UNITY Small Finance Bank

ANNUAL REPORT 2022-23

Banking Made Easy!

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Forward looking statement

Some information in this report may contain forward-looking statements which include statements regarding the Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward-looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Scan this code with a QR reader app on your smartphone or tablet for the online version of the Annual Report

Note

At various places in the report, Unity Small Finance Bank Limited may have been referred to as Unity Bank, USFB or Unity for the purpose of easy reading.

Banking Made Easy

FY 2023 was about building a strong foundation for a smarter future. We took small yet significant steps to build a scalable business platform that is driven by robust technology, strong brand presence and dedicated services that are designed to truly add value to customers' needs. We are confident that the coming year will be all about expanding our digital horizons to **Make Banking Easy** for all our customers.

Being a New Age, Digital First Bank, we stand committed to making banking accessible to every citizen, business and entrepreneur. We are rolling out a simple, yet technologically empowered Digital Banking platform that enables every Indian to seamlessly open an account, avail credit and carry out everyday banking activities, all at the click of a button and from the comfort of their homes. This front-end app is ably supported by our new state-of-the-art Core Banking Solution that is equipped to offer hyper-personalisation solutions.

Moving forward, our lending solutions and our growing footprint across the country will complement our digital ethos by integrating a more 'Phygital' approach to improve customer centricity. We remain determined to accomplish all of this while staying true our philosophy of creating a banking franchise that is stakeholder-driven and underpinned by strong corporate governance practices.

About Us

Unity Bank – Banking made Easier, Convenient & Inclusive

Unity Small Finance Bank Limited is a New Age, Digital First Bank, that commenced operations on 1st November 2021. Leveraging a strong promoter legacy and our impeccable expertise in the Banking and Fintech industry, we aspire to unite customers across socio-economic groups, small and medium businesses and HNIs with a transparent, convenient and secure digital banking experience.

Our Guiding Force

Vision:

To make Banking available at our customers' fingertips using the latest technology.

Mission:

We shall empower everyone to build for their future, combining technology with inclusivity to bring progress and simplicity in Banking.

Values:

- Ownership: Get it **DONE** now
- Customer First: Deliver **WOW**
- Co-Creation: Find New Ways **TOGETHER**
- Integrity: Do the **RIGHT** thing

Key Business Highlights as at 31st March 2023

₹ 803 Crore
Total Income

₹ 4,468 Crore
Loan Book (net of NPA Provisions)

₹ 2,685 Crore
Deposit Base

₹ 1,379 Crore
Net-worth

₹ 352 Crore
Reserves & Surplus

₹ 15 lakh+
Customers

99.6 %
Provision Coverage Ratio

0.3 %
Net NPA

49.4%
CRAR

4,228
Number of Employees

1,000+
Number of Women Employees

329

Branches and Offices

*As on 31st March 2023

Banking Made Easy

- Digitally native, 25-40 years' age bracket.
- Salaried and self-employed.
- Wants to maximise their lives.
- Coming from tier 1 or 2 cities.

- Under-privileged group.
- Looking for group loans.
- Woman entrepreneur.
- Rural/Semi Urban.

UNITY Small Finance Bank

- MSME customers.
- Textile, Power, Renewables, Engineering and Agriculture.
- Coming from tier 1 or 2 cities.

- Customers in the age group of 45+
- Retired people or small business owners like retail outlets.
- Coming from tier 1 or 2 cities.

Our Promoters

Partnering to Make Banking Easy

Unity Small Finance Bank Limited (Unity Bank) is promoted by Centrum Financial Services Limited, part of the diversified, financial services major – Centrum Group. Resilient Innovations Private Limited (BharatPe) is a joint investor.

Centrum Group – A Legacy of Financial Excellence

One of India's fast growing and diverse financial services groups, Centrum has been serving the financial and advisory needs of institutions and individuals for over two and a half decades. Led by industry veterans, Centrum has established a PAN India presence with a strong leadership team of seasoned professionals. Centrum Capital Limited, is also listed on the BSE & NSE.

Centrum's Investment Banking Division assists corporates in their financial management and offers services across and Equity Capital Markets, Corporate Finance, Debt Syndication and Infrastructure Advisory. It has built a strong Wealth franchise that caters to the investment and insurance needs of HNIs and family offices and currently manages client assets of over ₹ 35,000 crore. A robust Retail & Institutional Broking platform offers quality research across stocks and sectors, and services FIIs, Pension Funds, Indian Mutual Funds, Domestic Institutions and is steadily building its presence in South East Asia, USA, UK and Europe.

After establishing a successful track record in its Advisory services, Centrum strengthened its Lending Services with the introduction of Affordable Housing Finance, MSME Lending and Micro Finance. Its Affordable Housing finance business caters to borrowers in tier 2 & 3 cities and built a strong presence across twelve states in India. Centrum's MSME and Micro Finance businesses had built a credible book, which we have since merged in to Unity Bank.

Centrum also offers Alternative Investment Solutions and manages funds across Private Equity and Structured Credit.

CENTRUM

A Valuable Franchise with a Balanced Mix of Corporate & Retail Services

Advisory

- Investment Banking
- Wealth
- Stock Broking
- Alternative Investments

Credit

Affordable Housing Finance

Banking

Unity Bank

Key Metrics*

₹ 1,365 Crore
Consolidated Income

₹ 35,000 Crore
Wealth Client Assets Managed

~100%
Growth Y-o-Y in Housing Finance Loan Book

*as on 31st March 2023

Resilient Innovations Private Limited (BharatPe)

BharatPe is one of India's leading fintech companies, with the vision of making financial inclusion a reality for Indian merchants. In 2018, the company launched India's first UPI interoperable QR code with zero MDR. Today, BharatPe offers a suite of simple, easy-to-use and secure fintech products including payments and business loans to its merchant partners. Currently serving over 10 mn merchants across 400+ cities, the company is a leader in UPI offline transactions, processing 30 crore+ UPI transactions per month (annualized Transaction Processed Value of over US$ 24 Bn in payments). BharatPe has already facilitated the disbursement of loans totaling close to ₹ 8,000 crore, in partnership with NBFCs. BharatPe's POS business processes payments of over US$ 3.5 bn annually on its machines.

The company's list of marquee investors includes Tiger Global, Dragoneer Investment Group, Steadfast Capital, Coatue Management, Ribbit Capital, Insight Partners, Steadview Capital, Beenext, Amplo, and Sequoia Capital. In June 2021, BharatPe announced the acquisition of PAYBACK India, the country's largest multi-brand loyalty program company with 100 million+ members. In October 2021, the consortium of Centrum Financial Services Limited (Centrum) and BharatPe, was issued a Small Finance Bank (SFB) license by the Reserve Bank of India (RBI). BharatPe also entered the Buy Now Pay Later (BNPL) segment with the launch of postpe in October 2021. Recently, BharatPe Group received an in-principle nod from the Reserve Bank of India (RBI) to operate as an online payment aggregator.

Board of Directors

Steering our Growth Journey

Vinod Rai
Part-time Chairman & Independent Director

Jaspal Singh Bindra
Centrum Nominee Director

Basant Seth
Independent Director

David Rasquinha
Independent Director

Renu Basu
Independent Director

Sandip Ghose
Independent Director

Subhash Kutte
Independent Director

Inderjit Camotra
Managing Director & CEO

Management Team

Banking made easy with visionary leadership

"Bharosa bhi hai, himmat bhi hai aur taqat bhi aur banking knowledge hadh se zyada I ensure we create value for all our stakeholders and customers"

Inderjit Camotra
MD & CEO

"Bank ka strategy, expansion and overall operations mein dekhta hoon. Main hoon Don !

Ranjan Ghosh
President

"Main sirf money bhai ke liye kaam karta hoon. I keep our accounting practices and financial statements immaculate"

Abhishek Baxi
Chief Financial Officer

"Nazdiki fayda dekhne se pehle ... door ka nuksaan sochna chahiye. I am the Bank monitor. I ensure all check and balances are in place"

Alok Chawla
Head – Internal Audit & Vigilance

"Corporate Laws aur Governance ka bhandar hu mein. Directors ki go to person hu mein. I am the Company Secretary"

Archana Goyal
Company Secretary

"Jab log tumhare khilaaf bolne lage, to samjho tarakki kar rahe ho. People love me and I love people"

Deepu Bhattacharya
Chief Human Resources Officer

"Business ka first rule ... jiske saath vyapaar karo, usse kabhi na pyar karo. I provide loans to the backbone of our economy – MSMEs"

G.L Kumar
Chief Business Officer – Business Banking

"Cheeteh ki chaal, baaz ki nazar aur mere compliance par sandeh nahi karte. I ensure we remain compliant"

Jaymeen Shah
Head – Compliance

"Ek ladki sirf itna hi chahti hai ... ki koi usse acche interest rate par loan de. I provide micro loans exclusively to women entrepreneurs"

Praveen Saha
Chief Business Officer – Inclusive Banking

"Bade se bada Bank ... paise se nahi, acche interest rate dene se bada hota hai. I bring the high interest rate proposition to customers"

Sanjay Rele
Head – Financial Markets & Treasury

"Yeh Bank hai ... idhar kabhi bhi alti ka palti aur palti ka alti ho sakta hai. I ensure our loan book remains healthy and the bank is well prepared for any risk adversities"

Saurabh Srivastava
Chief Risk Officer

"Sab cheez time to time honi chaiye. I ensure Banking Operations run smoothly at any given time"

Sujoy Bhawal
Director - Banking Operations

"Speed mera one terahertz, memory mera one zettabyte. I'm the Digital dude. I lead Information Technology"

V. Vaidynathan Iyer
Chief Information Officer

"Darr ke aage jeet hai! Investment mein risk lena zaroori hai, magar samajhdaari se. I Head Venture Debt"

Chirag Doshi
Head Venture Debt & Finance

Chairman's Message

Committed to making banking easier

Dear Stakeholders,

Unity Bank has completed its first full year of operation. I am happy to share that the eventful journey has been filled with as many growth opportunities as challenges. Each of these was faced with equanimity to convert every challenge into a window of opportunity. It is heartening to note that in a short span, we have achieved significant milestones across businesses, built a strong deposit base and a healthy loan book. These remarkable initiatives were ably supported by a highly motivated team of professionals and a robust technology platform. I would like express our appreciation to the team for their excellent performance. I would also like to express my sincere gratitude to our Board members, the Centrum Group and the Reserve Bank of India for their constant support and encouragement, in guiding us towards a scalable growth path. While as a new age bank, we have taken small yet significant steps towards shaping our growth path, our journey has only begun. I will share some of the significant developments that have helped build a strong foundation and will play a key role in our future growth.

Opportunity Ahead

With the advent and penetration of banking services like UPI and mobile banking, the banking sector is on the cusp of witnessing a massive transformation. The introduction of Digital Banking Units (DBUs) and digital currency by the government are two major initiatives, bringing concepts of self-service, financial inclusion and cost-effective banking, seamlessly integrating on to a regulated platform. With a significant push towards integrating smarter technologies into financial services, the coming years will see more innovation and disruption, in the BFSI space. Although the banking sector in India has made significant progress in recent years, there is still a vast untapped potential in the underbanked population, which presents an opportunity for banks to grow their business. By expanding their reach to the rural and semi-urban areas, where a large portion of the underbanked population resides, banks can leverage technology to provide accessible and affordable financial services. Additionally, the government's push towards financial inclusion and the increasing adoption of digital payments are other factors that can facilitate the growth of banks in India. Moreover, India's rapidly growing middle class and the increasing number of entrepreneurs and start-ups also offer a promising market for banks to provide customized financial products and services.

Unity Bank – Striding Ahead

FY2023 was about building a strong foundation for a smarter future. We took small yet significant steps to build a scalable business platform that is driven by robust technology and dedicated services that are designed to truly add value to customers' needs.

We revamped and upgraded several of our branches to become more digitally led, modern in layout and offering customer centric solutions. We rolled out Shagun – an attractive Fixed Deposit scheme that offered interest rates as high as 9.5% p.a. to senior citizens along with additional benefits such as monthly interest

> We took significant steps to build a scalable business platform that is driven by robust technology, strong brand presence and dedicated services that are designed to truly add value to customers' needs.

pay-outs. We are seeing a positive response from depositors.

The Bank's Loan Book too has been growing steadily. The Business Banking team, grew its book size and on-boarded over 8,000 customers. It now manages an AUM of approx. ₹ 2,700 crore. Our Inclusive Banking team too expanded its geographic presence and entered the states of Madhya Pradesh, Uttar Pradesh, Karnataka, Tamil Nadu and Kerala, thereby scaling up operations PAN India. It has an AUM of over ₹ 1,500 crore and serves over 5 lakh women borrowers.

During the year, we also upgraded our Core Banking System (CBS) with a state-of-the-art digital platform, M2P Fintech's Turing CBS. The previous CBS encompassed 111 established branches and over 1.5 million customers, all of which were migrated within 88 days. Additionally, we achieved the status of a Scheduled Bank and were included in the Second Schedule of the Reserve Bank of India Act. This unlocks numerous benefits in the form of membership to clearing houses and access to funds from the RBI and government Institutions. We also received our RTGS/NEFT memberships and worked towards making the services live for customers in a relatively short time duration.

Besides steady growth in business operations, we also invested substantially in strengthening our talent pool and hired several members across levels. We also maintained a close check on risk management and internal controls to ensure sufficient mitigants in case of any internal or external adversities. As a result of our efforts, our Net NPA stands at a nominal 0.3%, which is very encouraging.

Financial Performance

Our first full year of operations has been a successful one, with growth across several parameters. The Bank has delivered total income of ₹ 803 crore during FY 2022-23 as compared to ₹ 154 crore in FY 2021-22. Additionally, our net profit for the year stood at ₹ 34.6 crore, showcasing our financial strength and stability. We also recorded healthy growth in advances and liabilities businesses. Gross Advances (excluding book acquired from PMC Bank & IBPC) grew at 133% to ₹ 4,326 crore as on 31st March, 2023 compared to ₹ 1,855 crore as in the previous financial year. Asset quality has improved significantly with GNPA reducing to 45.8% from 62.9% Y-o-Y and Net NPA to 0.3% from 8.1% Y-o-Y. The Bank's deposits stood at ₹ 2,685 crore as on 31st March, 2023 with improving granularity and CASA ratio stood at 33%. Our capital adequacy ratio (CRAR) stands healthy- at 49.4%, which is well above the minimum RBI requirement. With the roll out of our digital banking product suite and accelerated marketing and customer outreach, we expect a significant growth in financial performance over the next few years as well. The Bank also remains well capitalised to support our projected growth over the next few years.

CSR – Giving Back to the Community

At Unity, we believe that in addition to managing and growing our businesses with the highest standards of transparency and corporate governance, we should contribute to improving the lives of the under-privileged in the country. Taking this thought forward, we have partnered with the Centrum Foundation to undertake joint initiatives in the areas of Health, Nutrition, Well-being and Skill Development of women in India. I am confident that together, we will be able to positively impact the lives of many less fortunate fellow citizens.

FY 2024 – We are Set on a Growth Horizon

With a more positive and promising economic outlook now, we enter FY 2024 focussed on a steady growth horizon. We are confident that our initiatives seeded during the last year have geared us to seize the opportunities ahead. All our businesses are poised to grow significantly. Our digital banking proposition led by our mobile App, will gain traction in FY 2024 bundled with significant marketing efforts which will help in increasing market share and acquiring customers across business segments. We have devised a five year plan to reach out to over 10 million customers, using the mobile app as the primary channel. Additionally, new branches will be rolled out in existing as well as new geographies, which is expected to further drive business growth and strengthen visibility. This, along with our chosen business segments, leadership & management team commitment, we hope to be poised to gather momentum and grow profitably in the years ahead.

Once again, I thank all our valued stakeholders for the continued encouragement and look forward to your support in the years ahead.

Regards

Vinod Rai
Part-time Chairman &
Independent Director

Our Businesses

Simplified Solutions that Make New-Age Banking Easy

Branch Banking

Unity is dedicated to bring banking closer to its valued customers. Our growing network of bank branches offer diverse banking solutions under one roof.

Savings Accounts

For daily transfers, payments and savings. We offer interest rates as high as 7% per annum which are paid only on a monthly basis along with health care benefits.

Current Accounts

For entrepreneurs or a growing corporate, our current accounts cater to all business banking requirements. Customers enjoy high, combined Free cash deposition limits along with Free RTGS and NEFT transfers conducted through Online mode.

Fixed Deposits

Term deposits, which are safe, yet offer attractive interest rates. Our Fixed Deposits offer the perfect avenue to invest and save for your future. We offer interest rates as high as 9.50% p.a. for senior citizens and 9.00% p.a. for non-senior citizens on select tenures.

Lockers

Choose from a range of sizes – Small, Medium or Large, our lockers will ensure that your valuables remain safe.

Insurance

Secure your family's financial future in case of any adversities. We offer Life Insurance solutions in partnership with Bharti Axa, HDFC Life and PNB MetLife.

Interest rates mentioned as on 31st March, 2023

Business Banking

India, today, is a progressive nation that banks on budding as well as established businesses to sustain its growth story. Aligning our services to the needs of the nation, we strive to empower new India's backbone, the MSMEs and offer Business Loans and Supply Chain Finance for enterprises from varied sectors. We allocate funds for working capital, debt consolidation, purchase of assets and other business requirements.

Secured Loans

Owners of residential, commercial or industrial properties can avail secured loans against assets to meet working capital requirements, support business expansion, purchase commercial property or fulfil other business needs.

Our offerings:

- Loan against properties (LAP) –
  - Loan against residential properties
  - Loan against commercial properties
  - Loan against industrial properties

Unsecured Business Loans

Designed to meet the working capital needs of small, micro and medium size businesses, these loans help to manage daily cash flows and maintain adequate funds for inventories, receivables and business expansion. Small businesses can also set up a contingency fund with these loans. The convenient, collateral-free and customised product offerings come with quick approval and require minimum documentation.

Supply Chain Finance

MSMEs and large corporates can manage their working capital requirements efficiently with Supply Chain Finance. Unity has partnered with large corporates, Fintechs and TReDS Platforms along with dealers and vendors from all over India to ensure steady cash flow for their businesses.

Our services include:

- Dealer Finance
- Vendor Finance
- Sales Bill discounting
- Purchase Bill Discounting

Digital Lending

Unity's Business Banking Group plans to set up a digital business vertical in Q1FY2024 to generate both Assets and Liabilities. The AUM growth will be fuelled by a combination of inorganic and organic strategies that will help to build an embedded finance layer to facilitate ecosystem interfaces for:

- OCEN
- ONDC
- IRP / ERP modules
- Marketplaces

We plan to collaborate with large ecosystem players which operate in the Bharat / MSME space.

Our Businesses

Simplified Solutions that Make New-Age Banking Easy

Inclusive Banking

We are committed to making financial inclusion a reality for Indians. It drives us to work closely with women entrepreneurs in semi urban and rural areas to provide easy and convenient access to finance for business ventures.

Joint Liability Group Loans (JLG)

An informal group comprising preferably of 4 to 10 individuals for the purposes of availing bank loan either individually or through the group mechanism against mutual guarantee. Generally, the members of a JLG would engage in a similar type of economic activity and offer a joint undertaking to enable them to avail loans.

Saral Vyapar Loans

Designed to meet the working capital needs businesses. We serve Micro, Small, and Medium Enterprises (MSME) such as traders and retailers, small manufacturers, and service providers

Aarogya Dhara (Wash Loans)

India lives in her villages and we will truly progress only when our villages turn into smart and sustainable cities. In collaboration with water.org, we provide micro-loans for building sustainable facilities for safe water and sanitation. We believe that this is the first step towards basic infrastructure development.

PM SVAnidhi Loans

We provide financial assistance to street vendors and micro entrepreneurs impacted by various external events. Under The PM's Street Vendor's AtmaNirbhar Nidhi (PM Svanidhi) scheme, an initiative by MoHUA under GOI, we offer loans to help small businesses get off the ground again.

Treasury & Financial Markets

The Treasury & Financial Markets team manages the Bank's liquidity. We remained in a comfortable liquidity position during the last financial year, even as the advances nearly doubled during the period.

Funding Asset Growth

Our Treasury desk manages capital to fund asset growth by raising liabilities through Refinance, IBPC, DA, PTC & other money market instruments, which is driven by our Fixed Income Group.

Asset Liability Management

Our ALM team ensures we maintain a healthy Asset Liability mix, in addition to adhering to regulatory requirements like CRR, SLR, LCR & NSFR. Our Fixed Income Sales (FIS) team uses its vast network of PFs, Trusts, MFs, Cooperative banks, etc. to generate liquidity and to explore investment opportunities in Government and corporate securities market. The Trading desk explores tactical opportunities in Government Securities, State Development Loans, Corporate Bonds, Equity Market, etc.

Digital Banking

To deliver a seamless digital experience, the first phase of our banking App was launched in Q1FY24. Offering basic as well as innovative features, it has been developed to make banking easier, simpler and convenient for customers.

Features of digital banking app:

- Open a Savings Account in minutes – Fully Online
- Joint Savings Accounts Online – An industry first!
- 24x7 money transfers using RTGS / NEFT / IMPS
- Spend Analyser for better managing your expenses
- Premature FD withdrawal
- Bill Payments

With the addition of new features, the App will undergo continuous upgrades to improve its functional as well as aesthetic appeal – to make it a Banking Super App.

Business Highlights

Striding Ahead – Building on a Strong Foundation

FY2023 marked the first full year of operation for Unity Small Finance Bank. Along with strengthening our assets and liability franchises, we concentrated on expanding our geographic footprint, emphasised on building the senior management team and most importantly, increased our thrust on digitization. During the year, we achieved the status of a Scheduled Bank, migrated to a new core banking solution and introduced several initiatives to improve customer centricity.

₹ 2,500+ Crore
in Deposits

Driven by our attractive interest rates and a strong network of bank branches, we have successfully achieved a deposit base of over ₹ 2,500 crore. The Unity Bank family continues to grow stronger with every passing day as we witness a continuous surge in new Savings Accounts and Fixed Deposits.

₹ 2,700 Crore
Business Banking AUM

Leveraging the trust of the business community of India, especially the MSMEs, Unity Bank has built a sizeable AUM of over ₹ 2,700 crore within its first full year of operation. The business banking division has delivered sustained growth with a healthy mix of secured loans, unsecured loans and supply chain finance.

₹ 1,500 Crore
Inclusive Banking AUM

Our Inclusive Banking team caters to women from semi urban and rural areas and provides finance for pursuing entrepreneurial aspirations. The business has grown its AUM to over ₹ 1,500 crore and empowered over 4 lakh customers to build, expand and nurture their businesses.

Geographic Expansion

To enhance our reach further and touch customers across the country, during the year we opened 25 new branches in Maharashtra, Gujarat, Delhi NCR and Karnataka. We prefer to call our branches, 'Experience Centres' – equipped with self-service kiosks, assisted digital banking operations, analytical advisory and many more futuristic features that truly meet the needs of new-age banking.

A New Core Banking Solution

We upgraded our Core Banking System (CBS) with a state-of-the-art digital platform, M2P Fintech's Turing CBS. Our previous CBS encompassed 111 established branches, several stakeholders, and over 1.5 million customers, all of which were migrated within 88 days – a record in itself. Our new CBS includes – AI/ML capabilities, agility with hyper-personalisation solutions, and is the only CBS with a pre-integrated financial risk management engine.

Client Speak

While we work tirelessly to deliver best-in-class services to customers, our clients too resonate their satisfaction with our dedicated efforts.

About a year ago I heard about a few women in my area who formed a group to get a loan for starting their business. Unity Bank's Loan Officer approached me and explained about the joint liability group loan. I also decided to take a loan for starting a business for manufacturing paper plates. Using the loan amount, we bought a paper plate-making machine and the required raw material. I installed the machine at home to easily carry out my household responsibilities as well as focus on work. I am grateful to Unity Bank for helping me fulfil my dreams and for making a big difference to our quality of life. I look forward to expand my business and wish to send my children to a better school in the near future.

Manisha Sahu
Bilaspur – Inclusive Banking Customer

We greatly appreciate your clear and timely communications, the supportive behaviour of your staff and your prompt services. We are senior citizens aged 72 and 68 years. Since my wife was not able to visit the bank for completing KYC formalities, Mr. Gaurav Katkar from the branch helped us to conveniently finish the process. We wish the new bank all the best!

Vijay and Vandana Behere
Rahatani Branch Banking Customer

I was extremely pleased by the help and assistance provided by your staff, Ms. Gauri, from the Mulund Colony Branch. Along with my family members, I had accounts with PMC bank and it is now active with Unity Bank. The entire process of migrating the accounts was seamlessly handled by the bank and I wish Good Luck for all its future endeavours.

Aakash Chawla
Mulund Colony Branch Banking Customer

I took a loan from Unity Bank and was able to buy material for my garments business. It not only helped me to grow the business but, also allowed me to offer employment opportunities to many women who wished to financially support their families. I am thankful to Unity Bank for making me financially independent.

