Finance Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE551W04012
3	Governing law(s) of the instrument	Applicable Indian Statutes & Regulatory requirements and RBI Basel III Guidelines.
	Regulatory treatment	
4	Transitional Basel III rules	Addition Tier 1 Capital (AT1)
5	Post-transitional Basel III rules	Addition Tier 1 Capital (AT1)
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Perpetual Non-Cumulative Preference shares
8	Amount recognised in regulatory capital (₹ in Lakhs, as of most recent reporting date)	₹ 20,000 Lakhs
9	Par value of instrument	₹ 10/-
10	Accounting classification	Capital
11	Original date of issuance	February 10, 2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	February 10, 2022
16	Subsequent call dates, if applicable	NIL
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	11.0% (Dividend Rate)
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	NIL
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	PONV trigger & CET1 trigger
32	If write-down, full or partial	Full and Partial
34	If temporary write-down, description of write-up mechanism	The Issuer shall: 1. Notify holders of preference Shares. 2. Cancel any dividend which is scheduled to be paid on Dividend payment date.

Sr. No.	Particulars	Details
		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").
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to the claims of all depositors, general creditors, borrowings and all capital instruments qualifying Tier II Capital instruments and perpetual debt instruments. Only Superior to Equity Shares.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Note 1:

Pursuant to the effect of the Scheme of amalgamation, 1,440,036,800 equity shares and 200,000,000 preference shares of the Bank held by UFSL are extinguished. Consequent to the aforesaid extinguishment of UFSL shares in the Bank and issue of equity shares to the shareholders of UFSL, the paid-up equity capital of the Bank is revised from ₹ 19,591,298,840 to ₹ 19,317,951,170. Further, since PNCPS of ₹ 200 Crores is extinguished, the issued capital of the Bank is reduced from ₹ 21,591,298,840 to ₹ 19,317,951,170.

Non-Convertible Debentures (NCD)
Disclosure template for main features of regulatory capital instruments - NCD

Sr. No.	Particulars	Details
1	Issuer	Ujjivan Small Finance Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE551W08013
3	Governing law(s) of the instrument	Applicable Indian Statutes & Regulatory requirements Reserve Bank of India's circular on "Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF)" dated July 01, 2015
	Regulatory treatment	
4	Transitional Basel III rules	Tier II Capital
5	Post-transitional Basel III rules	Tier II Capital
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Subordinated, rated, unlisted, unsecured, transferable, redeemable, fully paid up, non-convertible debentures
8	Amount recognised in regulatory capital (₹ in Lakhs, as of most recent reporting date)	₹ 30,000 Lakhs
9	Par value of instrument	₹ 100,000/-
10	Accounting classification	Capital
11	Original date of issuance	<ul style="list-style-type: none"> August 26, 2022- ₹ 22,500 Lakhs September 09, 2022 – ₹ 7,500 Lakhs
12	Perpetual or dated	dated
13	Original maturity date	April 26, 2028
14	Issuer call subject to prior supervisory approval	
15	Optional call date, contingent call dates and redemption amount	
16	Subsequent call dates, if applicable	-

Sr. No.	Particulars	Details
	Coupons / dividends	Coupons
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	11.95%
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Debentures shall be: (a) senior to the claims of the investors in instruments eligible for inclusion in Tier I capital and Upper Tier II Capital of the Bank; and (b) subject to paragraph (a) above, subordinated to the claims of the other creditors of the Bank but shall rank pari-passu with the other Lower Tier II instruments of the Bank (whether present or future).
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

14. 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	Issue of further shares requires requisite approval from the Board (includes duly authorised Board Committee) and the Shareholders of the Bank

PNCPS (Refer Note 1 above)

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"> 1. Superior to claims of holders of equity shares and 2. Subordinate to the claims of all depositors, term loan borrowings, all capital instruments qualifying as tier II capital and all perpetual debt instruments
4	Listing	Unlisted.
5	Tenor	The PNCPS shall be perpetual i.e. there is no maturity date and there are no step-ups or any other incentives to redeem the PNCPS.
6	Dividend Payment Frequency	Subject to Dividend Limitation and Loss Absorption, dividend will be payable as per the discretion of the Bank's Board. The Board is empowered to: <ol style="list-style-type: none"> (i) Declare Interim Dividend during the financial year (ii) Declare for subsequent financial years (including interim dividends) or (iii) Declare dividend during the period between the end of the financial year and before conducting the AGM.
7	Dividend Rate	11% per annum
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 to 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> <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.