Asha
Mumbai – Inclusive Banking Customer

Employee Engagement

Keeping customers happy helps in building a profitable business. But keeping employees motivated, helps in long term value creation for all stakeholders. We arrange several initiatives that keep our employees stress free, healthy and motivated to perform.

CSR Activities

We believe that we have a responsibility to not only manage our business with the highest levels of transparency, but also to positively impact the communities in which we operate. Taking this thought forward, we have partnered with the Centrum Foundation to support initiatives that help improve the Health, Nutrition, Well-being & Skill Development for fellow underserved citizens. Our team regularly volunteers to participate in the initiatives undertaken by the Foundation.

Annual Cricket Tournament

Along with the Centrum Group, we organised the Centrum Unity Master Blasters that saw ten teams battle it out to eventually be crowned Champions. The tournament saw enthusiastic participation from over 150 members with several of our senior management in attendance.

Festive Celebrations

Holi, Diwali, Halloween, and Christmas are special festivals that were celebrated with great enthusiasm at Unity. Employees participated wholeheartedly, dressing up in their best attires and showed a sense of pride in the cultural heritage. We invited family members as well to join in on the celebrations, which further enhanced inclusivity and created a family-like environment.

Participation in the Mumbai Marathon

With great joy we share that many of our colleagues participated in the TATA Mumbai Marathon 2023 in support of the Centrum Foundation. Their efforts helped raise funds and spread awareness of the Foundations' initiatives towards supporting the less fortunate. We congratulate all the participants for displaying immense zeal and energy.

Unity's Got Talent

We hosted a PAN India Talent Contest for our employees, who showcased their exceptional skills and abilities. With immense enthusiasm, more than 120 participants showcased their talents in various categories such as Singing, Dancing, and Ramp Walk.

After careful evaluation of multiple parameters, the winners were chosen and presented with exciting prizes at our Head Office in Mumbai. Adding an extra touch of entertainment, we had the pleasure of hosting the incredibly talented upcoming Stand-up comedian, Rupali Tyagi, who captivated the audience with her witty punchlines and humour.

Strategy Meet in Kochi

The Bank held its first Leadership Offsite in Cochin, inviting the leadership team to discuss the bank's performance in the year gone by and its strategy for FY2024. Over two days, the group discussed how it envisioned Unity Bank to become a great place to work, CSR initiatives, launch of the banking app and plans to scale up various businesses. The Vision, Mission, and Values of the bank were launched by Centrum Group's Chairman Emeritus – Chandir Gidwani and Group Executive Chairman – Jaspal Bindra, in addition to fun engagement activities. All members gained valuable insights and took back many learnings.

Employee Testimonials

The support team behind the scenes that make banking easy

Mayank Sharma
Business Banking

Unity Bank is unique in it's approach regarding both its business and employees. I find the bank to be employee caring and transparent. It provides an amazing platform for employees to learn new skills and grow within the organisation. An end to end digital environment is also helping me contribute in developing processes & policies that are customer friendly and will be convenient for youth as well as our senior citizen customers.

Unity Bank fosters an environment of trust, respect, cross pollination and open communication, where team members feel comfortable sharing their ideas and opinions. My journey with Unity has been mutually accretive. I have been involved in various critical projects beyond my functional responsibilities and the experience has been nothing short of enriching and gratifying. Every new challenge has led me towards critical analysis, creative thinking, collaboration and limitless growth opportunities for myself and the organisation.

Arti Somani
Risk Management

Ponnuraj P
Branch Banking

I have witnessed Unity Bank promoting continuous learning, innovation and creativity. As an startup member of the bank, it has provided me with variety of learning opportunities, training programs, mentoring, coaching including recommending me to attend several industry conferences and seminars. The bank offers me an environment which helps me to take on new challenges and responsibilities including project leadership roles, cross-functional collaboration and involving me in technology projects.

I have been with this Group for several years now, and I can honestly say that it is one of the best places I have ever worked. The leadership team is inspiring, and the company's values are evident in everything we do. My work is not only respected, but I'm also given the chance to contribute to meaningful causes and to learn and grow in a supportive environment. This inspires me to strive for excellence.

Rabhir Sainani
Human Resources

Unity Bank has offered me immense opportunities to exercise my abilities and contribute to a growing bank. I have been involved right from the stage of application for banking licence. I had the chance to think out of the box and identify new solutions while continuing to learn and grow. I was offered roles that continuously challenged me, stretched me into areas different from Compliance, thereby leading to my growth- not only professionally but also personally. I'm investing my time, my knowledge and experience in a company that is investing in me. Till you experience it, you won't really know what you are missing!

Payal Somani

Compliance

Zaitoon Esmail

Treasury & Risk Management

I joined Unity Bank in December 2021, just shortly after we had received our banking license. It was a great time to be part of the process of contributing to building the institution; and seeing the vision of our founders, take shape in the bank's everyday operations. My initial responsibilities were focussed on heading risk for the SME business but gradually expanded to now also, heading Market Risk for the Bank. Across the senior management team, there is also great sense of confidence about taking calibrated risks on people; and that creates an environment where people can raise their hand for new opportunities to learn and grow.

Coming from a non-banking background Centrum & Unity have me an insight into how financial services work. It gave me a unique opportunity to enter the world of HR and help set up Unity's HR practises post the merger. Additionally, I work in Corporate Communications and Social Media Marketing for the Bank. Unity has always encouraged and rewarded good work, innovative ideas, and budding talent. As one of the youngest members of Unity, I am grateful to interact and work closely with Industry experts. Unity has played an integral part in my personal and professional growth giving me an opportunity to go that extra mile and put my best foot forward.

Born in 2021, Unity is as Young and Exuberant as me, and I hope to move onwards and upwards making History Together!

Erica George

Human Resources & Corporate Communications

Corporate Information

Board of Directors

Vinod Rai
Part-time Chairman & Independent Director

Jaspal Singh Bindra
Centrum Nominee Director

Basant Seth
Independent Director

David Rasquinha
Independent Director

Renu Basu
Independent Director

Sandip Ghose
Independent Director

Subhash Kutte
Independent Director

Inderjit Camotra
Managing Director & CEO

Key Management Personnel

Inderjit Camotra
Managing Director & CEO

Abhishek Baxi
Chief Financial Officer

Archana Goyal
Company Secretary

Registered Office

40 Basant Lok, Vasant Vihar, New Delhi – 110057
Tel: 011-47414100

Corporate Office

Centrum House, CST Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai 400098
Tel – 022-42159000

Website

www.theunitybank.com

Email

care@unitybank.co.in

Registrar & Share Transfer Agents

NSDL Database Management Limited

Address
4th Floor, Trade World A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013

Statutory Auditors

M/s. V. Sankar Aiyar & Co., Chartered Accountants

Address
2-C, Court Chambers, 35, New Marine Lines, Mumbai-400020

Directors' Report

To,
The Members,
Unity Small Finance Bank Limited

Your Directors are pleased to present second Directors' Report together with the Audited Financial Statements of the Bank for the financial year ended March 31, 2023.

1. STATE OF BANK'S AFFAIRS

The Financial year 2022-23 has been challenging, rewarding as well as very fulfilling for the Bank. The Bank received most of the regulatory approvals required for customary operations, along with status of being a "Scheduled" Bank during the year.

Further, during the year under review, your Bank has expanded its client base and is currently serving over 15,00,000 customers. As on March 31, 2023, it has an AUM of over ₹ 8,588 crore. The Business expanded its geographic presence and entered the states of Madhya Pradesh, Uttar Pradesh, Karnataka, Tamil Nadu and Kerala, thereby scaling up operations PAN India. Your Bank is now present in 17 states.

The detailed overview of the operations of the bank is forming part of the Annual Report.

During the year, the Bank had a total revenue of ₹ 803.31 crore, and operating profit of ₹ 151.80 crore (before provision and contingency, goodwill write off and fair value charges) as compared to ₹154.24 crore and ₹ 4 crore respectively, during FY 2021-22. The Bank's Capital Position as measured by CRAR is very strong at 49.40% and Provision Coverage Ratio is 99.59% vis a vis 63.71% and 94.78% for FY 2021-22.

2. FINANCIAL HIGHLIGHTS

The summary of Bank's financial performance for the F.Y. 2022-23 vis a vis F.Y. 2021-22 is given below:

(₹ in Lakh)

Particulars	As at March 31, 2023	As at March 31, 2022
Deposits	2,68,463	3,82,237
Borrowings	42,860	1,12,840
Advances	4,46,819	2,41,913
Total Income	80,331	15,424
Operating Expenses	46,024	9,193
Operating Profits (Profits before Provision, Depreciation and Taxation)	16,814	(4,463)
Less: Depreciation	1,634	9,682
Less: Provision and contingencies	13,929	1,588
Less: Provision for Taxation	(2,211)	(772)
Net Profit/Loss	3,462	(14,961)
Add: Profit brought forward from previous year	(15,362)	-
Total Profit/Loss Available for Appropriation	(11,899)	(14,961)
Appropriations:		
Transfer to Statutory Reserve	866	-
Transfer to Special Reserve	-	-
Transfer to Capital Reserve	14	-
Transfer to/ (from) Investment Reserve	-	-
Transfer to/ (from) Investment Fluctuation Reserve	-	-
Dividend on PNCPS	2,248	400
Transfer to Reserve Fund for DICGC liability consequent to the Scheme of Amalgamation	5,916	-
Transfer to Reserve Fund for PMC Depositors liability consequent to the Scheme of Amalgamation	18,995	-

(₹ in Lakh)

Particulars	As at March 31, 2023	As at March 31, 2022
Tax including Surcharge and Education cess on Dividend	-	-
Balance carried over to Balance Sheet	(39,938)	(15,362)
EPS (Basic)	**0.17**	**(2.18)**
EPS (Diluted)	**0.07**	**(2.18)**

3. DIVIDEND

Pursuant to Punjab & Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022, notified by the Central Government on January 25, 2022, your Bank paid a dividend of ₹ 0.1 (1%) per Perpetual Non-Cumulative Preference Shares ("PNCPS") of ₹ 10 each, amounting to ₹ 22,48,49,707.60 (including TDS) to its PNCPS holders.

The Equity shareholders were not paid any dividend during the year under review.

Unclaimed Dividend:

As on March 31, 2023, unclaimed dividend amounting to ₹ 26,56,449/- is lying into the "USFB Unpaid PNCPS Dividend Account 2023". As per the provisions of Section 124 of the Companies Act, 2013, claim of the PNCPS holder for payment of Dividend, will be paid from the said account.

4. TRANSFER TO RESERVES

As per the Regulatory requirements, the Bank has created following reserves for the financial year 2022-23:

(₹ in Lakh)

Particulars	As at March 31, 2023	As at March 31, 2022
Statutory Reserve	866	Nil
Capital Reserve	14	Nil
Share Premium	-	40,032

5. MATERIAL CHANGES AFTER THE BALANCE SHEET DATE AS AT MARCH 31, 2023

There have been no major events or material change, from the end of FY 2022-23 to the date of this report, that affects the financial position of the Bank.

6. INFORMATION ABOUT FINANCIAL PERFORMANCE / FINANCIAL POSITION OF THE SUBSIDIARIES/ASSOCIATES AND JOINT VENTURE COMPANIES

Your Bank does not have any subsidiaries, associates and/ or joint venture Companies during the year under review. Centrum Financial Services Limited continues to be the holding company and "Promoter" of the Bank as on March 31, 2023.

7. DEPOSITS

Being a Banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with Sections 73 and 74 of the Companies Act, 2013 ("the Act") and Companies (Acceptance of Deposits) Rules, 2014 are not applicable. The details of the deposits received and accepted by the Bank as a Banking company have been disclosed in the financial statements for the financial year ended March 31, 2023.

8. SHARE CAPITAL AND DEBT STRUCTURE

Authorised Capital

During the year under review, there was no change in the Authorised Share Capital of the Bank. As on March 31, 2023, the Authorised Share Capital of the Bank was ₹ 4000,00,00,000 (Rupees Four Thousand Crore Only).

The Authorised Share Capital of the Bank comprises of 170,00,00,000 (One Hundred and Seventy Crore) Equity shares of ₹ 10/- each and 230,00,00,000 (Two Hundred and Thirty Crore) Preference Shares of ₹ 10/- each.

Equity Shares

During the year under review, there was no change in the issued capital of the Bank. As on March 31, 2023, total Equity paid up Share Capital stood at ₹ 704,90,19,600 (Rupees Seven Hundred Four Crore Ninety Lakh Nineteen Thousand Six Hundred only) comprising of 70,49,01,960 (Seventy Crore Forty Nine Lakh One Thousand Nine Hundred and Sixty) Equity Shares of ₹ 10 each.

Preference Shares

In line with the Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022, your Bank has issued 2,24,84,97,076 Unlisted, Unrated Fully paid-up, Non-Convertible, Perpetual Non-Cumulative Preference Shares of ₹ 10/- each (face value) aggregating to ₹ 2248,49,70,760/- (Rupees Twenty-Two Hundred and Forty-Eight Crore Forty-Nine Lakh Seventy Thousand Seven hundred Sixty only) to the institutional depositors and long term deposit holders of the erstwhile PMC Bank.

Warrants

As on March 31, 2023, your Bank has issued following warrants:

Series 1- 90,00,00,000 (Ninety Crore) Warrants of ₹ 0.01 (one paisa) each aggregating to ₹ 90,00,000/- (Rupees Ninety Lakh only).

Series 2- 100,00,00,000 (One Hundred Crore) Warrants of ₹ 0.01 (one paisa) each aggregating to ₹ 1,00,00,000/- (Rupees One Crore only).

Equity Warrants as per Scheme- Pursuant to Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022, your Bank has issued 5,29,59,61,440 Equity Warrants of ₹ 1/- each (face value) aggregating to ₹ 5,29,59,61,440/- (Rupees Five Hundred and Twenty-Nine Crore Fifty-Nine Lakh Sixty-One Thousand Four Hundred Forty only) to the institutional depositors of the erstwhile PMC Bank.

Debt Securities

The Non-Convertible Debentures (including Market Linked Debentures) were transferred to the Bank on November 01, 2021 pursuant to the 'slump sale' of the business undertaking of M/s. Centrum Financial Services Limited and M/s. Centrum Microcredit Limited. The Bank has not issued any fresh Debt securities during the year under review.

The outstanding Market Linked Debentures and Non-Convertible Debentures as on March 31, 2023 were amounting to ₹ 2,75,00,000/- and ₹ 1,01,00,89,500/- respectively.

9. CAPITAL ADEQUACY

The Capital Adequacy Ratio stood at 49.40 % as on March 31, 2023 vis a vis 63.71% as on March 31, 2022 as against the minimum requirement of 15% stipulated by RBI. Further, the Capital and Reserves of the Bank as on the said date was ₹ 1,74,422 Lakh as on March 31, 2023 vis a vis ₹ 1,92,396 Lakh as on March 31, 2022.

10. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for FY 2022-23 is covered in a separate section and forms a part of the Annual Report.

11. CHANGE IN NATURE OF BUSINESS

There has been no change in the nature of business of the Bank during the year under review.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pursuant to the provision of Section 135 of the Companies Act, 2013, the Bank was not required to incur any expenditure towards Corporate Social Responsibility ("CSR") for the financial year 2022-23. Accordingly, no CSR expenditure was incurred by the Bank during the F.Y. 2022-23 and, as on March 31, 2023, the Bank does not have any unspent amount towards CSR.

Further, during FY 2023-24, the Bank is proposing to voluntarily spend at least ₹ 30,00,000/- towards CSR activities.

The Corporate Social Responsibility Policy is uploaded on website of the Bank, viz. www.theunitybank.com.

13. LISTING FEES

The Bank's Non-Convertible Debentures (including Market Linked Debentures) are listed on Wholesale Debt Market Segment of BSE Limited. The Bank has paid listing fees up to the financial year 2023-24.

14. BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949 (the 'BR Act'), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), other applicable laws and the Articles of Association of the Bank. As on March 31, 2023, the Board of the Bank had eight Directors, out of which six were Independent Directors (including one Woman Director), one Non-Executive Non-Independent Director (Centrum Nominee Director) and one Managing Director & CEO.

Change in Directors

Sr. No	Name	Designation	Date of appointment
1	Mr. Inderjit Camotra	Managing Director & CEO	August 05, 2022
2	Mr. David Paul Rasquinha	Independent Director	October 20, 2022
3	Mr. Jaspal Singh Bindra	Non-Executive Director, Non-Independent Director (Centrum Nominee Director)	March 24, 2023

During the year under review, Mr. Inderjit Camotra (DIN: 09602543), was appointed as Managing Director & Chief Executive Officer of your Bank for a period of two years with effect from August 05, 2022.

Mr. David Paul Rasquinha (DIN: 01172654) was appointed as an Independent Director for a tenure of 5 years with effect from October 20, 2022.

Further, pursuant to receipt of request from the promoter of the Bank viz. Centrum Financial Services Limited ("CFSL"), Mr. Jaspal Singh Bindra (DIN: 00128320) was appointed as Non-Executive Non-Independent Director of the Bank and a Nominee of CFSL with effect from March 24, 2023, whose office shall be liable to retirement by rotation.

There were no resignations from the directorships, during the year under review.

The Bank has familiarised the Independent Directors of their roles and responsibilities in the Bank, nature of industry in which the Bank operates, business model of the Bank, etc. The details of the familiarisation programme imparted to Independent Directors are available on the website of the Bank, viz. www.theunitybank.com.

The terms and conditions of appointment of Independent Directors are also available on the website of the Bank, viz. www.theunitybank.com. The appointment of Directors was made, after ascertaining their integrity, expertise, experience and proficiency.

Meetings of the Board and Committees

The Board of Directors met 10 (ten) times during FY 2022-23. The details of Board and Committee meeting held and attended by the Directors of the Bank during the FY 2022-23 forms part of the Corporate Governance Report. The interval between any two Board Meetings did not exceed 120 days during the year under review. Further, the details of the committee composition also forms part of the Corporate Governance Report.

Director liable to retire by rotation

Mr. Jaspal Singh Bindra (DIN: 00128320), Non-Executive, Non- Independent Director (Centrum Nominee Director) is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Key Managerial Personnel

As on March 31, 2023, Mr. Inderjit Camotra, Managing Director and CEO, Mr. Abhishek Baxi, Chief Financial Officer and Ms. Archana Goyal, Company Secretary were the Key Managerial Personnel of the Bank in terms of Section 203(1) of the Companies Act, 2013 and Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Employee Stock Option Scheme:

Independent Directors were not entitled for any ESOPs during the year. The applicable disclosure with regard to Employee Stock Option Scheme is provided in **Annexure A** of this report.

15. DECLARATION FROM INDEPENDENT DIRECTORS

The Board has received declarations from the Independent Directors as required under Section 149(7) of the Act and the Board is satisfied that the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Act and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 and have the required integrity and possess relevant expertise and experience.

16. INDEPENDENT DIRECTORS' MEETING

A meeting of Independent Directors was held on March 21, 2023, as per Schedule IV of the Companies Act, 2013 read with Clause 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

17. EVALUATION OF BOARD PERFORMANCE

Pursuant to the provision of Section 178 of the Companies Act, 2013, the Bank has formulated and adopted a Policy for evaluation of the Board, Committee of the Board and the individual members of the Board, the details of which are disclosed on our website at www.theunitybank.com. The performance of the Board, Committees of the Board, Chairperson, Directors' were evaluated as per the criteria listed in the said Policy. The Directors provided their responses on the questionnaire based on the said criteria. The results of the said evaluation were discussed, at a Board meeting and appropriate action, if required was noted.

At a separate meeting of the Independent Directors, the performance of Managing Director & CEO, the Board as a whole and the Chairperson were reviewed. Further, results of the above evaluation were also subsequently placed before the Board and the observations of the Independent Directors were duly discussed and noted.

In order to ensure confidentiality, comprehensive participation and for the convenience of the Directors, the performance evaluation was carried out through a Board evaluation survey tool.

18. POLICY ON DIRECTORS' APPOINTMENT, REMUNERATION AND OTHER DETAILS

Pursuant to the provisions of Section 178 of the Companies Act, 2013, the Bank has formulated and adopted a Compensation Policy which covers the criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Sub-Section (3) of Section 178, the details of which are disclosed on our website at www.theunitybank.com.

19. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Bank, to the best of their knowledge and belief confirm that:

i) in the preparation of the annual accounts for the year ended March 31, 2023, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) such accounting policies as specified in Schedule 17 to the Financial Statements have been selected and applied consistently and judgements and estimates

have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2023 and of the profit of the Bank for the year ended on that date;

iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities;

iv) annual accounts have been prepared on a going concern basis;

v) internal financial controls to be followed by the Bank were laid down and that the same were adequate and were operating effectively, and

vi) proper systems to ensure compliance with the provisions of all applicable laws was in place and the same were adequate and operating effectively.

vii) every director has made relevant disclosures as regards Related Parties and Related Party Disclosures.

20. CODE OF CONDUCT FOR DIRECTORS INCLUDING INDEPENDENT DIRECTORS AND SMPs / KMPs

The Board of Directors of the Bank have adopted a Code of Conduct for the Directors, Key Managerial Personnel (KMPs) and Senior Management Personnel (SMPs) of the Bank in compliance of Regulation 17(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The said Code of Conduct sets forth the guiding principles for orderly and fair conduct by the Board Directors, KMPs and SMPs. For the FY 2022-23, all Board members, KMPs and SMPs have affirmed the compliance with the said Code and a declaration to this effect signed by the Managing Director & CEO, forms a part of the Corporate Governance Report. The Bank's Code of Conduct for Directors, KMPs and SMPs is disclosed on the website of the Bank at www.theunitybank.com.

21. REMUNERATION:

Details of remuneration paid during FY 2022-23 to the Directors of the Bank is mentioned in the Corporate Governance Report.

Statement containing particulars of top 10 employees and the employees drawing remuneration in excess of limits prescribed under Section 197 (12) of the Act read with Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in the **Annexure B**, forming part of this report.

22. WHISTLE BLOWER POLICY/ VIGIL MECHANISM

The Bank has adopted a Whistle Blower Policy and Vigil Mechanism in compliance with the relevant provisions of Companies Act, 2013 and Rules prescribed thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The purpose of this Policy is to provide a framework to promote responsible and secure whistle blowing. It protects the whistle blower wishing to raise a concern about irregularities within the Bank. The Policy is available on the Bank's website, www.theunitybank.com.

During the year under review, the Bank received two complaints under the Whistle Blower Policy of the Bank. Adequate actions on the same were taken and reported to the Audit Committee. No employee of the Bank has been denied access to the Audit Committee for raising a whistle blower complaint.

23. CREDIT RATING

The details of credit ratings obtained by the Bank as on March 31, 2023 are given below:

Credit Rating Agency	Instrument	Amount (₹ in crore)	Ratings	Rating Action
Acuité Ratings & Research Limited	Non-convertible Debenture	262.74	ACUITE PP-MLD A-	Re-affirmed and withdrawn long term rating
Acuité Ratings & Research Limited	Non-convertible Debenture	112.26	ACUITE PP-MLD A-	Re-affirmed long term rating. Outlook is stable.
ICRA Limited	Issuer Rating	NA	[ICRA] A-	Stable & Re-affirmed
ICRA Limited	Non-convertible Debenture	10	[ICRA] A-	Stable & Re-affirmed
ICRA Limited	Bank Facilities - Term Loan	133.10	[ICRA] A-/ [ICRA] A1	Long-term rating of [ICRA] A- (Stable) Short-term rating of [ICRA]A1 (Re-affirmed)
ICRA Limited	Bank Facilities -Term Loan	45.80	[ICRA] A-/ [ICRA] A1	Long-term rating of [ICRA] A- (Stable) Short-term rating of [ICRA]A1 (Re-affirmed & withdrawn)
ICRA Limited	Certificate of Deposit (COD)	25	[ICRA] A1	Re-affirmed

24. STATUTORY AUDITORS

M/s. V. Sankar Aiyar & Co., Chartered Accountants (Firm Registration no. 109208W), were appointed as Statutory Auditors of the Bank for three years to hold office until the conclusion of the third Annual General Meeting to be held in the year 2024, subject to the approval of RBI on an annual basis.

The Financial Statements along with the Statutory Auditors Report forms a part of the Annual Report. There are no qualifications, reservations, adverse remarks made by the Statutory Auditors in their report for the year ended March 31, 2023.

25. SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed M/s. Alwyn Jay & Co., Company Secretaries, Mumbai, to undertake the Secretarial Audit of the Bank. The Report of the Secretarial Auditor is appended herewith as an **Annexure C** to the report.

There are no qualifications, reservations or adverse remarks made by the Secretarial Auditors in their report.