Sr. No.	Particulars	Full Terms and Conditions
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"> 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. <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"> 1. Notify the holders of the PNCPS; 2. Cancel any dividend which is scheduled to be paid on Dividend payment 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. <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"> 1. Notify the holders of the PNCPS; 2. Cancel any dividend which is scheduled to be paid on Dividend payment date; 3. Without the need for the consent of holders of the PNCPS, write down the face value of the PNCPS by such amount as the Issuer may in its absolute discretion decide. Provided that, in no event shall such amount of write down be less than the amount required to immediately return the Issuer's Common Equity Tier 1 Ratio to above the CET1 Trigger Event Threshold, nor shall such amount of write down exceed the amount which would be required to be written down to ensure that the Common Equity Tier 1 Ratio is equal to the aggregate of the CET1 Trigger Event Threshold and 2.5%, or such other percentage as may be prescribed by the RBI (the "CET1 Write Down Amount"). <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>

Subordinated Debt Instruments:

Terms and Conditions of NCDs of the Bank

Sr. No.	Particulars	Full Terms and Conditions
1.	Type of Instrument	Non-Convertible Debentures (Subordinated debt instruments)
2.		The Bond shall be: (a) senior to the claims of the investors in instruments eligible for inclusion in Tier I capital and Upper Tier II Capital of the Bank; and (b) subject to paragraph (a) above, subordinated to the claims of the other creditors of the Bank but shall rank pari passu with the other Lower Tier II instruments of the Bank (whether present or future).
3.	Maturity	Bullet redemption at par, at maturity, date of maturity is April 26, 2028
4.	Listing	Unlisted
5.	Accounting Classification	The paid-up amount is classified as Borrowings in Bank's Balance Sheet.
6.	Approval for Issuance	Once the shareholders' approval is received for issue of capital, NCDs are issued only with approval given by Board of Directors/ Board Approved Committee
7.	Coupon Type	Fixed
8.	Coupon Rate	11.95% p.a.
9.	Coupon Payment Frequency	Monthly with the final Coupon Payment Date being the Maturity Date

15. TABLE DF-15: DISCLOSURE ON REMUNERATION

15.1. Remuneration - Qualitative disclosures

A. Information relating to the bodies that oversee remuneration.

Name, composition and mandate of the main body oversee remuneration.

Name: Nomination and Remuneration Committee (NRC)

Composition of Nomination and Remuneration Committee as on September 30, 2022:

Sr. No.	Name of director	Designation/Category
1.	Ms. Anita Ramachandran	Chairperson-Independent Director
2.	Mr. Ravichandran Venkataraman	Member-Independent Director
3.	Mr. Banavar Anantharamaiah Prabhakar	Member-Independent Director
4.	Mr. Rajesh Kumar Jogi	Member-Independent Director
5.	Mr. Samit Kumar Ghosh	Member-Director (Non-Executive, Non-Independent)

Following are the main terms of reference of the Committee:

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

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

- the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate talented directors required to run the Bank successfully;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- Remuneration to directors, Key Management Personnel (KMP) and senior management involving a balance between fixed and incentive

pay reflecting short- and long-term performance objectives appropriate to the working of the Bank and its goals.

- Formulating criteria for evaluation of performance of independent directors and the Board of Directors.
- To ensure 'fit and proper' status of proposed/ existing Directors.
- Devising a policy on diversity of Board of Directors.
- Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of directors their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors

to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance.

- Make appropriate disclosures of the remuneration policy and the evaluation criteria in the annual report.
- Analysing, monitoring and reviewing various human resource and compensation matters.
- Determining the Bank's policy on specific remuneration packages for executive directors including pension rights and any compensation payment and determining remuneration packages of such directors.
- Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component.
- Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- Recommending to the Board, all remuneration, in whatever form, payable to senior management.
- Administering, monitoring and formulating detailed terms and conditions of the Employees' Stock Option Scheme (ESOP) of the Bank, inter-alia, including the following:
 - a) Determining the eligibility of employees;
 - b) The quantum of option to be granted under the Employees' Stock Option Scheme per Employee and in aggregate;
 - c) The exercise price of the option granted;
 - d) The conditions under which option may vest in employee and may lapse in case of termination of employment for misconduct;
 - e) The exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
 - f) The specified time period within which the employee shall exercise the vested option in the event of termination or resignation of an Employee;
 - g) The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
 - h) Re-pricing of the options which are not exercised, whether 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 prescribing, amending and/or rescinding rules and regulations relating to the administration of the Plan.
- Administering, monitoring and formulating detailed terms and conditions of the Employee Stock Purchase Scheme of the Bank.
 - Conducting due diligence as to the credentials of any director before his or her appointment/ re-appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI.
 - To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Bank subject to the provision of the law and their service contract.

- Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
 - To develop a succession plan for the Board and to regularly review the plan.
 - To approve Job descriptions and Key Responsibility Areas (KRAs) of Senior Managers and Business Line Managers on an annual basis.
 - To review Performance of the senior/business line managers by NRC on an annual basis.
 - Overseeing the framing, review and implementation of the Bank's Compensation Policy for Whole Time Directors/ Chief Executive Officers / Risk Takers and Control function staff for ensuring effective alignment between remuneration and risks.
 - To recommend to the board, all remuneration, in whatever form, payable to senior management.
 - Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
 - The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.
 - Carrying out any other function as is mandated by the Board from time to time and / or enforced/mandated by any statutory notification, amendment or modification, as may be applicable.
 - Review regularly and approve the Bank's program for executive and employee development.
 - Review and implement the various HR policies and manual of the Bank.
 - Develop, review and approve the principles guiding the Bank's executive compensation philosophies.
 - Assure that the bonus plan is administered in a manner consistent with Bank's compensation principles and strategies including Bank's policies relating to executive management succession and executive organisation development
 - Performing such other functions as may be necessary or appropriate for the performance of its duties.
- B. External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.**
- Not Applicable
- C. 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
- D. 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 September 30, 2023 was 21,040.
- E. Information relating to the design and structure of remuneration processes:**
- An overview of the key features and objectives of remuneration policy.

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

- The pay structure and amounts always conform to applicable Income Tax and other similar statutes.
- All practices of the Bank comply with applicable labour laws.
- The pay structure should be standardised 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 organisation.
- The compensation structure shall be easy to understand for all levels of employees.
- 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.
- The Bank pays the Independent Directors remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board and, if required, approved by the Shareholders from time to time.
- Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.

The following were the changes made to the remuneration policy

Variable Pay

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

The Bank periodically benchmarks its remuneration practices against the market. Compensation ranges

are in alignment to market pay which are derived and reviewed periodically. Remuneration payable for each function is independent of amounts payable to other function as is the market practice. Further, performance metrics for the Risk and Compliance function are completely unrelated to deliverables of any other business function. The deliverables of the risk function are periodically reviewed by the Risk Management Committee of the Board (RMCB) ensuring due independence.

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

- An overview of the key features and objectives of remuneration policy.
The Compensation Policy and Nomination & Remuneration Policy has been laid out keeping the following perspectives into considerations.
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- The Bank pays the Independent Directors remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board and, if required, approved by the Shareholders from time to time.
- Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.

The following were the changes made to the remuneration policy

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- Management Discretion - If there are significant developments in the year of payment (internal or external), management shall have leeway to announce a decision about bonus payment
- **A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.**

The Bank periodically benchmarks its remuneration practices against the market. Compensation ranges are in alignment to market pay which are derived and reviewed periodically. Remuneration payable for each function is independent of amounts payable to other function as is the market practice. Further, performance metrics for the Risk and Compliance function are completely unrelated to deliverables of any other business function. The deliverables of the risk function are periodically reviewed by the Risk Management Committee of the Board (RMCB) ensuring due independence.

- F. Description of the ways in which current and future risks are considered 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.
- G. 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.

- H. 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.

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

The Bank shall announce payment of cash variable pay as suitable. Discretion is typically applied related to staggered pay-out in case large pay-outs, particularly for functions like Credit and Risk. Payment is prorated for employees who have worked for part of the year at the Bank. If there are significant developments in the year of payment (internal or external), management shall have leeway to announce a decision about pay-outs.

The Bank believes in the philosophy of collective ownership by its employees. Thus, ESOPs of the Bank are distributed amongst employee's, basis their criticality and performance from time to time, at the discretion of the management.

Stock option schemes at the Bank vests in a staggered manner. Besides the statutory requirement of grant and 1-year vesting, the total set of options vests in various tranches for up to a period of 4 years.

Malus/ Clawback: In the event of negative contributions of the individual towards the achievements of the Banks objectives in any year, the deferred compensation should be subjected to Malus/Clawback arrangements. Similar provisions shall apply in case the individual is found guilty of any major non-compliance or misconduct issues.