26. INFORMATION AS PER SECTION 134 (3) (Q) OF THE COMPANIES ACT, 2013 READ WITH RULE 8 OF THE COMPANIES (ACCOUNTS) RULES, 2014

a Conservation of Energy

During FY 2022-23, the Bank did not undertake any activity requiring conservation of energy.

b. Technology Absorption

As part of our technology mantra of a lean and agile technology framework and our endeavour to be a fully digital bank to provide a seamless technology experience to its customers, the Bank embarked on some major technology initiatives during the year. One of the highlights of financial year 2022-23 was the replacement of our existing Core Banking System (CBS), viz. Finacle, with Turing, a digital CBS based on micro-services architecture, in a record time of 88 days from start to finish, which has seldom been achieved anywhere in the world. The Bank took some major strides for being fully digital by implementing key systems, viz. Enterprise GL, Treasury, RTGS, NEFT, IMPS, UPI, on-prem to cloud architecture, an upgrade to the SD-WAN network, etc. As part of our technology framework, we are putting together interconnected and interdependent systems, connected through the Enterprise Service Bus (ESB), to bring best-in-class and real-time information-based technology experiences for both our internal and external customers.

The Bank's technology strategy closely syncs with its business strategy. The endeavour in technology is to become a trusted, reliable partner to our business colleagues, supporting them with light-weight technology tools and services that will help them service their branch and digital banking customers. We are changing the way technology is offered to businesses by emphasising the need for sustainable innovation and keeping the cloud at the forefront of our offerings. The overall emphasis is to increase the trust of both our internal and external customers by providing reliable and scalable IT products. IT security is an important aspect of how we build trust with internal and external customers. Reliability and sustainability are a function of how well we have architected IT security. Governance, assurance, and control are special investments that the Bank is making to ensure that cost and compliance are monitored as part of the CIO agenda.

In our effort to provide the customer with a state-of-the-art digital experience, the Bank will be rolling out products like a mobile app, internet banking, WhatsApp banking, ATMs, debit cards, credit cards, etc. very shortly, by this year. The Bank has been cost-conscious in all its technological endeavours to achieve profitable balance while delivering a secure, smooth, and seamless experience for both internal and external customers.

c. Foreign Exchange Earnings and Outgo

During the year 2022-23, the foreign exchange earnings {Trading Income (MTM)} of the Bank was ₹ 1,07,670.62 and foreign exchange outgo (NOSTRO Bank Charges paid) was ₹ 4,75,086.29.

27. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the financial year were on arm's length basis, in normal course or were approved by the Audit Committee of the Board. Prior omnibus approval of the Audit Committee is obtained for the transactions which are repetitive in nature or when the need for them cannot be foreseen in advance. During FY 2022-23, there is no transaction which requires reporting under Section 188(1) of the Act in Form AOC-2.

The Policy on Related Party Transactions is uploaded on website of the Bank, viz. www.theunitybank.com.

28. DETAILS IN RESPECT OF FRAUDS, IF ANY, REPORTED BY AUDITORS

There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and / or Board under Section 143(12) of Companies Act, 2013 and Rules framed thereunder.

29. RISK MANAGEMENT

Your Bank has a robust risk governance structure in place which measures, monitors and takes mitigating action for all the risks that your Bank is exposed to. The Bank governs the risks faced through senior management committees, with the overall governance and guidance through the Risk Management Committee of the Board. These committees periodically review the specific and general risks faced by the Bank and the effectiveness of the measures put in place to manage the same. Details of the same are covered in the MD & A Report which forms a part of the Annual Report.

30. LOANS/GUARANTEES/INVESTMENTS

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except Sub-Section (1), do not apply to a loan made, guarantee given or security provided by a Banking Company in the ordinary course of business. Hence, there is no disclosure being made herein in this regard.

31. THE DETAILS OF ONE TIME SETTLEMENT AND THE VALUATION DONE WHILE TAKING LOAN FROM THE BANKS OR FINANCIAL INSTITUTIONS

There was no instance of one-time settlement with any other Bank or financial institution in connection with borrowings of the Bank, during the year under review.

32. THE DETAILS OF APPLICATION MADE OR ANY PROCEEDING PENDING UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016

There was no proceeding initiated / pending under the Insolvency and Bankruptcy Code, 2016 during the year under review.

33. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Bank has in place a Policy on Prevention of Sexual Harassment at Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee has been set up for redressal of complaints. During the year under review, there was no complaint received by the Bank under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

34. DEPOSITORY SYSTEM

The Bank's Equity Shares are tradable in electronic form. As on March 31, 2023, Bank's entire Equity paid up Share Capital were in electronic form.

Further, the PNCPS and warrants were issued in both physical and dematerialised form to comply with the Punjab & Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022. The Bank processes the dematerialization request in a timely manner.

35. MATERIAL ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNALS

During the period under review, no material orders have been passed by the Regulators/Courts/Tribunals which would impact the going concern status of the Bank and its future operations.

36. INTERNAL CONTROLS SYSTEM & THEIR ADEQUACY

Your Bank has an effective internal control system in line with the risk appetite of the Bank and aligned to the scale, size, and complexity of its operations. The Bank has an Internal Audit Department, which is an independent function and reports to Audit Committee of Board. The scope and authority of the Risk Based Internal Audit function is defined in the Internal Audit Policy of the Bank which is duly approved by the Board. The audit function essentially validates on the compliances of Bank's processes and operations with regulatory guidelines, and Bank's own internal rules and guidelines. The function provides independent assurance to the Board of Directors and Audit Committee on the adequacy and effectiveness of the Bank's internal controls, risk management, compliance and governance. Proper internal controls were in place and were generally operating effectively for the period under review.

Further, in compliance with the requirements of Companies Act, 2013, statutory auditors have issued an opinion with respect to the adequacy of the internal controls over financial reporting of the Bank and the operating effectiveness of such controls, details of which may be referred to in the Auditor's Report attached to the Audited financial statements of FY 2022-23.

37. COST RECORDS

The provisions for maintenance of cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 are not applicable to the Bank.

38. CORPORATE GOVERNANCE

The Bank's activities are carried out in accordance with good corporate governance practices and the Bank is constantly striving to make them better with time. The Bank believes that governance framework and good practices helps in creating the right culture and in turn enhances long-term sustainable value for all its stakeholders. The Bank adheres to the Corporate Governance requirements set out by the SEBI. The Corporate Governance Report for FY 2022-23, along with certificate issued by M/s. Shivam Sharma & Associates, Practicing Company Secretaries, confirming the compliance to applicable requirements related to corporate governance as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms a part of this Report.

39. ANNUAL RETURN

In accordance with the provisions of Section 134(3) read with Section 92(3) of the Companies Act, 2013, the Annual Return for the financial year ended on March 31, 2023 in the prescribed Form MGT-7 is available at the website of the Bank at www.theunitybank.co.in

40. COMPLIANCE OF SECRETARIAL STANDARDS ISSUED BY INSTITUTE OF COMPANY SECRETARIES OF INDIA

The Bank has complied with the applicable Secretarial Standards during the year under review.

41. ACKNOWLEDGEMENT

Your Directors take this opportunity to express their deep and sincere gratitude to the customers of the Bank for their confidence and patronage, as well as to the Reserve Bank of India, Securities and Exchange Board of India, Government of India, and other Regulatory Authorities and Banks for their cooperation, support and guidance. Your Directors would like to express a deep sense of appreciation for the commitment shown by the employees in building and supporting the Bank. The Directors would also like to thank our valued partners, vendors and stakeholders who have played a significant role in continuing to support the Bank.

For and on Behalf of the Board of Directors
Unity Small Finance Bank Limited

Vinod Rai
Part time Chairman
DIN: 00041867

Inderjit Camotra
Managing Director & CEO
DIN: 09602543

Place: Darjeeling
Date: May 03, 2023

Note: Annexures A & B does not form a part of the printed version of this report.

Annexure C

FORM NO. MR.3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2023

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Unity Small Finance Bank Limited

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Unity Small Finance Bank Limited** (CIN: U65990DL2021PLC385568) (hereinafter called "the Bank").

The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conduct, statutory compliances and expressing our opinion thereon.

Based on our verification of the Bank's statutory registers, books, papers, minute books, forms and returns filed and other records maintained by the Bank and the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the financial period ended on 31st March, 2023, complied with the statutory provisions listed hereunder and also that the Bank has followed proper Board-processes and has required compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minutes books, forms and returns filed and other records maintained by the Bank for the financial period ended on 31st March, 2023 in accordance with the provisions of:

(i) The Companies Act, 2013 (the Act) and the Rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder for compliance to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, **as applicable**;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), **as amended from time to time and as applicable to the Bank with respect to its listed Non-Convertible Debentures:**

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 - **Not Applicable to the Bank**;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 - **Not applicable to the Bank**;

d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 - **Not applicable to the Bank**;

e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;

f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client - **Not applicable to the Bank**;

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 - **Not applicable to the Bank**;

h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - **Not applicable to the Bank**;

i) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

(vi) Other specific business/industry related laws applicable to the Bank - The Bank has complied with the provisions of the Banking Regulation Act, 1949, Master Circulars, Notifications and Guidelines and other directions pertaining to Commercial Banks and Small Finance Banks issued by Reserve Bank of India. Further, the Bank has complied with other applicable general business laws, rules, regulations and guidelines

We have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards with regard to Meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Bank Secretaries of India; and

ii. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 **- to the extent applicable to Listed Non-Convertible Debentures.**

During the period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that the Board of Directors of the Bank is duly constituted with Executive, Non-Executive Directors and Independent Directors. The term of Chief Executive Office of the Company was expired consequent to his appointment as Managing Director and Chief Executive Officer with effect from 5th August, 2022. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance as prescribed under the applicable Secretarial Standards, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

The minutes of the Board meetings and Committee Meetings have not identified any dissent by members of the Board / Committee of the Board respectively hence we have no reason to believe that the decisions by the Board were not approved by all the directors/members present. The Minutes of the Board meetings and Committee meetings were duly approved at the meeting by the Chairman of the meeting.

We further report that, there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. As informed, the Bank has responded appropriately to communication received from various statutory / regulatory authorities including initiating actions for corrective measures, wherever found necessary.

We further report that during the audit period the following events / actions have taken place, having a major bearing on the Bank's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards:

1. The Board of Directors of the Company at its meeting held on 30th May, 2022 and the Shareholders of the Company at the Extra Ordinary General Meeting held on 13th June, 2022 had approved the introduction of "Unity Bank Employee Stock Option Scheme 2022" to create, issue and grant not exceeding 3,52,45,098 Employee Stock Options in one or more tranches.

2. The Board of Directors of the Company at its meeting held on 20th October, 2022 and Shareholders of the Company at the Extra Ordinary General Meeting held on 28th November, 2022 had approved to sell/assign/ transfer the Housing Finance Portfolio of the Bank to Centrum Housing Finance Limited & assign 100% of the identified receivables of the Bank in the underlying loans amounting upto ₹ 172.84 Crore plus interest accrued but not received & interest on the assigned receivables, if any, till the date of sale.

3. The approval of Board of Directors of the Company at its meeting held on 15th December, 2022 was obtained for Strategic Investment/purchase of Equity Shares of Centrum Housing Finance Limited from BG Advisory Services LLP, a Related Party of the Bank of an aggregate amount not exceeding ₹ 150 Crore.

4. Pursuant to the Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022, the Company has allotted 2,24,84,97,076 Unlisted, Unrated fully paid up Non-convertible Perpetual Non-Cumulative Preference Shares of ₹ 10 each aggregating to ₹ 22,48,49,70,760/- and 5,29,59,61,440 Equity Warrants of ₹ 1 each aggregating to ₹ 5,29,59,61,440 to the depositors on 25th January, 2022.

5. The Board of Directors of the Company at its meeting held on 12th January, 2023 was obtained for Strategic Investment/purchase of Equity Shares of Centrum Housing Finance Limited from BG Advisory Services LLP and/or JBCG Advisory Services Private Limited, a Related Party of the Bank of an aggregate amount not exceeding ₹ 150 Crore.

Place : Mumbai
Date : 3rd May, 2023

ALWYN JAY & Co.
Company Secretaries

Office Address :
Annex-103, Dimple Arcade,
Asha Nagar, Kandivali (East),
Mumbai 400101.

[**Jay D'Souza FCS.3058**]
(Partner)
[Certificate of Practice No.6915]
[UDIN : F003058E000245511]

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure A

To
The Members,
Unity Small Finance Bank Limited

Secretarial Audit Report of even date is to be read along with this letter.

1. The compliance of provisions of all laws, rules, regulations, standards applicable to **Unity Small Finance Bank Limited** (hereinafter called 'the Bank') is the responsibility of the management of the Bank. Our examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.

2. Maintenance of secretarial and other records of applicable laws is the responsibility of the management of the Bank. Our responsibility is to issue Secretarial Audit Report, based on the audit of the relevant records maintained and furnished to us by the Bank, along with explanations where so required.

3. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. Further part of the verification was done on the basis of electronic data provided to us by the Bank and on test check basis to ensure that correct facts as reflected in secretarial and other records produced to us. We believe that the processes and practices we followed, provides a reasonable basis for our opinion for the purpose of issue of the Secretarial Audit Report.

4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.

5. Wherever required, we have obtained the management representation about list of applicable laws, compliance of laws, rules and regulations and major events during the audit period

Place : Mumbai
Date : 3rd May, 2023

ALWYN JAY & Co.
Company Secretaries

Office Address :
Annex-103, Dimple Arcade,
Asha Nagar, Kandivali (East),
Mumbai 400101.

[**Jay D'Souza** FCS.3058]
(Partner)
[Certificate of Practice No.6915]
[UDIN : F003058E000245511]

Corporate Governance Report

1. PHILOSOPHY OF CORPORATE GOVERNANCE

The philosophy of the Bank on Corporate Governance envisages adherence to the highest levels of transparency, accountability and fairness, in all areas of its operations and in all interactions with its stakeholders. The Bank deals with borrowers who are mostly from the economically weaker sections of the society with limited linkages to the mainstream financial markets. Right from inception, the Bank's policies and processes have been fine-tuned to ensure utmost clarity and fairness while dealing with such clients.

2. BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 2013 ("the Act"), the Banking Regulation Act, 1949, the Operating Guidelines issued by RBI for Small Finance Banks, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and other applicable laws, as amended from time to time.

a) Board Composition

The Board currently comprises of eight (8) Directors drawn from diverse fields/professions, majority of which are Independent Directors (including one Woman Director). Brief profile of all the Directors of the Bank is available at the website of the Bank at www.theunitybank.co.in.

During the year 2022-23, the Board met 10 (ten) times viz, on April 06, 2022, May 19, 2022, May 30, 2022, August 05, 2022, September 01, 2022, October 20, 2022, December 15, 2022, January 12, 2023, February 08, 2023 and March 24, 2023. The interval between any two Board Meeting did not exceed 120 days. The names and categories of Directors on the Board, their attendance at Board Meetings and number of their Directorships is given below:

Name of the Director	Category	No of Board meeting eligible to attend	No. of Board Meeting attended	Attendance at AGM held on August 05, 2022	No of directorship held in other companies*	Number of other Committees in which director is a Member #	Number of other Committees in which director is a Chairperson#	List of Directorship held in Other Listed Companies and Category of Directorship
Vinod Rai	Part time Chairman and Independent Director	10	10	Yes	5	2	1	1. Apollo Tyres Limited (Independent Director) 2. Kalyan Jewellers India Limited (Independent Director)
Basant Seth	Independent Director	10	6	Yes	8	9	5	1. Roto Pumps Limited (Independent Director)
Subhash Kutte	Independent Director	10	10	Yes	6	8	4	1. Menon Pistons Limited, (Independent Director) 2. Synergy Green Industries Limited (Independent Director), 3. Centrum Capital Limited (Independent Director)
Sandip Ghose	Independent Director	10	10	Yes	2	1	1	-
Renu Basu	Independent Director	10	10	No	0	0	0	-
David Rasquinha	Independent Director	5	5	NA	2	1	0	1. ION Exchange (India) Limited (Independent Director)
Jaspal Singh Bindra	Non – Executive, Non Independent, (Centrum Nominee Director)	1	1	NA	3	1	0	1. Centrum Capital Limited, (Executive Chairman)
Inderjit Camotra	Managing Director and CEO	7	7	NA	0	-	-	-

** Directorships exclude Private Limited Companies, Foreign Companies and Section 8 Companies.*

 # Membership of Committees only includes Audit Committee and Stakeholders Relationship Committee in all the public limited companies other than Unity Small Finance Bank Limited. Based on the intimations/disclosures received from the Directors, none of the Directors of the Company hold Memberships/ Chairpersonship of the Board/ Committees, more than the prescribed limits under the Listing Regulations

There is no relationship between any Directors inter-se and there are no shares/ convertible instruments held by the Directors in their personal capacity in the Bank. The Board has received declarations from the Independent Directors as required under Section 149(7) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations and the Board is satisfied that the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations.

b) Familiarization Program for Board Members

The Bank has familiarised the Independent Directors of the Bank of their roles and responsibilities in the Bank, nature of industry in which the Bank operates, business model of the Bank, etc. The details of the familiarisation programme imparted to Independent Directors are available on the website of the Bank at www.theunitybank.co.in.

c) Skills/ Expertise/ Competencies of the Board

The Bank's Board comprises of qualified Members who possess the required skills, competence and expertise that allow them to make effective contributions to the Board and its Committees. The Board Members are committed to ensure that the Bank's Board adheres to the highest standards of Corporate Governance. The Bank, while considering a person for appointment as Director, determines suitability of the person as a Director on the Board, based upon qualification, track record, expertise, integrity and undertakes necessary due diligence to ensure that the appointee Director fulfils the criteria for Board membership.

The following are the skills/expertise/competencies required in the context of the Bank's businesses and which are available with the Board as on March 31, 2023:

Name	Economics	Banking	Finance	Huma Resource	Risk Manage-ment	Small scale industry	Accountancy	Agricul-ture and Rural economy	Co-operation	Law	Business Manage-ment	IT	Payment & Set-tlement System
Mr. Vinod Rai	√	√	√				√						
Mr. Sandip Ghose		√		√	√								
Mr. Basant Seth		√	√		√	√	√						
Mr. Subhash Kutte		√			√	√		√	√				
Ms. Renu Basu										√	√		
Mr. David Rasquinha	√	√	√		√	√	√				√		
Mr. Jaspal Singh Bindra		√	√	√	√		√				√		
Mr. Inderjit Camotra		√			√					√	√	√	√

d) Information to the Board

Prior to each meeting, the Board is presented with relevant information on various matters relating to the Bank's businesses, especially those that require deliberation and guidance at the highest level. Presentations are made to the Board by business heads / functional heads on their segments from time to time. Directors have separate and independent access to the Management. In addition to items which are required to be placed before the Board for its noting and/or approval, information on all significant matters are provided. The Bank diligently ensures that the information furnished by Management to the Board of the Bank are comprehensive and timely.

e) Remuneration of Directors

The Bank has in place a Compensation Policy which is guided by the principles and objectives as enumerated under Section 178 of the Companies Act, 2013 and RBI guidelines dated April 21, 2021 on 'Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board'. The said policy is also disclosed on the website of the Bank, viz www.theunitybank.com

Non-Executive Director

Mr. Vinod Rai, Part time Chairman of the Bank, is drawing fixed remuneration from the Bank as approved by the Reserve Bank of India. All Non-Executive Directors receive sitting fees for attending Board and Committee meetings of the Bank. There is no other pecuniary relationship or transaction between the Bank and the Independent Directors.

During the year under review, Non-Executive Directors were entitled to the following sitting fees for attending a meeting of your Bank:

(Amt. in ₹)

Sr. no.	Particulars	Sitting fees per meeting
1	Board Meeting	1,00,000/-
2	Audit Committee meeting	60,000/-
3	Other Board Committee meetings	40,000/-

Details of Remuneration and Sitting Fees paid to Non-Executive Directors for the period ended March 31, 2023 along with their shareholding in the Bank are as under:

(Amt. in ₹)

Name	Remuneration	Sitting Fees		No. of Equity Shares held as on March 2023
		Board	Committee	
Vinod Rai	12,00,000	10,00,000	3,60,000	Nil
Sandip Ghose	NIL	10,00,000	11,60,000	Nil
Basant Seth	NIL	6,00,000	3,40,000	Nil
Subhash Kutte	NIL	10,00,000	8,80,000	Nil
Renu Basu	NIL	10,00,000	6,80,000	Nil
David Rasquinha*	NIL	5,00,000	2,60,000	Nil
Jaspal Singh Bindra*	NIL	1,00,000	Nil	1#

**Mr. David Rasquinha was appointed as Independent Director w.e.f. October 20, 2022 and Mr. Jaspal Singh Bindra was appointed as Non-Executive Non-Independent Director (Centrum Nominee Director) w.e.f. from March 24, 2023.*

 # Mr. Jaspal Singh Bindra holds one share as a nominee of Centrum Financial Services Limited

There is no other pecuniary relationship or transaction of the Directors with the Bank. There are no performance linked incentives, service contracts, notice period or severance fees being paid to the Directors. The Independent Directors of the Bank are not eligible for Stock Options.

In addition to the sitting fees paid to Non-Executive Directors, the Board has, at its meeting held on May 03, 2023 approved payment of compensation of upto ₹ 5 lakh, to each Non-Executive Director (other than Part time Chairman and Mr. Jaspal Singh Bindra), as a one-time remuneration/ commission for the FY 2022-23, subject to the approval of members.

The criteria of making payments to Non-Executive Directors is available on the website of the Bank, viz. www.theunitybank.com

Executive Director

During the year under review, Mr. Inderjit Camotra, Managing Director & CEO was paid following remuneration:

Sr. no.	Particulars	Amount in ₹
1	Gross salary	
	a. Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	1,08,78,747
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961	0
	c. Profits in lieu of salary under Section 17(3) Income- tax Act, 1961	0
2	Sweat Equity	
3	Commission- as % of profit	
	- others, specify…	
4	Others, Performance Bonus	26,00,000
	Total (A)	1,34,78,747

Mr. Camotra was not entitled for severance fees and his employment can be terminated in accordance with Bank's policy and his employment contract, the notice period being three months. Further, 11,50,000 stock options at an exercise price of ₹ 15/- are granted to Mr. Camotra which shall vest after 5 years from the grant date. The above remuneration is his remuneration for entire FY 2022-23, which includes his tenure as "Interim CEO" of the Bank.

3. COMMITTEES OF THE BOARD

As on March 31, 2023, there were following nine (9) Committees of the Board constituted in accordance with the requirements prescribed under the Companies Act 2013, RBI Circular issued from time to time and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as applicable to Debt Listed entity:

a) Audit Committee
b) Nomination & Remuneration Committee
c) Risk Management Committee
d) IT Strategy Committee
e) Review Committee of Wilful Defaulters
f) Fraud Monitoring Committee
g) Stakeholders Relationship Committee
h) Customer Service Committee
i) OTS Committee

a) AUDIT COMMITTEE

Composition, Meetings & Attendance

As on March 31, 2023 the Audit Committee comprised of Three (3) Independent Directors. Six (6) Meetings of the Committee were held on May 19, 2022, August 05, 2022, October 20, 2022, December 15, 2022, February 08, 2023 and March 06, 2023, during the FY 2022-23:

Name	Committee Position	Number of Meetings held	Number of Meetings attended
David Rasquinha	Chairman	3	3
Subhash Kutte	Member	6	6
Sandip Ghose	Member	6	6

Note:

1. Mr. Basant Seth ceased to be the member of the Committee w.e.f. close of business hours on February 08, 2023.

2. Mr. David Rasquinha was inducted as Chairman of the Committee w.e.f. October 20, 2022.

Terms of Reference

The Audit Committee of the Bank will be governed by the terms of reference specified by Companies Act 2013, RBI Circular issued from time to time and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as applicable to Debt Listed entity.

1. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor, the remuneration and terms of appointment of auditors of the Bank;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

4. Recommend the appointment including terms of appointment and removal of chief internal auditor, concurrent auditor and IS auditor, fixation of audit fees/remuneration and also to approve payment for other services.

5. Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) and Chief Internal Auditor/ Head- Internal Audit, after assessing the qualifications, experience and background, etc. of the candidate, approval of terms and conditions of their appointment and review of performance of such officials;

6. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

   a. Matters required to be included in the Director's Responsibility Statement and the Board's report in terms (c) of Sub-Section 3 of Section 134 of the Companies Act, 2013

   b. Changes, if any, in accounting policies and practices and reasons for the same.

   c. Major accounting entries involving estimates based on the exercise of judgment by Management

   d. Significant adjustments made in the financial statements arising out of audit findings

   e. Compliance with accounting and other legal requirements relating to financial statements

   f. Disclosure of related party transactions

   g. Qualifications in the draft audit report.

   h. Management Discussion and Analysis of financial condition and results of operations

7. Reviewing, with the Management, the quarterly financial statements before submission to the board for approval;

8. Review of the statement of related party transactions (as defined by the audit committee), submitted by management;

9. Approve and review omnibus limits put up by management for related party transactions for each financial year.

10. Reviewing, with the Management, the statement of uses / application of funds raised through an issue (preferential issue, rights issue, public offer etc.), the statement of funds utilized for purposes other than those stated in the offer document / notice/ prospectus and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

11. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

12. Approval or any subsequent modification of transactions of the Bank with related parties;

13. Annual review of inter-corporate loans and investments;

14. To review and identify the Stressed assets for sale in accordance with the relevant Board-approved Policy.

15. Evaluation of internal financial controls and risk management systems;

16. Reviewing, with the management, performance of statutory, internal and concurrent auditors, adequacy of the internal control systems.

17. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department and staffing and seniority of the official heading the department.

18. Review of Annual Audit Plan (including coverage and frequency) and status of achievement thereof.

19. Review of significant Audit Findings of the following audits along with the compliance thereof – (i) Annual RBI Inspection, (ii) LFAR, (iii) Concurrent Audit, (iv) Internal Inspection (as and when conducted), (v) Information System Audit and (v) Internal audit (vi) any other audits.

20. Review of frauds detected in the Bank.

21. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

22. Review of exposure to sensitive sectors i.e. capital market & real estate.

23. Review of housekeeping - particularly balancing and reconciliation of long outstanding entries Suspense / Sundries / Drafts payable / paid / Funds in Transit / Clearing / SGL / CSGL accounts.

24. To look into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

25. To review the functioning of the Whistle Blower mechanism;

26. Annual review of the Bank's Policies, pertaining to Audit and Accounts, framed pursuant to RBI Guidelines/ Regulations/ Directions and suggesting changes, if any required to the Board for adoption.

27. To discuss and follow up the observations relating to Inspection Report/ Risk Assessment Report of the RBI.

28. To obtain and review quarterly reports of the Compliance Officer appointed by the Bank, in terms of RBI instructions.

29. To review compliance with KYC/ AML guidelines including periodic review of audit reports on adherence to KYC/AML guidelines at branches.

30. To review penalties imposed/ penal action taken against Bank under various laws and statutes and correction action taken.

31. valuation of undertakings or assets of the company, wherever it is necessary;

32. discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

33. reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.

34. consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholder.

35. mandatorily review management letters / letters of internal control weaknesses issued by the statutory auditors;

36. mandatorily review internal audit reports relating to internal control weaknesses; and

37. To perform any other functions or duties as assigned by the Board from time to time.

38. Any other requirement in accordance with the applicable provisions of the Companies Act, RBI Regulations and SEBI Regulations as may be applicable from time to time.

b) NOMINATION & REMUNERATION COMMITTEE

Composition, Meetings & Attendance

As on March 31, 2023, the Nomination & Remuneration Committee comprised of Three (3) Independent Directors. During the year under review, four (4) Meetings of the Committee were held on May 13, 2022, June 14, 2022, October 20, 2022 and March 24, 2023.

Name	Committee Position	Number of Meetings held	Number of Meetings attended
Mr. Sandip Ghose	Chairman	4	4
Mr. Subhash Kutte	Member	4	4
Ms. Renu Basu	Member	4	4

Terms of Reference

The terms of reference of the Nomination & Remuneration Committee covers all the areas mentioned under Section 178 of the Companies Act, 2013 and Regulation 19 read with Part D of Schedule II of SEBI LODR. The terms of reference of the Nomination & Remuneration Committee includes following:

1) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other Senior employees;

2) To undertake a process of due diligence to determine the suitability of any person for appointment/ continuing to hold appointment/ reappointment as a Director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.

3) Formulation of criteria for evaluation of performance of Board, its committees and individual directors and review its implementation and compliance.

4) Devising a policy of Board diversity;

5) 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 their appointment and removal and succession planning for Directors.

6) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board;

7) To assess the independence of Independent Non-Executive Directors;

8) Annual appraisal of the performance of the Managing Director and fixing his/her terms of remuneration.

9) Annual appraisal of the KMP & Senior Management and approve or recommend to the board, if required, all remuneration, in whatever form, payable to Senior Management

10) Framing guidelines for the Employee Stock Option Scheme (ESOS) or Employee Stock Option Plans (ESOPs) and decide on the grant of stock options to the employees and Whole Time Directors of the Bank and its subsidiaries and administer and supervise the same and take all decisions pertaining to the same;

11) To review the list of SMPs & Material Risk Takers (MRTs) on annual basis;

12) To approve and / or review the Succession Planning;

13) To engage services of external agencies to assist compliance with the above.

14) Ensuring that the deed of covenant is executed by all the Directors of the Bank

15) To oversee the framing, review and implementation of compensation policy of the Bank on behalf of the board.

16) To work in close coordination with Risk Management Committee of the Bank, to achieve effective alignment between compensation and risks.

17) Ensure that the cost/income ratio of the Bank supports the compensation package consistent with maintenance of sound capital adequacy ratio.

18) Notifying after the review inter alia the Department of Supervision, Reserve Bank of India, on appointment / resignation of direction and when a board member ceases to be qualified or is failing to fulfil his or her responsibilities.

19) To perform any other functions or duties as assigned by the Board from time to time.

20) To perform any other functions or duties as stipulated by the Companies Act, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority or under any applicable laws as may be prescribed from time to time.

Performance Evaluation criteria for Independent Director

The Bank has put in place a mechanism for performance evaluation of the Directors. The details of the same have been included in the Directors' Report.

c) RISK MANAGEMENT COMMITTEE OF THE BOARD (RMCB)

Composition, Meetings & Attendance

As on March 31, 2023, the Risk Management Committee comprised of Four (4) Independent Directors. Four (4) Meetings of the Committee were held on June 30, 2022, September 27, 2022, December 15, 2022 and March 21, 2023 during the FY 2022-23:

Name	Committee Position	Number of Meetings held	Number of Meetings attended
Subhash Kutte	Chairman	4	4
Sandip Ghose	Member	4	4
Basant Seth	Member	4	3
David Rasquinha*	Member	2	2

*Mr. David Rasquinha was inducted as Member of the Committee w.e.f. October 20,2022.

Terms of Reference

RMCB shall:

- Recommend to the Board of USFB, for approval, the policy, strategy and methods for risk management, by evaluating the overall risks faced by the Bank.
- Determine the acceptable level of risks, its management and control in the best interest of the Bank,
- Monitor the Bank-wide application of measures for risk mitigation including systems and processes for internal control of identified risks.

The RMCB while overseeing all risk management functions in the Bank shall undertake the following functions:

1. Recommend to the Board of USFB, for approval, the policies and strategies for implementing bank-wide integrated risk management system, for addressing various risks faced by the Bank.
2. Periodically review and assess the internal/ external risks faced by the Bank, including but not limited to Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Portfolio Concentration Risk, Financial and Reporting Risk, Compliance Risk, Reputation Risk, Strategic Risk and Contagion Risk and to monitor and oversee the adequacy of risk management systems. This shall include, periodic review of:
   a. The Risk Management Policy of the Bank, at least annually, and recommend any changes in the same including the ones required due to the changing industry dynamics and evolving complexity
   b. Efficacy of the Enterprise Risk management System for identifying, measuring, monitoring, reporting and controlling the Risks faced by the Bank. This may include people, systems, operations, limit delegation, exception approvals, escalation processes, review processes etc.
   c. Robustness of and effectiveness of the financial/credit rating internal models
   d. The ICAAP process
   e. The regulatory reporting process and the challenges to the same
   f. The stress testing results/ scenario analysis and periodically monitor the action plans and corrective measures in line with the same.
   g. The robustness of controls to mitigate outsourcing risk
   h. working of various Risk Management processes and committees, including but not limited to the Credit Risk & NPA Management, Asset Liability Management, Operational Risk Management and Information Security Risk Management
3. The appointment, removal and terms of office of the Chief Risk Officer shall be subject to review by the RMCB.
4. Review performance and set objectives, roles and responsibilities for the Chief Risk Officer (CRO) and ensure the CRO has unfettered access to the Board.
5. To ensure that the Board of USFB is aware of the decisions arrived at, the reviews undertaken and directions given by the RMCB.
6. Instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner.
7. Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
8. Laying down appropriate approval authorities for outsourcing depending on risks and materiality.
9. Assessing management competencies to develop sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements.
10. Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness and all existing material outsourcing arrangements and

11. Deciding on business activities of a material nature to be outsourced, and approving such arrangements.

d) IT STRATEGY COMMITTEE

Composition, Meetings & Attendance

As on March 31, 2023, the IT Strategy Committee comprised of Four (4) Directors. Seven (7) Meetings of the Committee were held on May 19, 2022, August 05, 2022, September 01, 2022, September 27, 2022, November 18, 2022, December 15, 2022 and March 29, 2023 during the FY 2022-23:

Name	Committee Position	Number of Meetings held	Number of Meetings attended
Vinod Rai	Chairman	7	7
Sandip Ghose	Member	7	7
Renu Basu	Member	7	7
Inderjit Camotra*	Member	5	5

*Mr. Inderjit Camotra was inducted as Member of the Committee w.e.f. August 05, 2022.

Terms of Reference

1. Approving IT strategy, policy documents and reviewing the same from time to time.
2. Overseeing IT Steering Committee and reviewing its decisions.
3. Ensuring that the management has put an effective strategic planning process in place.
4. Ratifying that the IT strategy is aligned with Business strategy.
5. Ensuring that IT organizational structure complements the business model and its direction.
6. Ascertaining that management has implemented processes and practices to ensure IT delivers value to organization.
7. Ensuring IT investments represent balance between risks and benefits.
8. Monitoring methods which management uses to determine IT resources needed to achieve strategic goals and to provide high-level direction for sourcing and use of IT resources.
9. Ensuring balance between capital and operational IT expenditure of the organization for growth and to sustain growth.
10. Aware about IT risks and controls, and evaluating effectiveness of management's monitoring of IT risks through oversight over the proceedings of the Information Security Committee including Business Continuity.
11. Assessing Senior Management's performance in implementing IT Strategy.
12. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
13. Confirming high level IT or business architecture design to derive maximum value from investments.
14. Evaluating and Overseeing total IT funding at organization level, and ascertaining if the management has resources to ensure the proper management of IT risks.
15. Reviewing IT performance and its contribution to the organization.
16. Any other matters as may be required to be done by the Committee as per the applicable Regulations or as may be assigned by the Board from time to time.

e) REVIEW COMMITTEE OF WILFUL DEFAULTERS

Composition, Meetings & Attendance

As on March 31, 2023, the Review Committee of Wilful Defaulters comprised of Four (4) Directors. Mr. Inderjit Camotra is the Chairman of the Committee and Mr. Vinod Rai, Mr. Basant Seth and Ms. Renu Basu are the other members of the Committee. No Meetings of the Committee were held during the FY 2022-23.

Terms of Reference

Reviews the order of the Executive Committee that identifies accounts to be reported as wilful default to comply with the regulatory guidelines. The Order shall become final only after it is confirmed by the Review Committee.

1. To review and confirm the decision of the Executive committee for identification of Wilful defaulters/ Non Co-operative Borrowers.
2. Monitor that the borrower is given necessary opportunity to put forth their cases before classifying them under wilful defaulters.
3. Review the wilful defaulter's status of the Bank in a periodic manner and highlight unfavourable trends.
4. Monitor the progress of the agreed action plans in co-ordination with Collection/ Recovery department and suggest remedial actions for unresolved issues and unattended actions.

f) FRAUD MONITORING COMMITTEE

Composition, Meetings & Attendance

As on March 31, 2023, the Fraud Monitoring Committee comprised of Five (5) Directors. One (1) meeting of the Committee was held on November 03, 2022 during the FY 2022-23.

Name	Committee Position	Number of Meetings held	Number of Meeting attended
Inderjit Camotra	Chairman	1	1
Vinod Rai	Member	1	1
Basant Seth	Member	1	1
Subhash Kutte	Member	1	1
Renu Basu	Member	1	1

Terms of Reference

The major functions of the Committee would be to monitor and review all frauds of Rupees One Crore and above so as to:

1. Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same.
2. Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI.
3. Monitor progress of CBI/Police investigation and recovery position.
4. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.
5. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.
6. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.
7. To perform any other functions or duties as assigned by the Board from time to time.

All the frauds involving an amount of Rupees One Crore and above should be monitored and reviewed by the the Committee. The periodicity of the meetings of the Committee may be decided according to the number of cases involved. In addition, the Committee should meet and review as and when a fraud involving an amount of Rupees One Crore and above comes to light. Information of such frauds shall be sent to the members of the Committee through e- mail immediately on detection followed by placing report before the Committee in its next meeting

g) STAKEHOLDERS RELATIONSHIP COMMITTEE

Composition, Meetings & Attendance

As on March 31, 2023, the Stakeholder Relationship Committee comprised of three (3) Directors. One (1) meeting of the Committee was held on February 08, 2023 during the FY 2022-23.

Name	Position	Number of Meetings held	Number of Meeting attended
Vinod Rai	Chairman	1	1
Sandip Ghose	Member	1	1
Renu Basu	Member	1	1

Ms. Archana Goyal, Company Secretary of the Bank is the Compliance Officer as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Further, the details of the complaints received from debenture holders under Regulation 13(3) for FY 2022-23 are given below

Sr. No	Particulars	Number of Complaints
1.	Number of debenture holders complaints received during the FY 2022-23	0
2.	Number of complaints not solved to the satisfaction of debenture holders	0
3.	Number of pending complaints as on March 31, 2023	0

Terms of Reference

1. Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, general meetings etc.
2. Review of measures taken for effective exercise of voting rights by shareholders.
3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

5. Initiate such (further) action on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and

6. Recommends measures for overall improvement in the quality of investor services;

7. Any other matters in connection with resolving the grievances of security holders of the Bank.

8. To take all decisions pertaining to issuance, offer, transfer, allotment, change in terms of the issued securities, etc.

9. To perform any other functions or duties as assigned by the Board from time to time.

10. To comply with any other requirement in accordance with the applicable provisions of the Companies Act, RBI Regulations and SEBI Regulations as may be applicable from time to time.

h) CUSTOMER SERVICE COMMITEE

Composition, Meetings & Attendance

As on March 31, 2023, the Customer Service Committee comprised of four (4) Directors. Four (4) meetings of the Committee were held on June 14, 2022, September 21, 2022, December 15, 2022 and February 08, 2023, during the FY 2022-23.

Name	Committee Position	Number of Meetings held	Number of Meetings attended
Renu Basu	Chairperson	4	4
Subhash Kutte	Member	4	4
Sandip Ghose	Member	4	4
Inderjit Camotra*	Member	3	3

*Mr. Camotra was inducted as the member of Committee w.e.f. August 05, 2022.

Terms of Reference

1. Evaluate the trend analysis of customer complaints by product categories/channels/ BCs and monitor improvement plans.

2. Review and approve comprehensive Deposit Policy and statement of complaints, along with an analysis of complaints

3. Assess Banking Ombudsman awards on a periodic basis, address systemic deficiencies brought out by these awards and report cases with delayed implementation of more than three months to the Board with reasons for delay to facilitate necessary remedial action on priority.

4. To oversee the functioning of 'Standing Committee' for customer service.

5. To evolve innovative measures for enhancing the quality of customer service and improving the overall satisfaction level of customers.

6. Review the effectiveness of grievance redressal mechanism within the Bank for redressing complaints received about services rendered by Business Correspondents (BC).

7. To ensure implementation of directives received from RBI with respect to rendering of services to Bank customers.

8. Review, on a quarterly basis, the position of the complaints against the Bank with the RBI/ Banking Ombudsman offices / Consumer Courts / Courts and analyse the reasons for these complaints not getting resolved by the Bank itself.

9. To resolve issues such as the treatment of death of a depositor for operations of his account.

10. Product approval process with a view to suitability and appropriateness.

11. Annual survey of depositor satisfaction.

12. Tri-ennial audit of such services.

13. To perform any other functions or duties as assigned by the Board from time to time.

14. Any other requirement in accordance with the applicable provisions of the Companies Act, RBI Regulations and SEBI Regulations, as may be applicable from time to time.

i) OTS Committee

Composition, Meeting and Attendance

As on March 31, 2023, the Committee comprises of (4) Four Directors viz. Mr. Subhash Kutte, Mr. David Rasquinha, Mr. Sandip Ghose and Mr. Inderjit Camotra. No Meetings of the Committee were held during FY 2022-23.

Terms of Reference:

To deal with, and settle the standard /sub-standard accounts/NPA accounts of the Bank through various means, including settlement, asset sale, debt recovery, write-offs, restructuring, waivers of principal and / or interest etc. as per the limits delegated by the Board from time to time.

4. GENERAL MEETINGS

The details of Annual General Meeting conducted by the Bank during FY 2022-23 is given below:

Sr. No	Date and Venue of the Meeting	Special Resolution/s passed
1	Annual General Meeting held August 05, 2022 at 10.30 A.M. at the Corporate office at Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098	No Special resolution was passed

During the Financial Year 2022-23, the Bank has not passed any resolution through postal ballot.

5. MEANS OF COMMUNICATION

The quarterly, half-yearly and annual financial results of the Bank are published in one English Newspaper, viz. Financial Express. The Bank's financial results are hosted on the Bank's website at www.theunitybank.com. The financial results and other information filed by the Bank from time to time are also available on the website of the Stock Exchange, i.e. BSE Limited. The stock exchange has introduced BSE Listing centre wherein all the disclosures as required / prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, are filed.

Further, during the year under review, no presentation was made to the Institution Investors or analysts.

6. GENERAL INFORMATION

Annual General Meeting Date and Time	August 02, 2023 at 02:00 p.m.
Annual General Meeting Venue	Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East),Mumbai – 400098
Financial Year	2022-23
Dividend payment date	No Equity Dividend is recommended during the year review
The name and address of each stock exchange(s) at which the listed entity's securities are listed and a confirmation about payment of annual listing fee to each of such Stock exchange(s):	BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 The Bank's Non-Convertible Debentures (including Market Linked Debentures) are listed on Wholesale Debt Market Segment of BSE Limited. The Bank has paid listing fees upto the financial year 2022-23.
Stock Code	959014, 959077, 959462, 959476 and 959713.
Market price data- high, low during each month in last financial year;	As the Bank is debt listed, the Market price data- high, low during each month for FY 2022-23 is not applicable to the Bank
Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index, etc.	NA
In case the securities are suspended from trading, the Directors' report shall explain the reason thereof	No securities of the Bank are suspended from trading
Registrar and Share Transfer Agents;	**NSDL Database Management Limited** 4th Floor, Trade World A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013
Share transfer system	Entire equity shares of the Bank are issued in dematerialised form. Transfer of these shares, if any will be done through Depositories. Further, during the year, your Bank has issued PNCPS and Equity Warrants in physical and Demat form and all transfer requests are processed in Demat mode.
Distribution of shareholding (as on 31.03.2023)	1. Centrum Financial Services Limited, Promoters of the Bank, along with its Nominees is holding 35,95,00,000 Equity shares which amounts to 51% of Equity Shareholding of the Bank. 2. Resilient Innovations Private Limited is holding 34,54,01,960 Equity shares which amounts to 49% Equity Shareholding of the Bank.

Dematerialization of shares and liquidity (as on 31.03.2023)	The entire Equity shares of the Bank are held in dematerialised form. All transfer requests for transfer of PNCPS are processed in Demat mode only
Outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments	The information forms a part of the Directors' Report.
Commodity price risk or foreign exchange risk and hedging activities	Nil
Debenture Trustees:	**Beacon Trusteeship Ltd** 4C & D, Siddhivinayak Chambers, Gandhi Nagar, Opp MIG Cricket Club, Bandra (East), Mumbai 400 051 Mob. No. +91 9969252499 Website: http://beacontrustee.co.in/ **Catalyst Trusteeship Limited** Windsor,6th floor, Office No.604, C.S.T. Road, Kalina, Santacruz (East) Mumbai 400098 Mob. No.: 9969252499 Website: www.catalysttrustee.com
Plant locations	Being a Banking Company, the Bank operates its business through a network of Branches located across India.
Address for correspondence	**Unity Small Finance Bank Limited** Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai - 400098 Tel No.: 022 – 42159000; Email: cs@unitybank.co.in
Credit Rating	The details of credit ratings received by the Bank as on March 31, 2023 are forming part of Directors' Report.

7. OTHER DISCLOSURES

a) Disclosures on materially significant related party transactions:

The disclosure on Related party transactions is covered in the Directors' report. Further, there are no materially significant related party transactions that may have potential conflict with the interests of listed entity at large.

b) Fair Practices Code

The Bank has adopted the Fair Practices Code pursuant to the RBI guidelines issued in this regard, which is placed on the Bank's website.

c) CEO/CFO Certification

The Managing Director & CEO and Chief Financial Officer of the Bank have issued certificate to the Board pursuant to Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended March 31, 2023. The said certificate is enclosed as **Annexure - 1** to this report.

d) Code of Conduct

As per the Bank's policy on Code of Conduct for Directors and Senior Management, all Directors and Senior Management Personnel have affirmed compliance with the Code for the year ended 2023. The Declaration to this effect signed by Managing Director & CEO is enclosed as **Annexure-2** to this report.

e) Related Party Transactions

The particulars of transactions between the Bank and its related parties, as defined under Section 2(76) of the Act and as per applicable Accounting Standard, are set out in the financial statements. The Board has put in place a policy on Related Party Transactions and the same has been uploaded on the Bank's website viz. www.theunitybank.co.in.

Further, the Bank has submitted disclosure to the stock exchanges on Related Party Transactions in accordance with the requirements of Regulation 23(9) of SEBI LODR.

f) Details of Non-Compliances by the Company, penalties, and strictures imposed on the Company by the Stock Exchanges or SEBI or any Statutory Authorities on any matter related to Capital Markets during the last three years

During the period under review, no penalties, and strictures were imposed on the Bank by the Stock Exchanges or SEBI or any Statutory Authorities, on any matter related to Capital Markets during the last three years.

g) Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32:

The Bank has not raised funds through preferential allotment or qualified institutions placement as specified under Regulation 32 of the Listing Regulations, 2015, during the year under review.

h) Disclosure where the Board had not accepted any recommendation of any Committee of the Board during the year under review which was mandatorily required:

There were no such instances during the year under review.

i) Subsidiaries:

The Bank does not have a subsidiary and hence no policy for determining 'Material Subsidiaries' has been formulated.

j) Whistle Blower Policy

The Bank has established a Whistle Blower Policy pursuant to which Directors, employees and vendors of the Bank can report their concerns on unethical and improper behaviour, practices, actual or suspected fraud or violation of the Bank's Code of Conduct or any other wrongful conduct in the Bank or of its employees. No personnel of the Bank was denied access to the Audit Committee for raising any whistle blower complaint.

k) Mandatory Requirements

The Bank is in compliance with the mandatory requirements.

l) Certificate under Regulation 34(3) of SEBI LODR:

M/s. Shivam Sharma & Associates, Practising Company Secretaries, have given a certificate to the Board confirming that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority. The said certificate is enclosed as **Annexure - 3** to this Report.

m) Details of fee remitted to Statutory Auditors

The total fees incurred by the Bank for the service rendered by Statutory auditors for FY 2022-23 is given below:

Particulars	Amount (in ₹)
Audit Fees (Includes fee for limited review)	39,00,000/-
Statutory Certificates	6,00,000/-
Other Reporting services	75,000/-
Reimbursement of expenses	Nil

n) Disclosures in relation to the Sexual Harassment of Women at workplace prevention, prohibition and Redressal) Act, 2013:

The Bank has complied with provisions relating to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Internal Compliant Committee (ICC) as per the said regulation is duly constituted.

The Bank has zero tolerance policy towards sexual harassment of employees and is fully committed to uphold and maintain the dignity of every women executive working in the Bank. The Policy for Prevention of Sexual Harassment at Workplace is duly approved by the Board.

There were no complaints received by the ICC during the year under review.

o) Discretionary Requirement:

Chairperson: A non-executive chairperson may be entitled to maintain a chairperson's office at the listed entity's expense and also allowed reimbursement of expenses incurred in performance of his/her duties.

Shareholder Rights: The quarterly financial results of your Bank are uploaded on the Stock Exchange and website of the Bank.

Modified opinion(s) in audit report: The Auditors' Report and Limited review report on financial results of your Bank are unmodified.

Separate posts of Chairperson and the Managing Director or the Chief Executive Officer: Mr. Vinod Rai, Non-Executive Independent Director is appointed as the Part-time Chairperson and Mr. Inderjit Camotra is appointed as Managing Director & CEO of your Bank. Further, the Chairperson is not related to the Managing Director & CEO of your Bank as per the term "relative" defined under the Companies Act, 2013.

Reporting of Internal Auditor: The Internal auditor of the Bank directly reports to the Audit Committee.

p) Compliance

The Company is in compliance with the requirements stipulated under Regulations 17 to 27 and sub-regulation (2) of Regulation 62 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto, as applicable, with regard to Corporate Governance. M/s. Shivam Sharma & Associates, Practicing Company Secretaries, have certified that the Bank has complied with the mandatory requirements as stipulated under SEBI Listing Regulations. The said Certificate is enclosed as **Annexure 4** to this Report.

By Order of the Board
For **Unity Small Finance Bank Limited**

Vinod Rai
Part time Chairman
DIN: 00041867

Inderjit Camotra
Managing Director & CEO
DIN: 09602543

Place: Darjeeling
Date: May 03, 2023

Annexure 1

CEO and CFO Certificate

To,
The Board of Directors,
Unity Small Finance Bank Limited

Sub.: Certificate from the CEO and CFO pursuant to Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Regulations) Requirements, 2015

This is to certify that:

1. We have reviewed the Financial Statements and the Cash Flow Statement for the financial year ended March 31, 2023 and that to the best of our knowledge and belief:

    a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

    b. These statements together present a true and fair view of the Bank's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent or illegal or violative of Bank's Code of Conduct.