Directors, if appointed/ Material Risk Takers/ other employees, as planned by the Bank/ or the relevant line of business, towards achievements of the Banks objectives in any year, the deferred compensation shall be subjected to Malus/Clawback arrangements.

J. Description of the different forms of variable remuneration that the Bank utilises and the rationale for using the same

Variable Compensation at the Bank has the following distinct forms:

Cash Variable Pay

- Statutory Bonus
- Performance Pay – Performance Bonus and Monthly Variable Pay
- Rewards & Recognition

The policy has been laid out keeping the following perspectives into considerations:

- The Variable pay structure and amounts shall always conform to applicable Income Tax statutes, Labour Laws, Regulatory Requirements, any other applicable statutes and prevalent market practice.
- It is designed to promote meritocracy in the 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 the Bank. However, the actual pay-out of performance bonus shall be paid only to employees who have met the set criteria.

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

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

Non-cash Variable Pay

The Bank believes in the philosophy of collective ownership by its employees. Thus, ESOPs of the Bank are distributed amongst employee's basis their criticality and performance from time to time, at the discretion of the management. Stock options are granted based on a combination of parameters such as tenure and/or employees' performance.

15.2. Quantitative Disclosures

Sl. No	Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers ³²)	Numbers
1	Number of meetings held by the Nomination and Remuneration Committee during the first quarter and remuneration paid to its members.	8 meetings of Nomination & Remuneration Committee (NRC) were held during April 01, 2023 to March 31, 2024. NRC members were paid total sitting fees of 40 Lakhs for eight meetings.
2	Number of employees having received a variable remuneration award during the year.	5 employees: CEO, COO, CBO, CCO and Business Head-Micro Banking
3	Number and total amount of sign-on awards made during the financial year.	NIL
4	Details of guaranteed bonus, if any, paid as joining / sign on bonus.	NIL
5	Details of severance pay, in addition to accrued benefits, if any.	NIL
6	Total amount of outstanding deferred remuneration , split into cash, shares and share-linked instruments and other forms.	Cash: ₹ 35.07 Lakhs (MD's Variable pay due) ESOP Grants FY23-24: Submitted for RBI Approval ESOP Granted for FY 2022-23, Nothing is pending for deferred Vesting will be as per schedule
7	Total amount of deferred remuneration paid out in the financial year.	Cash- ₹ 78.14 Lakhs Non-Cash – 285.60 Lakhs worth 14.90 Lakhs shares granted
8	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Fixed gross paid: ₹ 680.06 Lakhs (As of March-24) Variable Pay- Cash- ₹ 78.14 Lakhs Non-Cash – 285.60 Lakhs worth 14.90 Lakhs shares granted Fixed gross of the following employees: MD & CEO, Chief Credit Officer (CCO), Chief Business officer (CBO), Chief Operating officer (COO) and Business Head-Micro Banking
9	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Variable Provisioned – Cash- 325.31 Lakhs. Non-Cash-584.05 Lakhs worth of shares (Approx. – 31.28 Lakhs shares may grant)
10	Total amount of reductions during the financial year due to ex- post explicit adjustments.	NIL
11	Total amount of reductions during the financial year due to ex- post implicit adjustments.	NIL

³²Key material risk takers are internally defined as mentioned in row 2 of the above table.

16. TABLE DF-17: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE

Summary comparison of accounting assets versus leverage ratio exposure measure

		₹ in Lakhs
	Item	Amount
1	Total consolidated assets as per published financial statements	4,042,221.62
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)	41,032.00
7	Other Adjustments	(38,643.40)
8	Leverage ratio exposure	4,044,610.22

17. TABLE DF 18: LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Table DF-18: Leverage ratio common disclosure template

		₹ in Lakhs
	Item	Amount
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,042,221.62
	Domestic Sovereign	864,103.36
	Banks in India	584.74
	Corporates	174,372.44
	Exposure to default fund contribution of CCPs	172.00
	Other Exposure to CCPs	
	Others	3,002,989.08
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(38,643.40)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	4,003,578.22
	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	54,306.02
18	(Adjustments for conversion to credit equivalent amounts)	13,274.02
19	Off-balance sheet items (sum of lines 17 and 18)	41,032.00
	Capital and total exposures	
20	Tier 1 capital	515,504.57
21	Total exposures (sum of lines 3, 11, 16 and 19)	4,044,610.22
	Leverage ratio	
22	Basel III leverage ratio	12.75%

Presently the contribution of Tier I capital to Total Basel II capital is 91.45%. 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 Off Balance Items is presently low, the Leverage ratio is well above the benchmark of 4.5%.