3. We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and the same were found to be adequate.

4. We have indicated to the Auditors and the Audit Committee:

    a. Significant changes in internal control over financial reporting during the year;

    b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

    c. Instances of significant frauds of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.

Inderjit Camotra
Managing Director & CEO

Abhishek Baxi
Chief Financial Officer

Place: Darjeeling
Date: May 03, 2023

Annexure 2

Declaration of Code of Conduct

To
The Board of Directors
Unity Small Finance Bank Limited
Mumbai

Dear Sir/Madam,

Declaration regarding compliance by Board Members and Senior Management personnel with the Bank's Code of Conduct

The Bank has in respect of the financial year ended March 31, 2023 received a declaration in writing from all members of the Board and Senior Management Personnel of the Bank affirming their adherence to the Code of Conduct adopted by the Bank.

Inderjit Camotra
Managing Director & CEO

Place: Darjeeling
Date: May 03, 2023

Annexure 3

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members of
Unity Small Finance Bank Limited
Reg. Office: 40, Basant Lok, Vasant Vihar, New Delhi
DL - 110057 IN.

Corporate Office: Unit No. 101, Level 2, Centrum House,
CST Road, Vidyanagari Marg, Kalina,
Santacruz (E) Mumbai MH 400098 IN.

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Unity Small Finance Bank Limited having CIN: U65990DL2021PLC385568 and having registered office at 40, Basant Lok, Vasant Vihar, New Delhi, DL - 110057 IN (hereinafter referred to as the Company), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal (www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2023 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of Appointment
1.	Mr. Vinod Rai	00041867	21/01/2022
2.	Mr. Jaspal Singh Bindra	00128320	24/03/2023
3.	Mr. Subhash Gundappa Kutte	00233322	26/10/2021
4.	Mr. David Paul Rasquinha	01172654	20/10/2022
5.	Mr. Basant Seth	02798529	26/10/2021
6.	Mrs. Renu Basu	03550920	28/01/2022
7.	Mr. Sandip Ghose	07482589	26/10/2021
8.	Mr. Inderjit Singh Camotra	09602543	05/08/2022

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Thanking You
For **Shivam Sharma & Associates**
Company Secretaries

Shivam Sharma
(Proprietor)
M. No.: A35727, CP. No.: 16558
Peer Review Certificate No.: 1811/2022
UDIN: A035727E000171269

Place: Mumbai
Date: April 22, 2023

Annexure 4

CERTIFICATE ON CORPORATE GOVERNANCE BY PRACTICING COMPANY SECRETARY

To,

The Members of
Unity Small Finance Bank Limited
Reg. Office: 40, Basant Lok, Vasant Vihar, New Delhi
DL - 110057 IN.

Corporate Office: Unit No. 101, Level 2, Centrum House,
CST Road, Vidyanagari Marg, Kalina,
Santacruz (E) Mumbai MH 400098 IN.

I have examined the compliance of the conditions of Corporate Governance by Unity Small Finance Bank Limited having CIN: U65990DL2021PLC385568 ('the Company') for the year ended on March 31, 2023, as stipulated under Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and para- C, D & E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (to the extent applicable to the Debt Listed Company).

The compliance of the conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the review of procedures and implementation thereof, as adopted by the Company for ensuring compliance with conditions of Corporate Governance.

In my opinion and to the best of my information and according to the explanations given to me and the representations made by the Directors and the Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations, as applicable for the year ended on March 31, 2023.

I further state that this certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Thanking You
For **Shivam Sharma & Associates**
Company Secretaries

Shivam Sharma
(Proprietor)
M. No.: A35727, CP. No.: 16558
Peer Review Certificate No.: 1811/2022
UDIN: A035727E000171302

Place: Mumbai
Date: April 22, 2023

Management Discussion & Analysis

Global economic overview

Inderjit Camotra
MD & CEO

Global businesses are reeling under the impact of the energy crisis, rising inflation, tight financial conditions in most parts of the world and a hike in commodity prices. The war of attrition between Russia and Ukraine has further aggravated the situation. The relentless rise in interest rates by Central Banks to combat inflation and the on-going geopolitical crisis in Europe are exacting a heavy toll on economic activity.

The sudden surge of COVID in China dampened growth in 2022. However, the recent reopening has set the stage for a faster-than-anticipated rebound. Another bright spot is the fact that global inflation is projected to decelerate from *8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024.

A stronger boost from pent-up demand in numerous economies or a sharp decline in inflation are expected in the course of FY2024. The emerging and developing economies of the world are likely to play a major role in accelerating global economic growth in the years ahead.

*Source: IMF World Economic Outlook, January 2023.

> According to the IMF, India, along with China, is expected to contribute 50% of global growth in 2023.

Indian economic overview

The Indian economy demonstrated remarkable resilience in the face of global challenges in FY2023. According to the first advance estimates of the National Statistical Office (NSO), the domestic economy is set to record GDP growth of ~7% in FY23.[1] Sectoral analysis also reveals that the expansion is being driven by robust domestic demand and strong construction activity, aided by higher infrastructure investment both by the Central Government and State Governments. This is also setting the stage for large-scale employment opportunities.

While post-pandemic private investment recovery is still at a nascent stage, there are early signs which indicate that India is in a sweet spot for an upbeat investment upcycle in both the manufacturing and services sectors. The number of private investment projects under implementation in the manufacturing sector is also steadily increasing over the years.

According to the RBI, India's retail inflation slipped below the 6% mark for the first time in March 2023. The decline was aided by lower food prices and a stabilisation in commodity prices. Overall, demand circumstances in India appear to be favourable for economic growth. India enters the new fiscal year buoyed by underlying and overall macroeconomic stability, but cautious of geopolitical and geoeconomic concerns.

[1] https://indbiz.gov.in/indian-gdp-to-grow-by-7-in-fy23-nso/#:~:text=India's%20GDP%20is%20expected%20to,the%20April%2DSeptember%20of%20FY23.

22%

Increase in India's GST collections in FY2023.[2]

Banking Sector Overview

The banking industry is crucial to the global economy as it offers the requisite framework for financial transactions and economic expansion. Due to changing consumer behaviour, technological advancements and increased regulatory scrutiny, the banking sector has undergone a significant shift in recent years.

Priorities for small finance banks include fostering financial inclusion and offering banking services to the underserved and unbanked population. SFBs hold a loan portfolio in industries such as agriculture, micro, small and medium-sized enterprises (MSMEs), housing and other designated industries. SFBs have been at the forefront of leveraging technology to provide seamless banking experiences for their clients. It is likely that the adoption of digital technologies will probably continue in the SFB sector.

India's banking industry has equally responded to the demand for credit. Since the January-March 2022 quarter, the year-over-year growth in credit has surpassed double digits and is rising in most industries. The credit expansion of the MSME sector has been remarkably high, at over 30.5% on average between January and November 2022. This was facilitated by the Central Government's extended Emergency Credit Line Guarantee Scheme (ECLGS).[3]

The redesigned credit guarantee scheme was one of the main highlights of the Union Budget for FY23. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) will now have broader access to loans without collateral thanks to the inflow of ₹ 9,000 crore.[4] New collateral-free guaranteed financing worth ₹ 2 lakh crore will also be feasible due to this new initiative. It would boost MSMEs' performance in India while also amplifying their competitiveness abroad.

The public sector banks' financial situation has significantly improved, with profits being recorded on a consistent basis and their non-performing assets (NPAs) being expedited for faster liquidation by the Insolvency and Bankruptcy Board of India (IBBI). At the same time, the Government has been offering the Public Sector Banks enough budgetary impetus to maintain their strong capitalisation, ensuring that their Capital Risk-Weighted Adjusted Ratio (CRAR) stays comfortably above the adequate threshold levels. The banking sector's successful macro-stress tests provide additional evidence of its financial stability.

Digital banking

The digital banking sector is rapidly evolving as a result of technical advancement, varying consumer demands, and shifting regulatory requirements. With digital banking, customers have a seamless banking experience across multiple channels as it becomes personalised, practical and secure. A new turning point for digital payments was reached in 2022 with the Reserve Bank of India's (RBI) introduction of the e-rupee pilot. This Central Bank Digital Currency (CBDC), which is supported by blockchain technology and is an electronic representation of the rupee, may be more secure and is supported by the Government as an alternative to private digital currencies.

UPI transactions exceeded ₹ 800 crore in volume in January 2023, while NEFT (National Electronic Funds Transfer) experienced its highest daily volume of 3.18 crore transactions on February 28, 2023.[5]

Outlook

By offering financial services to people, companies and governments, the banking industry is instrumental in the growth of the economy. With the rise of digital banking and fintech startups upending conventional banking practises, the industry has undergone significant changes in recent years.

The sector's performance will be facilitated by more potent factors, such as credit growth and asset quality. Due to the reforms implemented by the Government and the Reserve Bank of India, the asset quality of banks has also improved. As a result, in September 2022, the gross NPA ratio had decreased to a 7-year low of 5%. In March 2023, the gross non-performing asset (GNPA) ratio is anticipated to reach 4.9%.[6]

Since banks play a significant role in this, the role of NBFCs in terms of housing finance is gradually diminishing. However, the opportunity is still significant enough to ensure that, over the next two to three years, housing finance will undoubtedly present lucrative opportunities for NBFCs with a clear strategy regarding which segment of the market to target and the necessary skill set to capitalise on those opportunities.

Furthermore, the growing popularity of digital banking services, as well as the development of new technologies such as blockchain and artificial intelligence, may offer banks opportunities to optimise their operations and better serve their clients.

[2] https://economictimes.indiatimes.com/news/economy/indicators/gst-collections-in-march-jump-13-to-rs-1-6-lakh-crore/articleshow/99180189.cms

[3] file:///D:/shabbrin/study%20material/India's%20Economic%20Survey%20Complete%20PDF%20(1).pdf

[4] https://timesofindia.indiatimes.com/blogs/voices/union-budget-2023-an-enabler-for-indias-banking-sector/

[5] https://economictimes.indiatimes.com/news/economy/finance/daily-upi-transactions-jump-50-to-36-crore-rbi-governor/articleshow/98457631.cms

[6] https://www.millenniumpost.in/opinion/union-budget-2023-24-the-banking-pivot-507280

Company Overview

Unity Small Finance Bank Limited (Unity) is promoted by Centrum Financial Services Ltd with Resilient Innovations Pvt Ltd as a joint investor. It strives to be a Digital First Bank with a business model of collaboration and open architecture, uniting all its stakeholders to deliver a seamless digital banking experience. The Bank commenced operations in November 2021. It's vision is to make Banking available at customers' fingertips using the latest technology. It offers a variety of banking services through its Branch and office network.

Segment-wise Highlights

Branch Banking

Business Overview

The Branch Banking business offers a variety of banking services and products to customers. It offers Savings Accounts, Fixed & Recurring Deposits, Current Accounts, Lockers and Investment services. As on 31st March 2023, the Bank has 123 bank branches Pan India.

₹ 2,685 Crore

Total Deposits

₹ 884 Crore

CASA Deposits

33%

CASA Ratio

Highlights FY2023

The year started off with the DICGC money being paid out on 31st March 2022. The bank made elaborate arrangements for customers of erstwhile PMC bank to have quick access to their money. Branches were kept open for longer hours and enabling funds transfers on demand. This was followed by an existing customer connect program driven by the top management, to establish a strong connect with customers to enable "Restart", "Regain" and "Up tier" of relationships.

During the year, the Bank revamped and upgraded several of its branches to become more digitally led, modern in layout and offering customer centric solutions to customers. The business rolled out Shagun – An attractive Fixed Deposit scheme that offered interest rates as high as 9.5% p.a. to senior citizens along with additional benefits such as monthly interest payouts. It also offers **7% on Savings Accounts** for balances above ₹ 1 lakh. Consistent efforts led a building a significant deposit base of over ₹ **2,500 crore**.

Besides offering attractive rates of interest, the Bank also offered several value added features such as lockers along with extended branch banking hours. Several branches work up to 8pm on weekdays and also over weekends, thereby offering customers the flexibility to bank at their convenience. The Bank also tied up with three Life and three non-life Insurance Companies to offer customers an opportunity for wealth creation as well as protection against adversities.

The business also launched a program to enhance reach and visibility of engaging with new customers via Banking correspondents and Banking facilitators.

Outlook

FY2024 will see the Branch Banking business offer full service banking facilities to existing and new customers. New branches are planned in existing as well as new geographies. The Bank aims to build momentum on customer acquisition, grow its Fee income Business and build a Strong Liability book while laying the foundation of Digital and superior customer experiences across branches.

Business Banking

Business overview

The MSME sector is the backbone of the Indian economy contributing to ~30% of India's GDP and responsible for providing employment opportunities to 11.1 crore of people. There are ~63 million MSMEs engaged in different economic activities across various sectors. These enterprises have various credit needs to be able to scale, expand, and counter macroeconomic high and low cycles. Access to credit becomes an important parameter for an enterprise to grow and thrive. As part of our Business Banking Group, we enable access to credit to MSMEs for working capital, expansion, purchase of machines/ equipment, and infrastructure requirements.

Highlights FY 2023

With a digital-first mindset, deep distribution reach, and "Go Granular Go Retail" strategy, the business increased

its book significantly and onboarded **~8,000 customers**. Key metrics for the business are **~2,700 Crs of AUM**, a **Gross NPA of 0.73%** as on 31st March 2023. The Supply Chain Finance business added several new corporate relationships (Anchors). The focus will remain on building a granular business, that is achieved by on-boarding customers digitally.

Outlook

GL Kumar
CBO - Business Banking

While the business continues a high-growth trajectory, performance over the next few years will be driven by how it increases its product penetration with customers. It aims to become the sole banking provider for customers across liability, assets, and transaction banking products.

Business Banking strategy for FY24 is – 3D: Dominate, Differentiate, Discover. The objective is –

1. Dominate in existing products by penetrating further in the current locations. Leverage the existing network to gain access to new customers.
2. Differentiate products by focussing on Ease of banking
3. Discover new revenue lines, by exploring new products.

Inclusive Banking

Business Overview

The Inclusive Banking business, provides loans under the Joint Liability Group (JLG) Model to low income women entrepreneurs in urban, semi-urban and rural areas. 'Financial Inclusion' is the key objective and it wishes to empower the un-served and under-served women by providing income generation loans and other relevant financial services. It aims to positively impact 3 million low income households by 2025 across India by being their financial services provider of choice.

As an extension to our JLG products and healthy demand from customers, we also introduced SARAL, a graduated business loan for JLG customers. We endeavour to have 1,00,000+ SARAL/MEL customers in FY 2024.

The business will use Business correspondents (BC) / partners to enter newer geographies. We expect the BC model to grow our business to serve 3,00,000+ customers in 100+ districts enabling a PAN India presence in the Inclusive Banking segment.

Highlights FY2023

During the year, the business doubled its client base and currently serves over **5,00,000 customers**. As on 31st March, 2023, it has an **AUM of over ₹ 1500 crore**. The Business expanded its geographic presence and entered the states of Madhya Pradesh, Uttar Pradesh, Karnataka, Tamil Nadu and Kerala, thereby scaling up operations PAN India. It is now present in 14 states and 175 districts. The growth in AUM was spread across products, with Micro Enterprise Loans in particular demonstrating healthy traction with over ₹ 200 crore disbursed during the year.

Outlook

Praveen Saha
CBO - Inclusive Banking

In FY 2024, the business aims to ramp up its team strength significantly to capture the growing business opportunities in its existing as well and new markets. We expect the **client base to cross 10 Lakh spread across 300+ districts in FY 2024**. The business also plans to drive greater growth from newer product lines beyond Joint Liability Group loans and has set a target of servicing 5 million borrowers by FY 2028.

Financial Markets & Treasury

Business Overview

The Bank's Financial Markets function comprises of Asset Liability Management (ALM), Interest Rate Trading (IRT): SLR/Non SLR Trading, FIG: Resource raising & Rating and Debt Capital Markets (DCM).

Highlights FY2023

Asset Liability Management (ALM) managed the regulatory requirements of Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) along with liquidity, interest rate and currency risks in the Bank's portfolio. It also managed interest rates on advances namely MCLR and EBLR and Bank's internal FTP calculation and implementation under the guidance of the Asset Liability Committee (ALCO) of the Bank. Surplus funds were diligently invested amongst various short term papers during the year.

Interest Rate Trading (IRT) desk played the important role of market making and trading in G-Sec, SDL, T Bills & other interest rate products. It also undertook primary and secondary market investments in corporate bonds, commercial papers, certificates of deposits, equity instruments and ETFs.

Investments in SLR securities and non-SLR securities were maintained in compliance with regulatory norms as well as the Treasury and Investment Policy. During the process of amalgamation of erstwhile PMC into Unity Bank, investments and liabilities were amalgamated into the Bank's portfolio. During FY 23 US Fed has increased interest rate by 450 bps and RBI policy rate has increased by 250 bps so far. Given the view on interest rates at the start of the year, out of all PMC bank's investments the Bank managed to exit many illiquid securities in the initial days of FY 23 thus reducing MTM risk substantially.

Debt Capital Market (DCM) is in the business of connecting treasuries. DCM played vital role in raising bulk deposits from other Small Finance Bank, Co-operative Banks, Gramin Banks and Corporate treasuries. DCM is also involved in distributing treasury products to Corporate treasuries, Co-operative banks, Provident Funds, Pension funds and various other entities.

Financial Institutions Group (FIG) handled borrowings (in the form of Term Loans and NCDs) that were grandfathered by the Bank under the relevant RBI guidelines. During the financial year 2022 -23, the high-cost grandfathered borrowing were paid off and substituted with low-cost deposits and market borrowings like interbank lines, TREPS, CROMS and IBPC. During the next financial year, the Bank would be engaging in securitisation transactions in the form of PTC and DA deals, in order to generate liquidity and manage assets and revenue growth. The Bank will be tying up refinance lines with various financial institutions and raising bulk liabilities.

Outlook

Sanjay Rele
Head - Treasury & Financial Markets

The team will look at diversifying its sources of funds and raise funds using a mix of instruments such as Certificates of Deposit (CDs), Term Money, Inter Bank Participatory Certificates (IBPCs), PTCs, DAs and Refinance from financial institutions. The business will also closely work with the liabilities team to aid deposit mobilisation while optimising cost of funds. The team will look at further strengthening relationships with various financial market participants such as banks, mutual funds, cooperative banks and rating agencies.

Information Technology

Highlights FY 2023

As part of our technology mantra of a lean and agile technology framework and our endeavour to be a fully digital bank providing a seamless technology experience to customers, the bank embarked on several major technology initiatives in the last year. One of the highlights of last year was the replacement of our existing Core Banking System, Finacle with Turing, a digital CBS based on microservices architecture in a record time of 88 days, which is encouraging. The bank made some strides towards becoming fully digital by implementing key systems, namely Enterprise GL, Treasury, RTGS, NEFT, IMPS, UPI, on-prem to cloud architecture, an upgrade to the SD-WAN network, etc. As part of its technology framework, the Bank put together interconnected and interdependent systems, connected through the Enterprise Service Bus (ESB), to bring best-in-class and real-time information-based technology experiences for both internal and external customers.

Outlook

V. Vaidyanathan Iyer
Chief Information Officer

Our technology strategy closely syncs with the business strategy. The endeavour in technology is to become a trusted, reliable partner to business colleagues, supporting them with light-weight technology tools and services that will help them service their branch and digital banking customers. The Bank is changing the way technology is offered to businesses by emphasizing the need for sustainable innovation and keeping the cloud at the forefront of our offerings. The overall emphasis is to increase the trust of both internal and external customers by providing reliable and scalable IT products. In our effort to provide the customer with a state-of-the-art digital experience, the bank will be rolling out products like a mobile banking app, internet banking, WhatsApp banking, ATMs, and debit & credit cards within this year. Some of the key projects that will go-live are Enterprise Data Warehouse, Digital Banking HUB (BaaS), IRAC, AML, De-Dupe and Information & Cyber Security. The bank has been cost-conscious in all its technological endeavours to achieve profitable balance while delivering a secure, smooth and seamless experience for both internal and external customers.

Risk Management

The primary objective of the bank's risk management philosophy and approach is to protect customers' and investors' interests. While the Bank's Board is responsible for overall governance and oversight of risk management in the Bank, its execution is delegated to the Risk Management Committee of the Board (RMC). The RMC is responsible for approving the overall Risk Management philosophy of the bank and examining risk mitigation policies and procedures, monitoring adherence to the approved risk parameters, ensure compliances and set prudential limits for various departments through its sub-delegated committee/s

The Board, for Risk Governance, is supported by Board Committees, an experienced executive management team and Board Delegated Committees as part of the Risk Governance Framework. The Board has an oversight of the management's efforts to balance growth and prudent risk management, while creating value for stakeholders.

Saurabh Srivastava
Chief Risk Officer

An independent and comprehensive integrated risk management function, has also been constituted in USFB, which is entrusted with the responsibility of optimising, managing and monitoring risks prudently. The Bank has appointed a Chief Risk Officer (CRO), who independently monitors, measures and reports the risk associated with key verticals through dedicated divisions i.e., Credit Risk, Market Risk, Operational Risk, Fraud Risk, Information Security Risk and other Risks under the Board approved risk management policies framework and in accordance with the approval/responsibility delegation matrix. It has been ensured by the Board that the CRO has independent and unhindered access to the Risk Management Committee of the Board.

Credit Risk Management: The principal objectives of our credit risk management function are:

- to maintain a strong culture of responsible lending, and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

Further, Bank has in place credit appraisal models for appraising cases including risk assessment, checks and balances. All aspects of credit risk are governed by the Credit Risk Management Policy and other related Policies, as approved by the Board of the Bank.

The independent Risk Management function assists the Board, the delegated committees and the management through Portfolio Profiling, Early Warning Framework, Regular Portfolio Review and Annual Monitoring of High Value Customers.

Operational Risk Management: Operational and resilience risk management is the continuous measure, monitoring, reporting and optimisation of the risks that arise through the gaps in the laid down internal processes and risk mitigation systems and the application of the same in day to day functioning of the Bank. The Bank has an independent Operational Risk Management Committee (ORMC) which oversees the reporting, measuring, monitoring, reporting and mitigation of Operational Risk for the Bank.

The bank also has Fraud Risk Containment Unit that is guided by a Board approved Fraud Risk Management Policy. The Bank endeavours to continuously strengthen its systems, operational practices and processes, procedures, controls, and review mechanism so that fraud-prone areas are minimised.

The Bank has in place comprehensive Business Continuity Management (BCM) policy and procedures to ensure continuity of critical operations of the Bank in the event of any disaster/ incident affecting business continuity. The Bank's business continuity programme is developed considering the criticality of the functions performed and the systems have been designed to minimise the operational, financial, legal, and other material consequences arising from such a disaster/incident and focus is on ensuring faster recovery of/ minimising impact on the IT systems of the Bank.

Market Risk, Liquidity and Asset Liability Management: Market risk management is guided by well-defined policies, guidelines, processes and systems for the identification, measurement, monitoring and reporting of exposures against various risk limits set in accordance with the risk appetite of the Bank.

The Board approved Asset Liability Management (ALM) Policy of the Bank stipulates a broad framework for liquidity risk management to ensure that the Bank is in a position to meet its liquidity obligations as well as to withstand any period of liquidity stress arising from any internal or external factors. The Asset Liability Management Committee (ALCO)/ Investment Committee (IC) of the Bank oversees the framework for identification, measurement and management of market risk, interest rate risk and liquidity risk in the Bank and ensures compliance with established internal and regulatory prudential limits and operate within the approved risk appetite by the Board.

IT Risk Management: The Bank, with it's intentions to become the first truly digital bank of India ensures that it's IT security and information security management are comparable to best standards in the industry. The IT steering committee and the Information Security Risk Committee comprises of the Executive Committee members of the Bank and ensure that policies, monitoring mechanisms, detection tools, measures of risk indicators and tested response mechanisms are in place to deal with any IT or information security risk.

Compliance Risk: The bank ensures a strong compliance culture in the bank. It ensures that all the employees are aware of the statutory policies and that they discharge their duties strictly in compliance of the same. To further ensure the same the Bank undertakes concurrent and internal audits at a frequency decided by the Board to ensure that the policies and procedures as set by statutory authorities as well as the Risk Governance Policies approved by the Board are adhered to at all times.

The Bank has sufficient capital to meet any adverse scenarios and undertakes various sensitivity exercises under the ICAAP stipulations, the stress testing guidelines of the RBI and ALM guidelines.

Internal Controls & their Adequacy

Alok Chawla
Head - Internal Audit & Vigilance

The Bank has adequate internal controls, driven through various policies and procedures which are reviewed periodically, across all processes, units and functions. Business credit teams have the ears on the ground and have built-in processes to identify new risks and mitigate the identified risks. Senior officers of the operating and business units, also monitor the mitigating measures taken.

The Bank has Internal Audit function which is responsible for independently evaluating the adequacy and effectiveness of all internal controls, Information Security controls, Risk management, Governance systems and processes. The Bank has Information Systems Audit team in place, as a part of its Internal Audit team, to identify and address Technology and IT-related Security issues commensurate with the nature and complexities of its operations.

The Internal Audit department and Compliance function review the business units adherence to internal processes and procedures as well as to regulatory and legal requirements providing timely feedback to Management for corrective action, including minimising the design risk, if any. The Audit Committee of the Board also reviews the performance of the Audit and Compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines.

Financial Performance

The bank reported a strong operating performance during the year, boosted by strong credit growth, healthy margins, and sustained improvement in asset quality. It recorded a total revenue of ₹ 803 crore during FY 2022-23 as compared to ₹ 154 crore last year. Significant growth in business aided in higher net interest income (NII) of ₹ 560 crore for this fiscal. The Bank continued to invest in technology and human capital to support future business growth leading to increase in operating expenses of the Bank. Operating profit as per internal guidelines for the year stood at ₹ 148 crore as compared to ₹ 17 crore last year on account of higher operating revenues. The Bank successfully ended its first full year of operations with Net profit after tax (PAT) of ₹ 35 crore compared to loss of ₹ 150 crore last year.

Key Ratios

(i) Earnings per share (EPS)(Face Value of ₹10/-each)	0.17
(ii) Return on assets (average) - not annualized	0.40%
(iii) Net worth (₹ in crore)	1,379
(iv) Debt equity ratio	0.25
(v) Total debts to total assets	0.05

Advances

Particulars (₹ in crore)	Mar'22	Mar'23
Gross Advances (excl. PMC Book)	1,855	4,326
Inclusive Banking	707	1,669
Business Banking	782	2,714

Growth of 136% in Inclusive Banking business was driven by increased network outreach further resulted in higher number of customer acquisition. Customer base increased to more than 5 Lakh in Inclusive Banking business as compared to 2.6 Lakh last year, with touchpoints at 181 as on 31st March 2023.

Growth of 247% in Business Banking business was mainly driven by higher customer acquisition and increased branch outreach. Customer base for Business Banking grew to more than 3X during FY 2022-23 taking total customer count to more than 9,000.

Deposits

Particulars (₹ in crore)	Mar'22	Mar'23
Total Deposits	3,822*	2,685
CASA Deposits	3,792*	884
CASA Ratio	99%*	33%

*DICGC amount of ₹ 3,791 cr received on 31st Mar'22

Abhishek Baxi
Chief Financial Officer

The Bank's strategy is based on its fundamental philosophy to build a low cost and stable liability franchise. The Bank's deposits stood at ₹ 2,685 crore as on 31st March, 2023 with improving granularity. This was achieved with retaining erstwhile PMC Bank customers and regaining lost deposits. Also, focus on on-boarding new to bank customers with increased Branch network helped build the granular & steady deposit base. Retained & regained proportion stood at 39% while new to bank stood at 58% of total deposits. 12 new Bank branches were launched during FY 2022-23 taking total Bank branch network to 123 branches.

NNPA

The Bank created additional provisions over and above the minimum RBI requirement on a continuous basis. Bank's NNPA significantly improved from 8.1% as on 31st March 2022 to 0.3% as on 31st March 2023, mainly due to strong and healthy new underwriting norms as well as additional provisions on legacy stress assets book. On Inclusive Banking, the Bank create 65% provision on substandard assets as against 25% provision requirement as per RBI guidelines. During the year, the Bank made additional provision to the tune of ₹ 130 crore on legacy stress assets books and fully provided for.

CRAR

Our capital adequacy ratio (CRAR) stands strong & healthy at 49.4%, which is well above the minimum RBI requirement. To support the bank growth trajectory and maintain CRAR well over the regulatory requirement, promoters have committed to additional capital infusion of ₹ 1900 crore.

Reserve and Surplus

Bank has successfully completed it's first full year of operation with a Profit of ₹ 35 crore as compared to a loss of ₹ 150 crore last year. In line with scheme of amalgamation, the Bank has recorded erstwhile PMC depositors liability on present value basis. The Bank shall discharge nominal value of depositors liability over the years. Resulting in charging of difference between present value and nominal value being routed through Reserve and Surplus.

Human Resources

The Human Resources function has achieved several successful milestones. They have rolled out various HR Policies and streamlined processes to make them more digital. Employee Engagement activities have been conducted with great participation from branches. Talent capabilities have been acquired in all businesses and functions, with a special focus on experience in Digital products. To become a truly digital organization, platforms have been introduced for Core HR Functions, Hiring, Rewards & Recognition.

During the year, the Human Resources function worked hard to achieve several objectives. First of building a strong core team as well as middle management. Followed by smoothly integrating the erstwhile PMC Bank staff with Unity Bank. Both objectives were achieved successfully. The team has been able to design and implement a new career framework for all employees, culturally integrate new joinees, PMC and Unity Bank members with a specific business, departments and roles. New HR policies have been rolled out to streamline the day to day people operations. Townhalls were conducted across India to understand employee grievances / suggestions and harmonize PMC Member's grades and salary structures with Unity Bank.

With talent stickiness in mind, ESOP schemes have been introduced for Key talent across levels. Engagement programs have been implemented across geographies, bridging the gap between remote branches and the corporate office by using tech tools, which has been well received by employees nationwide. Internal elevations have been done to provide better growth opportunities for employees.

The organization has made its presence known in premium and other B – Schools through the maiden campus program. They continue to partner with the Skill development initiative of the Government and maintain high engagement with them to employ fresh talent on an ongoing basis through the NAPS Scheme. In-campus trainings on Information Security have been conducted, and external consultants have been engaged to train Branch Banking colleagues. Efforts to introduce a platform-based Learning delivery system are ongoing.

As on 31st March 2023, the total number of employees stood at 4,228.

Outlook

Deepu Bhattacharya
Chief Human Resources Officer

The organization is working towards the next phase of harmonization of compensation & benefits for Erstwhile PMC Bank employees. The key focus will be on the low-cost acquisition model of talent across various geographies and integration with the Bank. The organization will continue to focus on acquiring the niche skills required to ramp up the Digital Banking and Digital Hub team, and invest in platforms for Learning & Development & Performance Management.

Way Forward

Ranjan Ghosh
President

With a more positive and promising economic outlook, the Bank enters FY 2024 focused on steady growth. We are confident that our initiatives seeded in the last year, have prepared us to capatalise on upcoming opportunities. All our businesses are poised for significant growth. The loan book, currently consisting of Business Banking and Inclusive Banking, is expected to surpass the ₹ 10,000 crore milestone (excluding PMC book), aided by contributions from the venture debt and digital banking sectors. The year concluded with 329 branches and offices spread throughout the country. We aim to expand to over 1,000 touchpoints through partnerships with Business correspondents and Banking facilitators, which should propel our liabilities book to ~₹ 7,000 crore. Our digital banking proposition, led by our mobile app, will gain traction in FY 2024 with substantial marketing efforts, facilitating market share growth and customer acquisition across business segments. We have devised a five-year plan to reach out to over 10 million customers, using the mobile app as the primary channel.

The Bank also maintains a well-capitalized liquidity position to support projected growth in the coming years. Our capital adequacy ratio (CRAR) stands at a healthy 49.4%, significantly above the minimum RBI requirement. Furthermore, the bank has established refinance lines with reputed institutions such as NABARD & SIDBI, further enhancing its liquidity position. With anticipated growth in liabilities and established refinance lines, we are confident in our ability to adequately support our asset growth. Together with our chosen business segments and the commitment of our leadership and management team, we are poised to gain momentum and achieve profitable growth in the years ahead.

Sectoral Opportunities and Challenges

Opportunities

The ongoing digital transformation and rising adoption of sustainable finance are expected to be the key growth drivers for the banking sector in FY2024. The growing acceptance of digital banking and the requirement for banks to enhance customer satisfaction and streamline operations are the major factors leading to this transformation. The expansion of digital banking also enables banks to explore untapped markets and create new revenue streams.

In FY2024, the banking industry is anticipated to witness growth as a result of increased focus on green finance and ESG factors. There are opportunities for specialists in fields such as sustainable investing, green finance and impact assessment as banks increasingly adopt sustainable practises and invest in green finance. Regulations are increasingly scrutinising the banking sector and this trend is predicted to continue in the coming year.

Challenges

The banking industry is also expected to confront several challenges that could impede its development and effectiveness. As digital banking becomes more prevalent, it is likely that the banking industry will become more susceptible to cyberattacks. Data breaches, identity theft and phishing attacks are among the cybersecurity threats that are anticipated to persist in FY2024, posing a major threat to the industry.

The banking industry is subject to stringent regulatory oversight and compliance standards. As banks continue to experience heightened regulatory pressure, which may affect their profitability, compliance costs are anticipated to increase in the coming year.

Moreover, the emergence of fintech's is upending the banking sector and posing new difficulties for conventional banks. Fintech's are using technology to provide cutting-edge, affordable financial services, which could reduce the market share of conventional banks.

Cautionary Statement

This document contains statements about expected future events, financial and operating results of the businesses, which are forward-looking. By their nature, forward-looking statements require the businesses to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results, and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirely by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of Unity Small Finance Bank Limited's Annual Report, FY2023.

Financial Statements

Independent Auditor's Report

To,
The Members of **Unity Small Finance Bank Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Unity Small Finance Bank Limited ("the Bank"), which comprise the Balance sheet as at March 31,2023, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013, as amended ("the Act") in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31,2023, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Emphasis of Matter

We draw attention to Note no.1(a)(xvi)of Schedule 18 of the financial statements, regarding the accounting treatment for subsequent measurement of fair value changes relating to the restructured liabilities taken over from erstwhile PMC under the Scheme of Amalgamation.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the Key Audit Matters to be communicated in our report.

Sr. no	Key Audit Matters	Audit Procedure followed to address the Key Audit Matters
1.	**Compliance of Income Recognition, Asset Classification and Provisioning Norms on advances as per guidelines issued by Reserve Bank of India (IRAC Norms)** **Advances** Bank has to classify the accounts as performing advances or non performing advances based on the guidelines/circulars and directives issued by Reserve Bank of India. The guidelines issued by Reserve Bank of India is for all credit facilities given by the bank and is to be mandatorily followed for the purpose of Income Recognition, Asset Classification and Provisioning. Identification of performing and non performing advances is not automated yet.	We have carried out the audit of the advances based on the IRAC Norms/ Circulars and directives issued by Reserve Bank of India and the policy of the Bank. **Advances:** Our audit procedure included: a) Understanding the system and controls put in place by the bank for identification, classification and provisioning in case of advances. b) Testing on sample basis whether the classification of advances as performing or non-performing and provisioning have been carried out as per the guidelines of Reserve Bank of India. c) Carrying out substantive test on major advances including Specially Mentioned Accounts (SMA) and also verification of security by checking the valuation reports.

Sr. no	Key Audit Matters	Audit Procedure followed to address the Key Audit Matters
	The Income recognition, asset classification and provisioning if not done properly as per the IRAC norms issued by Reserve Bank of India may materially impact the financial statements of the bank. As advances form part of a major portion of the business of the bank and the regulatory compliances are involved, we have considered this aspect as Key Audit Matter.	d) Reliance on the internal audit reports conducted by the bank.
2	**Assessment of Information Technology (IT):** a. IT controls with respect to recording of transactions, generating various reports in compliance with RBI guidelines including IRAC norms, preparing financial statements and reporting of compliances to regulators etc. is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems. We have considered this as key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management and regulators. b. The Bank has migrated the Turing system from Finacle.	Our audit procedure includes:- a) Understanding and testing of operative effectiveness of the system. b) Understanding the coding system adopted by the bank for various categories of customers. c) Understanding and testing of different validations available in the system d) Checking the user requirements for any changes in the regulations/ policy of the bank e) Testing of logic used for extracting the data. f) On sample basis reviewing the reports generated. g) Reliance on the system audit report of the bank. The Bank has carried out migration audit through an external agency which has confirmed that they have completed the audit and have confirmed that there are no open items. We have relied on the same. Also, the management has confirmed that there is no material financial impact on account of such migration.

Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank provision of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance

of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet, the Profit and Loss Account and the Cash Flow statement for the year ended March 31,2023 have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014.

2. As required sub Section (3) of Section 30 of the Banking Regulation Act, 1949 and the appointment letter dated August 10,2022, we report that:

   a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit, and have found them to be satisfactory;

   b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   c. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by its branches; we have visited 20 branches for the purpose of our audit.

3. As required by Section 143(3) of the Act, we report that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

   c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

   e. On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31,2023 from being appointed as a director in terms of Section 164 (2) of the Act;

   f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

   g. In our opinion, the entity being a banking company, the remuneration to the MD&CEO for the year ended March 31,2023 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949; and

   h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12 and note 17 of Schedule 18 of the financial statements;

      ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

      iv. (a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

      (b) The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Bank from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

      (c) In our opinion and based on the audit procedures, we have considered reasonable and appropriate in the circumstances; nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

      v. The Bank has not declared or paid any dividend during the year to the Equity Shareholders. However, the bank has declared/ paid to Perpetual Non-Cumulative Preference shareholder in accordance with the Scheme of Amalgamation refer to in note 1(a)(xii) of Schedule 18.

      vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For V Sankar Aiyar & Co
Chartered Accountants

Asha Patel
Partner
(M. No 166048)
UDIN: 23166048BGUTEH8976

Place: Darjeeling
Date: May 03, 2023

Annexure 1

to the Independent Auditor's Report of Even Date on the Financial Statements of Unity Small Finance Bank Limited

Report on the Internal Financial Controls under Clause (i) of Sub-Section 3 of Section 143 of the Companies Act, 2013 (the "Act")

To the Members of Unity Small Finance Bank Limited

We have audited the internal financial controls over financial reporting of Unity Small Finance Bank Limited (the "Bank") as of March 31,2023 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and those receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us , the Bank has, in all material respects, adequate internal financial controls with reference to these financial statements and such internal financial controls with reference to these financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

For V Sankar Aiyar & Co
Chartered Accountants

Asha Patel
Partner
(M. No 166048)
UDIN: 23166048BGUTEH8976

Place: Darjeeling
Date: May 3, 2023

Balance Sheet

As at March 31, 2023

(₹ in 000's)

Particulars	Schedule	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	1,39,24,354	1,39,25,456
Reserves and Surplus	2	35,17,890	53,14,133
Deposits	3	2,68,46,256	3,82,23,671
Borrowings	4	42,85,958	1,12,84,004
Other Liabilities and Provisions	5	3,90,38,819	3,93,60,990
Total		**8,76,13,277**	**10,81,08,254**
ASSETS			
Cash and Balances with Reserve Bank of India	6	34,13,770	15,58,584
Balances with banks and money at call and short notice	7	21,36,094	4,24,84,114
Investments	8	2,43,58,044	2,77,10,548
Advances	9	4,46,81,901	2,41,91,264
Fixed Assets	10	31,84,653	30,22,001
Other Assets	11	98,38,815	91,41,743
Total		**8,76,13,277**	**10,81,08,254**
Contingent Liabilities	12	10,49,783	4,61,069
Bills for Collection		24,22,768	22,39,099
Significant Accounting Policies and Notes to the financial statements	17&18		

The schedules referred to above form an Integral part of the Balance Sheet

As per our report of even date
For **V Sankar Aiyar & Co**.
Chartered Accountants
Firm Registration No : 109208W

For and on behalf of the Board of Directors

Vinod Rai
Part-time Chairman
(DIN: 00041867)

David Rasquinha
Independent Director
(DIN: 01172654)

Asha Patel
Partner
Membership No. 166048

Inderjit Camotra
Managing Director & CEO
(DIN: 09602543)

Abhishek Baxi
Chief Financial Officer (CFO)

Place: Darjeeling
Date: May 03, 2023

Archana Goyal
Company Secretary (CS)

Profit and Loss Account

for the year ended March 31, 2023

(₹ in 000's)

Particulars	Schedule	Year ended March 31, 2023	Period ended March 31, 2022
I. INCOME			
Interest earned	13	73,46,955	15,43,783
Other Income	14	6,86,154	(1,405)
Total		**80,33,109**	**15,42,378**
II. EXPENDITURE			
Interest expended	15	17,49,123	10,69,398
Operating expenses	16	47,65,952	18,87,528
Provisions and contingencies		11,71,800	81,560
Total		**76,86,875**	**30,38,486**
III. PROFIT			
Net Profit / (Loss) for the year/period		**3,46,234**	**(14,96,108)**
Profit and (Loss) - brought forward		(15,36,156)	-
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		86,559	-
Dividend on PNCPS		2,24,850	40,048
Transfer to Reserve Fund for "Payable to DICGC" consequent to the Scheme of Amalgamation (Refer note 18(1)(a)(xiv))		5,91,630	-
Transfer to Reserve Fund for "Payable to Depositors" consequent to the Scheme of Amalgamation (Refer note 18(1)(a)(xiv))		18,99,451	-
Transfer to Capital Reserve		1,422	-
Balance carried over to Balance Sheet		**(39,93,834)**	**(15,36,156)**
V. EARNING PER EQUITY SHARE (Face Value of ₹ 10 per share)			
Basic		0.17	(2.18)
Diluted		0.07	(2.18)
Significant accounting policies and notes to the Financial Statements	17&18		

The schedules referred to above form an Integral part of the Profit and Loss Account

As per our report of even date
For **V Sankar Aiyar & Co**.
Chartered Accountants
Firm Registration No : 109208W

For and on behalf of the Board of Directors

Vinod Rai
Part-time Chairman
(DIN: 00041867)

David Rasquinha
Independent Director
(DIN: 01172654)

Asha Patel
Partner
Membership No. 166048

Inderjit Camotra
Managing Director & CEO
(DIN: 09602543)

Abhishek Baxi
Chief Financial Officer (CFO)

Place: Darjeeling
Date: May 03, 2023

Archana Goyal
Company Secretary (CS)

Cash Flow Statement

for the year ended March 31, 2023

(₹ in 000's)

	Year ended March 31, 2023	Period ended March 31, 2022
Cash flows (used in)/from operating activities		
Profit/(Loss) before taxes	1,25,121	(15,73,312)
Adjustments for:		
Depreciation on fixed assets	1,63,495	46,262
Amortisation of Goodwill	-	9,21,998
Amortisation of premium on HTM investment	16,339	129
Provision for Non performing assets	12,36,344	1,45,910
Provision for standard assets	67,359	12,854
Provision on investment	39,213	1,31,230
ESOP expenses	42	-
Operating profit/(loss) before working capital changes	**16,47,913**	**(3,14,929)**
Adjustments for:		
Increase in investments (Other than HTM Investments)	84,22,246	18,69,003
Increase in Advances	(2,17,26,981)	(56,03,662)
(Decrease)/Increase in Deposits	(1,13,77,416)	3,82,23,671
(Increase)/Decrease in Others Assets	(4,74,424)	5,35,687
(Decrease)/Increase in Other Liabilities and Provisions	(23,10,960)	7,32,332
Direct taxes paid (Net of refunds)	(1,530)	(2,669)
Net cash flow (used in) / from operating activities	**(2,58,21,152)**	**3,54,39,433**
Cash flow used in Investing activities		
(Purchase) of fixed assets	(3,26,147)	(74,337)
Investment in HTM Securities (Net)	(51,25,295)	(42,35,739)
Consideration paid to CML	-	(11,00,000)
Net cash flow (used in) / from investing activities	**(54,51,442)**	**(54,10,076)**
Cash flow from Financing activities		
Proceeds from issue of share capital	-	78,92,228
Decrease in borrowings (net)	(69,98,047)	(32,92,065)
Issue of Equity warrants	-	19,000
Dividend on PNCPS paid during the year	(2,22,193)	-
Net cash flow (used in) / from financing activities	**(72,20,240)**	**46,19,163**
Net (decrease)/Increase in cash and cash equivalents	(3,84,92,834)	3,46,48,520
Cash and Cash equivalents arising from -		
- BTA executed with CML	-	18,85,466
- BTA executed with CFSL	-	18,56,293
- Amalgamation with PMCB	-	56,52,419
Cash and Cash equivalents-	**-**	**-**
Cash and cash equivalents at the beginning of the year/period	4,40,42,698	-
Cash and cash equivalents at the end of the year/period	**55,49,864**	**4,40,42,698**

Notes :

Cash and cash equivalents comprises of Cash in Hand, Balances with RBI, and Balances with Banks and Money at Call and Short Notice.

As per our report of even date
For **V Sankar Aiyar & Co**.
Chartered Accountants
Firm Registration No : 109208W

Asha Patel
Partner
Membership No. 166048

Place: Darjeeling
Date: May 03, 2023

For and on behalf of the Board of Directors

Vinod Rai
Part-time Chairman
(DIN: 00041867)

David Rasquinha
Independent Director
(DIN: 01172654)

Inderjit Camotra
Managing Director & CEO
(DIN: 09602543)

Abhishek Baxi
Chief Financial Officer (CFO)

Archana Goyal
Company Secretary (CS)

Schedules forming Part of Balance Sheet

at March 31, 2023

SCHEDULE 1 - CAPITAL

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
Authorised Capital		
4,000,000,000 equity shares of ₹10 each	4,00,00,000	4,00,00,000
Issued, Subscribed and Paid-up Capital		
704,901,960 equity shares of ₹10 each fully paid up	70,49,020	70,49,020
Total	**70,49,020**	**70,49,020**

SCHEDULE 1A - CAPITAL

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
Share warrant issued (Refer note 18(1)(a)(xiii))	53,14,961	53,15,824
Total	**53,14,961**	**53,15,824**

SCHEDULE 1B - Capital

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
Perpetual Non-Cumulative Preference Shares (PNCPS) (Refer note 18(1)(a)(xii))	15,60,373	15,60,612
Total	**15,60,373**	**15,60,612**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Statutory Reserve		
Opening Balance	-	-
Addition during the year (Refer note 18(3)(a))	86,559	-
Deduction during the year	-	-
Total	**86,559**	**-**
II. Capital Reserve on Amalgamation		
Opening Balance	28,47,080	-
Addition during the year (Refer note 18(3)(d))	5,73,412	28,47,080
Deduction during the year	-	-
Total	**34,20,492**	**28,47,080**
III. Capital Reserve		
Opening Balance	-	-
Addition during the year (Refer note 18(3)(c))	1,422	-
Deduction during the year	-	-
Total	**1,422**	**-**
IV. Share Premium		
Opening Balance	40,03,209	-
Addition during the year	-	40,03,209
Deduction during the year	-	-
Total	**40,03,209**	**40,03,209**
V. Revenue and Other Reserves		
Opening Balance	-	-
Addition during the year	-	-
Deduction during the year	-	-
Total	**-**	**-**

SCHEDULE 2 - RESERVES AND SURPLUS (Contd..)

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
VI. Employee Stock Options Outstanding Account (ESOP)		
Opening Balance	-	-
Employee compensation expense for the year	42	-
Transfer to Share Premium Account	-	-
Transfer to General Reserve for Non- exercise of ESOP's	-	-
Total	**42**	**-**
VII. Balance in Profit and Loss Account		
Balance brought from Profit and Loss	(39,93,834)	(15,36,156)
Total	**(39,93,834)**	**(15,36,156)**
Total (I + II + III + IV + V + VI + VII)	**35,17,890**	**53,14,133**

SCHEDULE 3 - DEPOSITS

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
A. I. Demand Deposits		
(i) From Banks	22,864	-
(ii) From Others	8,41,052	35,00,066
Total	**8,63,916**	**35,00,066**
II. Saving Bank Deposits	**79,81,138**	**3,44,16,493**
III. Term Deposits		
(i) From Banks	12,84,519	2,50,000
(ii) From Others	1,67,16,683	57,112
Total	**1,80,01,202**	**3,07,112**
Total (I + II + III)	**2,68,46,256**	**3,82,23,671**
B. I. Deposits of branches in India	2,68,46,256	3,82,23,671
II. Deposits of branches outside India	-	-
Total	**2,68,46,256**	**3,82,23,671**

SCHEDULE 4 - BORROWINGS

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks	3,39,431	22,45,622
(iii) Other Institutions and Agencies	28,94,273	30,58,932
(iv) Sub-ordinate debts	-	-
(v) Bonds and Debentures (excluding subordinated debt)	10,52,254	59,79,450
Total	**42,85,958**	**1,12,84,004**
II. Borrowings Outside India	-	-
Total (I + II)	**42,85,958**	**1,12,84,004**

Secured borrowings included in I & II above is ₹ 379 crore for year ended March 31, 2023 (previous year ₹ 1,068 crore)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Bills Payable	22,930	30,485
II. Inter - office adjustments (net)	-	-
III. Interest accrued	65,223	12,57,527
IV. Others (including provisions)	-	-
(i) Contingent provisions against standard assets	1,92,558	1,25,199
(ii) Others Liabilities (including provisions)	3,87,58,108	3,79,47,779
Total	**3,90,38,819**	**3,93,60,990**

SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Cash in Hand (including foreign currency notes)	1,38,726	1,52,887
II. Balances with Reserve Bank of India	-	-
(i) In Current Account	22,05,044	14,05,697
(ii) In Other Accounts	10,70,000	-
Total (I+II)	**34,13,770**	**15,58,584**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. In India		
i) Balances with Banks		
a) In Current Account	14,92,075	2,57,91,340
b) In Other Deposit Accounts	4,83,142	1,36,43,901
Total	**19,75,217**	**3,94,35,241**
ii) Money at Call and Short Notice		
a) With Banks	-	28,99,808
b) With Other Institutions	-	-
Total	**-**	**28,99,808**
Total (i + ii)	**19,75,217**	**4,23,35,049**
II. Outside India		
i) In Current Account	1,60,877	1,49,065
ii) In Deposit Accounts	-	-
iii) Money at Call and Short Notice	-	-
Total (i + ii + iii)	**1,60,877**	**1,49,065**
Grand Total (I + II)	**21,36,094**	**4,24,84,114**

SCHEDULE 8 - INVESTMENTS

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
A. Investments in India		
i) Government Securities	1,53,60,915	2,73,52,030
ii) Other approved securities	-	-
iii) Shares	1,07,506	10,651
iv) Debentures and bonds	38,63,725	2,90,644
v) Subsidiaries / joint ventures	-	-
vi) Others (including Certificate of Deposit, Commercial Bills, Mutual fund)	50,25,898	57,223
Total	**2,43,58,044**	**2,77,10,548**
B. Investments Outside India		
i) Government securities (including local authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Others investments (to be specified)	-	-
Total	**-**	**-**
Total (A + B)	**2,43,58,044**	**2,77,10,548**

SCHEDULE 9 - ADVANCES

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
A. i) Bills purchased and discounted	64,67,437	33,39,040
ii) Cash credits, overdrafts and loans repayable on demand	19,29,839	33,07,594
iii) Term loans	3,62,84,625	1,75,44,630
Total	**4,46,81,901**	**2,41,91,264**
B. i) Secured by tangible assets	1,56,27,792	1,19,13,606
ii) Covered by Bank / Government guarantees	-	-
iii) Unsecured	2,90,54,109	1,22,77,658
Total	**4,46,81,901**	**2,41,91,264**
C. I. Advances in India		
i) Priority Sectors	1,10,94,148	80,64,755
ii) Public Sector	-	-
iii) Banks	-	-
iv) Others	3,35,87,753	1,61,26,509
Total	**4,46,81,901**	**2,41,91,264**
II. Advances Outside India		
i) Due from Banks	-	-
ii) Due from Others	-	-
(a) Bills Purchased and Discounted	-	-
(b) Syndicated Loans	-	-
(c) Others	-	-
Total	**-**	**-**

SCHEDULE 10 - FIXED ASSETS

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
A. Premises		
At cost on beginning of the year/period	25,13,186	-
Additions during the year (Asset received Under BTA)	-	3,57,641
Additions: (Asset received Under Amalgamation)	-	21,55,545
Reclassed	(24,951)	-
Deductions during the year/period	-	-
Depreciation to date	(56,625)	(13,152)
Total	**24,31,610**	**25,00,034**
B. Other Fixed Assets (including Furniture and Fixtures)		
At cost on beginning of the year/period	41,19,290	-
Additions during the year (Asset received Under BTA)	-	43,997
Additions during the year(Asset received Under Amalgamation)	-	30,80,635
Additions during the year/period	2,94,877	9,94,659
Reclassed	24,951	-
Deductions during the year/period	-	-
Depreciation to date	(37,19,489)	(35,99,467)
Total	**7,19,629**	**5,19,824**
C. Assets Given on Lease	-	-
D. Capital Work in Progress	33,414	2,143
Total (A + B + C + D)	**31,84,653**	**30,22,001**

SCHEDULE 11 - OTHER ASSETS

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Inter - office adjustments (net)	-	-
II. Interest accrued	7,48,668	4,64,008

SCHEDULE 11 - OTHER ASSETS (Contd..)

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
III. Tax paid in advance/tax deducted at source (net of provision for tax)	2,93,016	2,91,486
IV. Stationery and stamps	-	-
V. Non-banking assets acquired in satisfaction of claims (net of provision)	-	6,977
VI. Deferred tax assets (net)	76,32,537	74,11,421
VII. Others	11,64,594	9,67,851
Total	**98,38,815**	**91,41,743**

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Claims against the bank not acknowledged as debts - Taxation	49,682	47,059
II. Claims against the bank not acknowledged as debts - Others	2,124	2,124
III. Liability for partly paid investments	52,624	-
IV. Liability on account of outstanding forward exchange contracts	-	-
V. Guarantees given on behalf of constituents:		
- In India	2,78,151	1,47,493
- Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the Bank is contingently liable	6,67,202	2,64,393
Total	**10,49,783**	**4,61,069**

SCHEDULE 13 - INTEREST EARNED

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Interest/discount on advances/bills	53,20,103	10,80,214
II. Income on investments	17,46,680	3,83,795
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,73,853	79,774
IV. Other interest	6,319	-
Total	**73,46,955**	**15,43,783**

SCHEDULE 14 - OTHER INCOME

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Commission, exchange and brokerage	7,48,311	1,27,183
II. Profit/(Loss) on sale of investments(net)	(3,74,580)	(7,103)
III. Profit/(Loss) on revaluation of investments	(39,213)	(1,31,231)
IV. Profit/(Loss) on sale of land, Building and Other assets	-	-
V. Profit/(Loss) on exchange transactions	-	623
VI. Income earned by way of dividends from subsidiaries / associates and / or joint ventures abroad / in India	-	-
VII. Miscellaneous income (Refer note 18(33))	3,51,636	9,123
Total	**6,86,154**	**(1,405)**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Interest on deposits	12,31,691	1,853
II. Interest on Reserve Bank of India/ inter-bank borrowings	80,463	1,15,927
III. Other	4,36,969	9,51,618
Total	**17,49,123**	**10,69,398**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in 000's)

Particulars	As at March 31, 2023	As at March 31, 2022
I. Payments to and provisions for employees	21,19,858	4,94,144
II. Rent, taxes and lighting	3,51,736	69,553
III. Printing and stationery	42,522	4,527
IV. Advertisement and publicity	1,13,961	7,041
V. Depreciation on Bank's property	1,63,495	9,68,260
VI. Director's fees/remuneration, allowances and expenses	9,672	1,690
VII. Auditors' fees and expenses (Including Branch Auditors)	5,236	3,500
VIII. Law charges	13,441	7,050
IX. Postage, telegrams, telephones, etc.	66,918	4,812
X. Repairs and maintenance	3,87,968	26,259
XI. Insurance	52,938	1,157
XII. Other expenditure	14,38,207	2,99,535
Total	**47,65,952**	**18,87,528**

Schedule 17 – Significant accounting policies forming part of the financial statements

BACKGROUND

Unity Small Finance Bank Limited (the "Bank") is a private sector small finance bank incorporated on August 25, 2021 in New Delhi, India under the provisions of the Companies Act, 2013 and is licensed by the Reserve Bank of India (RBI) to operate as a Small Finance Bank under the Banking Regulation Act, 1949 vide licence dated October 12, 2021 and has commenced its business on November 1, 2021.

RBI on June 18, 2021, granted an in-principal approval to Centrum Financial Services Limited ("CFSL"), to establish a small finance bank in the private sector under Section 22 of the Banking Regulation Act, 1949. Pursuant to this, Unity Small Finance Bank Limited ("USFB/ the Bank") was incorporated by CFSL, on August 25, 2021. Further, RBI vide its letter dated October 12, 2021 granted the banking licence to USFB, to carry on the Small Finance Bank (SFB) business. USFB commenced its operations from November 1, 2021. In compliance with the conditions of RBI licence, the entire businesses, comprising of all the assets and liabilities, of CFSL and Centrum Microcredit Limited ("CML") (the two Non-Banking Finance Companies of the Centrum group) were transferred to USFB, as a going concern, by way of slump sale on November 1, 2021.

The Punjab and Maharashtra Co-operative Bank Limited has been amalgamated with the Bank pursuant to the Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 notified by the Ministry of Finance, Department of Financial Services, Banking Division, Government of India on January 25, 2022 with effect from January 25, 2022.

BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time (RBI guidelines), Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2021, in so far as they apply to banks.

Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and necessary assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. The impact of any accounting revision in these estimates is recognised prospectively from the period of change.

1. Significant Accounting Polices

A. Revenue recognition

- Interest income is recognised in the profit and loss account on an accrual basis. Except in case of non-performing assets (NPAs) and where it is recognised upon realisation, as per the income recognition and asset classification and provisioning norms of RBI.
- Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.
- Income from bill discounting is recognised over the tenure of the instrument so as to provide a constant periodic rate of return.
- Dividend income is accounted on an accrual basis when the Bank's right to receive the dividend is established.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Loan processing fees collected from the borrowers is recognized upfront when it becomes due.
- All other fees are accounted for as and when they become due where the Bank is reasonably certain of ultimate collection.

B. Investments

Investments are accounted for in accordance with the extant RBI guidelines on investment classification and valuation, as given below:

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called "categories"). and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures, and Other Investments for the purposes of disclosure in the Balance Sheet.

Schedule 17 – Significant accounting policies forming part of the financial statements

The Bank follows Settlement date accounting for recording purchase and sale transactions in securities.

Basis of classification

Investments that the Bank intends to hold till maturity are categorised as "Held to Maturity (HTM)".

Investments that are held principally for resale within 90 days from the date of purchase are categorised as "Held for Trading (HFT)".

Investments, which are not classified in above two categories, are classified as "Available for Sale (AFS)".

Acquisition Cost

Costs, including brokerage and commission pertaining to investments paid at the time of acquisition and broken period interest (the amount of interest from the previous interest payment date till the date of purchase of instruments) on debt instruments, are charged to the profit and loss account and are not included in the cost of acquisition.

Valuation of Investments

The valuation of investments is performed in accordance with the RBI guidelines as follows:

i) Investments classified as Held to Maturity

These are carried at their acquisition cost and not marked to market. Any premium on acquisition of debt instruments is amortised over the balance maturity of the security on a straight-line basis.

ii) Investments classified as Available for Sale and Held for Trading

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

iii) The market or fair value of quoted investments included in the 'AFS' and 'HFT' categories are measured with respect to the market price of the scrip as available from the trades or quotes on the stock exchanges, or prices published by Financial Benchmark India Private Limited (FBIL).

iv) Treasury Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

v) Market value of units of mutual funds is based on the latest net asset value declared by the mutual fund.

vi) Market value of investments for unquoted Non-SLR Securities.

a) In case of unquoted bonds, debentures, and preference shares where interest / dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity for Government Securities as published by FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit rating along with residual maturity issued by FBIL is adopted for this purpose.

b) In case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e., overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received.

c) Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company.

Investment in Securities issued by Securitisation Company (SC)/ Reconstruction Company (RC):

At the end of each reporting period, security receipts issued by the asset reconstruction companies are valued in accordance with the guidelines applicable to such instruments, prescribed by RBI from time to time. Accordingly, in cases where the cash flows from security receipts issued by the asset reconstruction companies are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the net asset value obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period end. The security receipts which are outstanding and not redeemed as at the end of the resolution period are treated as loss assets and are fully provided for.

Short Sale

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is categorised

Schedule 17 – Significant accounting policies forming part of the financial statements

under HFT category and netted off from Investments in the Balance Sheet. The short position is marked to market and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Gain or loss on settlement of the short position is recognised in the Profit and Loss Account.

Disposal of Investments

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from the Profit and Loss Account to "Capital Reserve" in accordance with the RBI Guidelines.

Repurchase and reverse repurchase transactions:

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

C. Advances and Provisions thereon:

Based on the guidelines/ directives issued by the RBI, Loans or Advances are classified as performing and non-performing, as follows:

i. Interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of term loan;

ii. the account remains "out of order" in accordance with RBI direction in respect of an overdraft/Cash Credit (OD/CC)

iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;

iv. 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;

v. 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.

NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

Substandard Assets:	i. A general provision of 15% on- the total outstanding;
	ii. Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realizable value of security is not more than 10 percent ab-initio);
	iii. Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.
Doubtful Assets:	
- Secured portion:	i. Up to one year – 25%
	ii. One to three years – 40%
	iii. More than three years – 100%
- Unsecured portion	100%
Loss Assets:	100%.

Advances are net of specific loan loss provisions, interest in suspense for non-performing advances, bills rediscounted and provisions in lieu of diminution in the fair value of restructured assets.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

Schedule 17 – Significant accounting policies forming part of the financial statements

Amounts recovered against debts written off in earlier years are recognised in the profit and loss account and are included in other income in the year of recovery.

In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions – Others" and are not considered for arriving at the Net NPAs.

D. Securitisation and transfer of assets:

Assets transferred through securitisation and direct assignment of cash flows 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. For a securitisation or direct assignment transaction, the Bank recognises profit upon receipt of the funds and loss is recognised at the time of sale.

On sale of stressed assets, if the sale is at a price below the net book value (i.e., funded outstanding less specific provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year when the sum of cash received by way of initial consideration and / or redemption or transfer of security receipts issued by SC / RC exceeds the net book value of the loan at the time of transfer.

The Bank transfers advances through inter-bank participation with and without risk. In the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances. In case where the Bank is assuming risk by participation, the aggregate amount of the participation is classified under advances. In the case of issue of participation certificate without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is acquiring participation certificate, the aggregate amount of participation acquired is shown as due from banks under advances.

E. Priority Sector Lending Certificate (PSLC)

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as Other Income and the fee paid for purchase of the PSLCs is recorded as other Expenditure in Profit and Loss Account. These are amortised on SLM over the period of the Certificate.

F. Fixed assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The management believes that the useful life of assets assessed by the Bank, pursuant to Part C of Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Assets	Estimated useful life specified under schedule II of Companies Act,2013
Owned Premises	60 years
Computer	3 years
Furniture and fittings	10 years
Office Equipment	5 years

Improvements to lease hold premises are charged off over the remaining primary period of lease.

For assets purchased and sold during the year, depreciation is provided on pro- rata basis.

Software and system development expenditure is depreciated over a period of 5 years.

Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

Profit on sale of immoveable property net of taxed and transfer to statutory reserve, are transferred to capital reserve account.

Assets less than ₹ 5,000 individually, are fully depreciated in the year of purchase.

G. Foreign exchange translation

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates on the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the

Schedule 17 – Significant accounting policies forming part of the financial statements

rates prevailing at the period-end as notified by Foreign Exchange Dealers Association of India('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Treatment of Exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Bank are recognised in the Profit and Loss Account.

H. Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term is classified as operating leases. Lease payments including cost escalation for assets taken on operating lease rentals are recognised as an expense on straight-line basis over the lease period in accordance with the AS 19, Leases.

I. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards) and the net change in the deferred tax asset or liability during the year and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realizability.

J. Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. Impairment loss, if any, is provided in the Profit and Loss Account to the extent carrying amount of assets exceeds their estimated recoverable amount.

K. Accounting for Provision, Contingent assets and Contingent liabilities

In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

No provision is recognised for:

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognised because:

   a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   b) a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent assets are neither recognised nor disclosed in the financial statements.

L . Derivatives

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates.

Derivatives are classified as assets when the fair value is positive (positive marked to market value) or

Schedule 17 – Significant accounting policies forming part of the financial statements

as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss account.

M. Employee benefits

Employee Stock Option Scheme (ESOS):

The Employee Stock Option Scheme ('the Scheme') provides for the grant of options to acquire equity shares of the Bank to its employees and whole time directors. The options granted to employees vest as per their vesting schedule and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans in respect of options granted up to March 31, 2021. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any is amortised over the vesting period.

Effective April 01, 2021, the fair value of share-linked instruments on the date of grant for all instruments granted after March 31, 2021 is recognised as an expense in accordance with the RBI guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff. The fair value of the stock-based employee compensation is estimated using Black-Scholes model. The compensation cost is amortised on a straight-line basis over the vesting period of the option with a corresponding credit to Employee Stock Options Reserve. On exercise of the stock options, corresponding balance in Employee Stock Options Reserve is transferred to Share Premium. In respect of the options which expire unexercised, the balance standing to the credit of Employee Stock Options Reserve is transferred to General Reserve.

Provident Fund

The Bank makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Bank's contribution is recognised as an expense in Profit and loss account during the period in which the employee renders the related service.

Defined Benefit Plan

Gratuity

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation carried out by an independent actuary using Projected Unit Credit Method made at the end of the period end. The Company makes contribution to a scheme administered by an Insurance Company approved by the Insurance Regulatory and Development Authority of India (IRDAI) to discharge the gratuity liability to the employees. Provisions made for the funded amount are expensed in the statement of profit and loss.

Compensated Absences

The Bank accrues the liability for compensated absences based on the actuarial valuation as at the period end conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the period end. Actuarial gains / losses are recognised in the Profit and Loss Account in the period in which they arise.

N. Borrowing Cost

Borrowing cost includes arranger fees, processing fees, stamp duty on issuance of debenture certificates and other associated transaction cost related to borrowing from banks and other financial institutions. In accordance with Accounting Standard 16, borrowing costs are recognised over the tenor of the borrowings.

O. Earnings per Share

Basic and diluted earnings per share is computed in accordance with Accounting Standard-20 – Earnings per share. Basic earnings per share is calculated by dividing the net profit or loss after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.

P. Segment Reporting

The disclosures relating to segment reporting is done in accordance with AS 17 "Segment Reporting" and as per guidelines issued by the RBI.

Q. Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows.

R. Corporate Social Responsibility

Expenditure towards corporate social responsibility in accordance with Companies Act, 2013 is recognised in the profit and loss account.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

1 (a) Amalgamation of the Punjab and Maharashtra Co-Operative Bank Ltd with Unity Small Finance Bank Limited

The Punjab and Maharashtra Co-operative Bank Limited ("PMC") was a Multi-State Scheduled Urban Co-operative Bank registered under the Multi-State Co-operative Societies Act, 2002 (39 of 2002) and carrying on the business of Banking in India. On account of detection of certain instances of fraud in the PMC in September 2019 and consequent to the precarious financial conditions, including complete erosion of capital and substantial deposit erosion of the PMC, RBI issued "All Inclusive Directions" to the PMC under Section 35A read with Section 56 of the Banking Regulation Act, 1949 (10 of 1949) with effect from close of business of September 23, 2019, to protect the interest of the depositors and to ensure that the Bank's available resources are not misused or diverted. RBI in exercise of the powers conferred under sub-sections (1) and (2) of Section 36AAA read with Section 56 of the Banking Regulation Act,1949 (10 of 1949) superseded the Board of Directors of the PMC on September 23,2019 and appointed an Administrator in its place.

Centrum Financial Services Limited, as promoters along with Resilient Innovation Private Limited as "joint investor", had expressed interest in the month of February 2021 in acquiring the Punjab and Maharashtra Co-operative Bank Limited through a suitable scheme of amalgamation with a new Small Finance Bank to be registered by the promoter. Accordingly, the Unity Small Finance Bank Limited ("USFB") was incorporated as Banking Company under the Companies Act 2013 on August 25,2021 and granted Banking licence by Reserve Bank under Section (1) of Section 2 of Banking Regulation Act on October 12,2021. The USFB has started transacting business of Banking under Section 5(c) of Banking Regulation Act, 1949 from November 1, 2021.

In exercise of the powers conferred by Sub-Section (7) of Section 45 of the Banking Regulation Act, 1949 (10 of 1949), (the "Act"), the Central Government sanctioned Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 vide notification dated January 25,2022 (hereinafter referred to as the "Scheme" or "SOA") for amalgamation of the PMC with the USFB, which came into force on January 25,2022 ("Appointed Date" or "Amalgamation Date").

As per the Scheme, upon its coming into effect from the appointed date, the undertaking of PMC Bank including all its assets, liabilities and specified reserves stood transferred/ deemed to be transferred to and vest in the USFB. Further, on and from the appointed date, the entire amount of the paid-up share capital and reserves and surplus of PMC stood written off.

The Scheme prescribed valuation of assets and reckoning of liabilties to be carried out as follows:

i) Investments other than Government Securities:- At the market rates prevailing on the day immediately preceding the appointed date;

ii) a) the Government Securities :- at values prevailing on the day immediately preceding the appointed date in accordance with the extant Reserve Bank guidelines;

b) the Securities of the Central Government such as Post-Office Certificates, Treasury Savings Deposit Certificates and any other securities or certificates issued under the small savings schemes of the Central Government :- At their face value or the encashable value as on the appointed date, whichever is higher;

c) where the market value of any Government Security held by the transferor Bank in respect of which the principal is payable in instalments, is not ascertainable or is for any reason not considered as reflecting the fair value thereof or as otherwise appropriate - at such amount as is considered reasonable having regard to the instalments of principal and interest remaining to be paid, the period during which such instalments are payable, the yield of any security issued by the Government to which the security pertains and having the same or approximately the same maturity and other relevant factors;

iii) where the market value of any security, share, debenture, bond or other investment is not considered reasonable by reason of its having been affected by abnormal factors - on the basis of its average market value over any reasonable period;

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

iv) where the market value of any security, share, debenture, bond or other investments is not ascertainable- only such value, if any, shall be taken into account as is considered reasonable, having regard to the financial position of the issuing concern, the dividends paid by it during the preceding five years and other relevant factors;

v) premises and all other immovable properties and any assets acquired in satisfaction of claims - at their market value;

vi) the furniture and fixtures, stationery in stock and other assets, if any - at the written down value as per books or the realisable value as may be considered reasonable;

vii) advances, including bills purchased and discounted, book debts, sundry assets, and all other remaining tangible/intangible assets to be scrutinised by the Bank and the securities, including guarantees held as cover therefor to be examined and verified by the Bank and thereafter, the advances including portions thereof, to be classified into two categories namely, "Advances considered good and readily realisable" and "Advances considered not readily realisable and/or bad or doubtful of recovery".

viii) Liabilities for purposes of the Scheme to include all liabilities, including contingent liabilities, which the Bank may be required to meet on or after the appointed date and in determining the value of the liabilities (including the liability towards Deposit Insurance and Credit Guarantee Corporation for payments to the insured depositors) for initial recognition in the books of the transferee Bank, the measurement basis maybe decided by the Reserve Bank and could include historical cost, current cost, settlement value, present value or any other measurement basis.

In respect of every other liability including the claims not acknowledged as debt, the bank shall pay only the principal amounts within a period of five years from the appointed date to the creditors in terms of the agreements entered or the terms and conditions agreed upon between them prior to the appointed date

The Scheme also prescribed the following terms and conditions with regard to certain restructured liabilities of erstwhile PMC Bank-

ix) Restructured Deposits Payable within 5 years from Amalgamation Date of PMC Bank and Unity Bank:

These are liabilities pertaining to erstwhile Retail Depositors of PMC Bank payable between Year 1 and Year 5 from the Amalgamation date.

The Bank shall pay to retail depositors between Year 1 and Year 5 from the Amalgamation date as set out in Clause No [6] to [c] of Note [ii to vi] of the scheme.

There is no interest payable on these sums.

x) Restructured Deposits Payable at the end of 10 years from the Amalgamation Date of PMC Bank and Unity Bank

These are liabilities pertaining to erstwhile Retail Depositors of PMC Bank payable at the end of 10 years from the Amalgamation Date.

The Bank shall pay to retail depositors at the end of Year 10 of the Appointed Date as set out in Clause No [6] of Note [c] of Note [vii] of the scheme.

Annual interest of 2.75% is payable from Year 6 till year 10 on these nominal amounts.

xi) Support from DICGC

DICGC has extended support to the Bank to repay Depositors as explained in detail in Paragraph No. [6][c] [i to vii] of the Scheme.

The Bank shall repay the amount received (no interest is payable on these sums) pursuant to Clause [7] of Note [2] of the scheme. The Bank has time up to 20 years from the Appointed Date, to repay the amount received from Deposit Insurance and Credit Guarantee Corporation (DICGC) towards payment to the insured depositors.

The Bank has created a Reserve Fund for "Payable to DICGC" (shown under Others Liabilities (including provisions)).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

xii) The terms and conditions of the PNCPS issued in accordance with the Scheme as approved by the Board of Directors/Shareholders are as follows:

PNCPS are issued at par at ₹ 10 per PNCPS and are unlisted. These PNCPS are perpetual, non-convertible and carry mandatory annual payment of dividend @ 1% p.a, irrespective of profits.

At the end of the 10th year from the appointed date, the bank will use "Net Cash Recoveries" (net of expenses related to such recoveries) from assets pertaining to Housing Development and Infrastructure Limited Group in excess of the principal amount of advances to Housing Development and Infrastructure Limited Group outstanding as on March 31, 2021 to buyback Perpetual Non-Cumulative Preference Shares at face value on a pro rata basis.

From the end of 21st year, the bank will buy-back the outstanding principal of the Perpetual Non- Cumulative Preference Shares, at the rate of at least 1 per cent. of the total Perpetual Non-Cumulative Preference Shares issued under the scheme per annum, provided the following conditions are satisfied, namely: -

i) all restructured liabilities pertaining to the erstwhile PMC including those towards Deposit Insurance and Credit Guarantee Corporation under the Scheme are fully discharged;

ii) capital adequacy ratio of the bank is at least three hundred basis points higher than the regulatory minimum capital-to-risk weighted assets ratio applicable at that point of time;

iii) net non-performing assets of the bank are at least two hundred basis points lower than the prescribed threshold for Prompt Corrective Action by Reserve Bank at that point of time;

iv) minimum "Net Cash Recovery" of the principal amount of advances to Housing Development and Infrastructure Limited Group as on March 31, 2021 from assets pertaining to Housing Development and Infrastructure Limited Group is more than 70 per cent. of the principal amount of advances;

v) the buyback of the Perpetual Non-Cumulative Preference Shares shall be capped at 10 per cent. of the yearly net profit of the bank for the previous year.

xiii) The terms and conditions of the share warrants as approved by the Board of Directors/Shareholders are as follows:

The warrants are issued at face value of ₹ 1 per equity warrant and are unlisted.

The warrants shall be exchanged for equity shares at the time of Initial Public Offer (IPO).

The number of warrants to be exchanged for 1 equity shares shall be = lower band of IPO price/ Face value of warrant.

Warrants shall be extinguished and the equity shares issued as per the exchange ratio prior to the IPO opening for subscription by the public. Upon exchange of warrants for equity shares, obligations of the bank in respect of the warrants shall stand extinguished. The treatment of warrants in the event of corporate actions other than IPO shall be as determined by the Reserve Bank of India.

The warrant holders shall have no other rights or privileges except as expressly provided in the term sheet. The warrant does not provide to the holder any right of shareholders of the bank including voting right, right to receive dividend, or any other corporate benefit which may be declared or announced by the bank from time to time, until such time that the warrants are extinguished and exchanged for the equity shares of the bank in accordance with the term sheet.

Further, equity warrants of ₹1900 crore, to be exercised within a total period of eight years by the holders thereof, have been issued by Unity Small Finance Bank Limited on November 1, 2021 to the promoters to bring further capital.

xiv) The management of USFBL carried out valuation of assets and determination of liabilities as on the appointed date of Amalgamation of erstwhile PMC Bank with USFBL i.e 25th January 2022, on the basis of balance sheet as at 24th January, 2022 i.e as at the close of business on the date immediately preceding the appointed date i.e January 25,2022 as per the scheme of amalgamation.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

Details of the assets valued and liabilities reckoned as per the scheme of amalgamation referred to above are as under:

Particulars	As at January 25, 2022
Assets	
Cash and balances with Reserve Bank of India	444
Balances with Banks and money at call and short notice	121
Investments	2,523
Advances	626
Fixed Assets	259
Other Assets	119
Deferred Tax asset on provision for doubtful advances (Refer note (iii) below)	730
Total Assets (I)	**4,822**
Liabilities	
Deposits	-
Borrowings	149
Other liabilities and provisions	745
Restructured liabilities towards depositors liabilities	2,957
Issue of equity warrants and PNCPS towards depositors liabilities	686
Total Liabilities (II)	**4,537**
Net Assets (III) = (II) - (I)	**285**
Purchase consideration [IV]	**-**
Capital Reserve on Amalgamation [IV] - [III]	**285**

Note :

i) The USFB scrutinised advances portfolio and considered additional provisioning, on a conservative basis, on advances over and above the provisions as per audited balance sheet as at 24th January, 2022 referred to hereinabove in respect of standard assets, taking into account the possibility of additional accounts which might have to be classified as NPA, as the process of identification of NPA in the erstwhile PMC Bank was manual.

ii) The Bank made adjustments in the carrying value of land and building as at the appointed date taking into account the valuation report obtained from approved valuer.

iii) Deferred tax asset as at the appointed date was recognised for the tax effect on provision for doubtful advances to the extent that it is reasonably certain that sufficient future taxable income will be available against which the said deferred tax asset can be realised.

iv) The Bank reckoned additional liabilities as at the appointed date based on its assessment

v) The restructured liabilities towards depositors, DICGC and PNCPS were valued on present value basis.

xv) During the year, the Bank has received further cash assistance (claims towards insured amount) from DICGC in respect of erstwhile PMC depositors, to the tune of ₹ 59 crore. In accordance with the Scheme, the Bank has credited these amounts received from DICGC to the respective depositors. Liability towards DICGC was reckoned on net present value basis in the initial recognition balance sheet. Accordingly, this additional cash assistance received from DICGC (₹ 59 crore) has also been reckoned at the net present value i.e. at ₹ 9 crore. The difference of ₹ 50 crore between the nominal value of ₹ 59 crore and net present value of ₹ 9 crore has been credited to Capital Reserve on Amalgamation, during the year, in accordance with the Scheme.

Additionally, during the year, the Bank has carried out reconciliation of liabilities towards depositors of erstwhile PMC bank which was amalgamated with the Bank on January 25, 2022 in accordance with the Scheme sanctioned by the Central Government. This resulted in increase in capital reserve to the extent of ₹ 7.13 crore, decrease in PNCPS by ₹ 0.02 crore, and decrease in share warrant by ₹ 0.09 crore and net increase/decrease in other liabilities/other assets by ₹ 8.09 crore.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

xvi) In line with the Scheme of Amalgamation (the Scheme), Bank has assumed liabilities of PMC Bank, to be discharged as per the Scheme (Restructured Liabilities). These Restructured Liabilities were reckoned on the present value basis in the balance sheet. The Scheme was notified with effect from January 25, 2022. In the Financial Year ended 2021-22, Bank has accounted for the subsequent measurement of fair value changes, in relation to the Restructured Liabilities, by debiting the profit and loss account and crediting the respective restructured liability accounts.

The Bank has been advised by an independent firm of chartered accountants that in view of absence of guidance in the Accounting standards which are applicable to the bank namely Indian Generally accepted Accounting Principles (IGAAP) and considering that the fair value changes relating to restructured liabilities arising on account of amalgamation are not in the nature of expense, the Bank has during the year recognised such fair value charge by debiting the profit and loss appropriation account and crediting the respective restructured liabilities. Accordingly, an amount of ₹ 249 crore has been debited to Profit and Loss Appropriation account and ₹ 59 crore has been credited to Reserve Fund for "Payable to DICGC" and the balance of ₹ 190 crore has been credited to the Reserve Fund for "Payable to PMC depositors". Had the profit and loss account been debited, it would have resulted in net Loss for the year of ₹ 214 crore. However, this change in the accounting policy does not have any impact on the reserves and surplus of the Bank and also Capital Adequacy Ratio (CAR).

Had the fair value change been debited to Profit and loss Appropriation Account, Loss for the year ended March 31, 2022 would have been lower by ₹ 46 Crore. However, the loss carried over to Balance sheet would have remained the same.

(b) Title deeds of immovable properties and physical verification of fixed assets

i) The Bank has carried out physical verification of fixed assets of all the branches of erstwhile PMC Bank. Physical verification of Fixed Assets of Central Office of the erstwhile PMC Bank at Dreams Mall – Bhandup could not be carried out due to major Fire which occurred on 25th March 2021 at the said premises, and the entry to the mall is restricted.

ii) The Bank has obtained the title documents of all the immovable properties of erstwhile PMC Bank, except for a few properties, the title documents of which are being traced. The Bank is also in the process of getting these titles transferred/ changed in its name. Registration formalities/ obtaining occupancy certificate etc. are pending in respect of certain properties.

(c) Fraud in erstwhile PMC Bank and disputes relating to erstwhile PMC Bank and the Scheme of Amalgamation.

i) Certain instances of fraud by Housing Development and Infrastructure Limited (HDIL) and its group companies in the erstwhile PMC Bank were detected in September 2019 and the said PMC Bank was placed under All Inclusive Directions (AID). The Bank has made full provision in respect of the advances given to HDIL by erstwhile PMC Bank.

ii) Legal Cases has also been filed against promoters of HDIL and erstwhile PMC Bank for taking criminal/civil action. In certain cases against the Bank like writ petitions, the Bank does not expect any liability in this regard.

iii) Some of the depositors of erstwhile PMC have filed writ petition/public interest litigation against the said Bank and others for protecting the interest of depositors and for repayment of the deposits along with interest in full and also against the scheme of amalgamation. Some of the creditors have filed cases against the said PMC Bank for recovering their dues.

iv) The Delhi High Court in November 2022 has dismissed the petition filed by certain depositors against Reserve Bank of India and others.

v) As per the Scheme of Amalgamation referred to in note 10, depositor or creditor of the transferor Bank shall not be entitled to make any demand against the erstwhile PMC Bank or the Bank (USFBL) in respect of any liability of the transferor Bank to the depositor/creditor except to the extent specified by the Scheme referred to

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

hereinabove.

vi) Accordingly, the Bank is of the opinion that the said claims of depositors or creditors of erstwhile PMC would not result in outflow of resources beyond the amount to which the Bank is liable as per the said Scheme.

(d) Automation of IT system

During the year, the Bank has migrated from Finacle to Turing. The data-based migration audit was carried out by external Auditors, and they have identified certain procedural and technical but correctible gaps in the migration process. The Bank has given due attention to remediate the control gaps. However, the said gaps do not have any impact on the financial statement.

RBI vide its Notification No. DoS.CO.PPG./SEC.03/11.01.005/2020-21 dated September 14, 2020 on "Automation of Income Recognition, Asset Classification and Provisioning processes in banks" advised the banks to put in place / upgrade their systems to conform to the guidelines prescribed in the said Notification latest by June 30, 2021 in order to ensure the completeness and integrity of the automated Asset Classification (classification of advances/investments as NPA/NPI and their upgradation), Provisioning calculation and Income Recognition processes. In this regard, Bank has sought time upto June 30, 2023 from RBI to put in place the IRAC automation process. In absence of the full automation process, the manual checks and balances are put in place.

In case of advances pertaining to erstwhile PMC Bank, the Management has made provision based on detailed analysis of various portfolios of such advances and does not expect any additional provisioning on this account as on March 31, 2023.

(e) Internal/concurrent audit/System audit

The Bank has initiated the process of conducting the Risk Based Internal Audits by the in-house team. The concurrent audit of Branches and other operations of the Bank's processes, along with erstwhile PMC Bank, conducted by the Board approved external Auditors. The same are in progress. The Bank will be carrying out System / EDP audit as required under RBI guidelines for reviewing various IT controls in the future after upgradation/ integration of various systems.

(f) Relaxations/forbearances granted by RBI

i) Reserve Bank of India vide its letter dated October 12,2021 has granted the relaxation/forbearances to the Bank giving additional time of 3 years over and above the period prescribed by RBI in the Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated December 5, 2019 ("SFB guidelines -2019") to comply with the following provisions:

a) Achievement of Priority Sector lending target of 75% of Adjusted Net Bank Credit

b) Requirement of at least 50% of loan portfolio to constitute loans and advances of upto ₹ 25 lacs and

c) Adherence to Exposure limit to single and group obligor for loans acquired from CFSL / CML / erstwhile PMC.

ii) RBI vide its letter dated March 10, 2022 and through subsequent communication has permitted/given the following clarifications:

a) Equity warrants may be included in the common equity

b) Bank is permitted to treat payables to retail depositors of PMC Bank (more than 15 lacs) to be repaid at the end of 10 years ("10 year Retail Payables") as Tier II Bonds for the purpose of CRAR calculations.

c) Certain restructured liabilities i.e. Perpetual Non-Cumulative Preference Shares ("PNCPS") is proposed to be BASEL III instrument. Since, the said instrument is issued pursuant to the Central Government notified scheme ("the Scheme"), to the extent there is any inconsistency, discrepancy or deviation with the applicable law, the provisions of the Scheme shall prevail.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

d) The restructured liabilities i.e. such as Perpetual Non-Cumulative Preference Shares (PNCPS), equity warrants, DICGC 10 years retail payable (allowed to be treated as Tier II capital) may not be included in the Net demand and time liabilities. Further, the deposits that the Bank needs to pay within the span of 5 years (excluding the deposits payable by DICGC) will come under the definition of deposits and attract CRR/SLR requirements.

e) The Bank is permitted to grandfather the existing contracts in respect of foreign exchange business with customers of erstwhile PMC Bank.

iii) RBI vide its letter dated May 18,2022 has permitted the Bank to include the fair value of the DICGC and PNCPS liability in CET -1 Capital till the Bank lists itself.

iv) The Bank is carrying 'The principal protected secured redeemable non-convertible market linked debentures (MLDs) and the Non-Convertible Debentures (NCD) originally issued by the Centrum Financial Services Limited (CFSL), a NBFC from whom the business was acquired on Slump sale basis. The MLDs are fully secured by a first pari-passu charge over the specified immovable property wherever applicable and present and future book debts, investments & receivables of the Bank. The NCDs are fully secured by first ranking pari passu charge against the Bank's identified receivables.

Banks are precluded from creating floating charge on their assets. Since such borrowings have been acquired from CFSL (an NBFC) by the Bank (SFB), in terms of SFB guidelines -2019 issued by RBI, the grandfathering of the aforesaid borrowings has been permitted till their maturity.

2 Regulatory Capital

a) Composition of Regulatory Capital

The Capital adequacy ratio ("CAR") has been computed as per operating guideline for Small Finance Bank in accordance with RBI Circular No. RBI/2016-17/81DBR. NBD.No.26/16.13.218/2016-17 dated October 6, 2016.

The Bank has followed Basel II standardized approach for credit risk in accordance with the Operating Guideline issued by the Reserve Bank of India for Small Finance banks. Further, the RBI vide its circular No. DBR.NBD.No. 4502/16.13.218/2017-18 dated November 8, 2017 has provided an exemption to all Small Finance Banks whereby no separate capital charge is prescribed for market risk and operational risk.

The Bank has also considered an additional Risk Weight of 25% on assets under lien for its "grandfathered" legacy borrowings

The following table set forth, for the year indicated, computation of Capital adequacy:

Particulars	As at March 31, 2023	As at March 31, 2022
Common Equity Tier 1 capital (Net of deductions, if any)*	1,276.04	1,475.04
Additional Tier 1 capital	-	-
Tier 1 capital *	1,276.04	1,475.04
Tier 2 capital *	1,045.35	948.90
Total capital (Tier 1 + Tier 2)	2,321.39	2,423.94
Total Risk weighted assets (RWAs)	4,698.82	3,804.70
Common Equity Tier 1 Capital ratio (%) (CET 1 as a percentage of RWAs))	27.16%	38.77%
Tier 1 capital ratio (%) (Tier 1 capital as a percentage of RWAs)	27.16%	38.77%
Tier 2 capital ratio (%) (Tier 2 capital as a percentage of RWAs)	22.25%	24.94%
Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	49.40%	63.71%
Leverage Ratio	15.84%	14.67%
Percentage of the shareholding of the Government of India in public sector banks	0.00%	0.00%
Amount of paid-up equity capital raised during the year*	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

2 Regulatory Capital (Contd..)

Particulars	As at March 31, 2023	As at March 31, 2022
Amount of non-equity Tier 1 capital raised of which;		
a) Perpetual Non Cumulative Preference Shares (PNCPS):	-	-
b) Perpetual Debt Instruments (PDI)	-	-
Amount of Tier 2 capital raised during the year, of which		
a) Perpetual Non Cumulative Preference Shares (PNCPS)	-	-
b) Perpetual Debt Instruments (PDI)	-	-

* Refer note 18(1)(a), (f)(ii), (f)(iii)

b) Capital Infusion

The Bank has not issued any equity shares during the year. (Previous Year : ₹ 704.90 crore)

Details of movement in the paid up equity share capital are as below:

Particulars	March 31, 2023		March 31, 2022	
	Equity shares(#)	Amount	Equity shares(#)	Amount
Equity shares at the beginning of the year	70,49,01,960	704.90	-	-
Addition pursuant to equity shares issued during the year	-	-	70,49,01,960	704.90
Equity shares outstanding at the end of the year	70,49,01,960	704.90	70,49,01,960	704.90

c) Earnings per equity share

Particulars	March 31, 2023	March 31, 2022
Net Profit/(Loss) after tax (₹ in crore)	34.62	(149.61)
Weighted average number of equity shares in computing the basic earnings per share(#)	70,49,01,960	70,49,01,960
Basic earnings per share	**0.17**	**(2.18)**
Weighted average number of equity shares in computing the diluted earnings per share(#)	1,71,91,21,074	70,49,01,960
Diluted earnings per share	**0.07**	**(2.18)**
Nominal value per Share (₹)	10.00	10.00

d) Reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	March 31, 2023	March 31, 2022
Weighted average number of equity shares in computing the basic earnings per share	70,49,01,960	70,49,01,960
Effect of potential equity shares outstanding	1,01,42,19,114	-
Weighted average number of equity shares in computing the diluted earnings per share	1,71,91,21,074	70,49,01,960

Basic earnings per equity share is computed by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding at the end of the year.

Diluted earnings per equity share is computed by dividing the net profit or loss after tax for the year attributable to equity shareholder by weighted average number of equity shares including potential equity shares outstanding as at the end of the year, except when results are anti dilutive.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

3 Reserve

a) Statutory Reserve

The Bank has reported Profit ₹ 34.62 crore during the year ended March 31, 2023 (Previous year loss : ₹ 153.61 crore) and hence the Bank has transferred ₹ 8.66 crore in Statutory Reserve.

b) Revenue and Other Reserves

No amount has been transferred to Revenue and Other Reserves during the year ended March 31, 2023. (Previous year Nil)

c) Capital Reserve

During the year ended March 31, 2023, the Bank has appropriated ₹ 0.14 crore (previous year: Nil), being the profit from sale of investments under HTM category, net of taxes and transfer to statutory reserve, from the Profit and Loss Account to the Capital Reserve.

d) Capital Reserve on Amalgamation

Refer note no. 18(1)(a)(xiv) and (xv)

e) Draw down from Reserves

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2023. (Previous Year : Nil)

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

4 Asset Liability Management

a) Maturity pattern of certain items of assets and liabilities as at March 31, 2023

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	6.78	70.91	90.67	29.03	71.46	120.83	358.56	240.19	1,661.16	34.56	0.48	2,684.63
Advances	66.56	45.69	45.47	133.83	245.60	239.16	366.78	495.07	1,262.24	740.39	827.40	4,468.19
Investments	751.36	113.61	140.47	145.06	80.12	318.65	121.16	68.34	411.57	187.38	98.08	2,435.80
Borrowings	-	256.65	1.00	3.39	7.10	16.70	20.24	21.46	52.06	50.00	-	428.60
Foreign Currency Assets	-	0.28	-	-	-	-	-	0.04	0.26	0.37	15.14	16.09
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.

a) Maturity pattern of certain items of assets and liabilities as at March 31, 2022

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	28.33	170.00	198.34	0.00	0.00	0.00	0.00	0.30	3,424.13	1.27	0.00	3,822.37
Advances	69.30	22.98	31.02	119.48	141.96	144.26	316.01	379.35	503.78	192.01	498.97	2,419.12
Investments	2,164.68	15.81	19.81	3.19	5.74	14.20	27.36	34.19	391.06	91.62	3.35	2,771.03
Borrowings	0.00	14.92	4.83	8.40	44.75	109.99	204.91	267.88	261.08	186.65	25.00	1,128.40
Foreign Currency Assets	14.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.91
Foreign Currency Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

5 Liquidity Coverage Ratio (LCR)

Particulars	Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1. Total High Quality Liquid Assets (HQLA)		2,172.87		2,212.64		2,648.01		4,541.21
Cash Outflows								
2. Retail deposits and deposits from small business customers, of which:	2,037.72	202.32	1,760.73	105.77	1,617.11	89.75	2,512.38	162.28
(i) Stable deposits	29.07	1.45	1,406.12	70.31	1,439.18	71.96	1,779.07	88.95
(ii) Less stable deposits	2,008.65	200.86	354.60	35.46	177.94	17.79	733.31	73.33
3. Unsecured wholesale funding, of which:	165.99	150.13	80.56	80.56	1.52	1.52	11.47	11.47
(i) Operational deposits (all counterparties)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Non-operational deposits (all counterparties)	165.99	150.13	80.56	80.56	0.00	0.00	0.00	0.00
(iii) Unsecured debt	0.00	0.00	0.00	0.00	1.52	1.52	11.47	11.47
4. Secured wholesale funding		55.68		73.31		167.76		266.43
5. Additional requirements, of which	652.25	65.23	541.59	54.16	465.85	46.58	0.00	0.00
(i) Outflows related to derivative exposures and other collateral requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(iii) Credit and liquidity facilities	652.25	65.23	541.59	54.16	465.85	46.58	0.00	0.00
6. Other contractual funding obligations	44.85	44.85	56.10	56.10	59.28	59.28	48.78	48.78
7. Other contingent funding obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8. TOTAL CASH OUTFLOWS		**518.20**		**369.90**		**364.90**		**488.96**
Cash Inflows								
9. Secured lending (e.g. reverse repos)	113.34	0.00	150.84	0.00	279.57	0.00	1,632.06	0.00
10. Inflows from fully performing exposures	281.75	140.88	0.00	0.00	0.00	0.00	0.00	0.00
11. Other cash inflows	69.03	69.03	0.00	0.00	0.00	0.00	0.00	0.00
12. TOTAL CASH INFLOWS	**464.12**	**209.91**	**150.84**	**0.00**	**279.57**	**0.00**	**1,632.06**	**0.00**
TOTAL HQLA		**2,172.87**		**2,212.64**		**2,648.01**		**4,541.21**
TOTAL NET CASH OUTFLOWS		**308.30**		**369.90**		**364.90**		**488.96**
LIQUIDITY COVERAGE RATIO (%)		**704.80**		**598.17**		**725.69**		**928.75**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

5 Liquidity Coverage Ratio (LCR) (Contd..)

Quantitative information on Liquidity coverage ratio (LCR) for the period ended March 31, 2022 is given below:

Particulars	Quarter ended March 31, 2022		Quarter ended December 31, 2021	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets				
1. Total High Quality Liquid Assets (HQLA)		6,887.42		868.05
Cash Outflows				
2. Retail deposits and deposits from small business customers, of which:	5,718.42	382.24	3.26	0.16
(i) Stable deposits	3,792.11	189.61	3.26	0.16
(ii) Less stable deposits	1,926.31	192.63	0.00	0.00
3. Unsecured wholesale funding, of which:	15.56	15.56	0.14	0.14
(i) Operational deposits (all counterparties)	0.00	0.00	0.00	0.00
(ii) Non-operational deposits (all counterparties)	0.00	0.00	0.00	0.00
(iii) Unsecured debt	15.56	15.56	0.14	0.14
4. Secured wholesale funding		257.95		109.09
5. Additional requirements, of which	0.00	0.00	0.00	0.00
(i) Outflows related to derivative exposures and other collateral requirements	0.00	0.00	0.00	0.00
(ii) Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00
(iii) Credit and liquidity facilities	0.00	0.00	0.00	0.00
6. Other contractual funding obligations	48.61	48.61	0.00	0.00
7. Other contingent funding obligations	8.33	0.42	35.00	1.75
8. TOTAL CASH OUTFLOWS		**704.76**		**111.14**
Cash Inflows				
9. Secured lending (e.g. reverse repos)	244.98	0.00	95.00	0.00
10. Inflows from fully performing exposures	0.00	0.00	0.00	0.00
11. Other cash inflows	0.00	0.00	0.00	0.00
12. TOTAL CASH INFLOWS	**244.98**	**0.00**	**95.00**	**0.00**
TOTAL HQLA		**6,887.42**		**868.05**
TOTAL NET CASH OUTFLOWS		**704.76**		**111.14**
LIQUIDITY COVERAGE RATIO (%)		**977.27**		**781.01**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

5 Liquidity Coverage Ratio (LCR) (Contd..)

Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

The LCR is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting 30 calendar days. The 30-calendar-day stress period is the minimum period deemed necessary for corrective action to be taken by the bank's management or by supervisors.

The LCR requires active banks to hold a stock of HQLA at least as large as expected total net cash outflows over the stress period, as summarised in the following formula:

$$\frac{\text{Stock of HQLA}}{\text{Total Net cash flows over the next 30 calendar days}} \geq 100\%$$

The total expected outflows are determined by multiplying the outstanding balances of various categories of liabilities and off-balance sheet commitments by the supervisory rates at which they are expected to run off or be drawn down. Total expected cash inflows are estimated by applying inflow rates to the outstanding balances of various contractual receivables. The difference between the stressed outflows and inflows is the minimum size of the HQLA stock.

HQLA are cash or assets that can be converted into cash quickly through sales (or by being pledged as collateral) with no significant loss of value. A liquid asset can be included in the stock of HQLA if it is unencumbered, meets minimum liquidity criteria and its operational factors demonstrate that it can be disposed of to generate liquidity when needed. HQLA comprises of cash in hand, excess CRR, excess SLR securities, maximum liquidity facility allowed by RBI under marginal standing facility (MSF – 2% of NDTL) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR – 16% of NDTL).

The Bank continues to maintain high HQLA in form of SLR securities acquired from erstwhile PMC Bank and surplus liquidity through retention of DICGC deposits which fall under retail category. From time-to-time small investments have been made in Level 2A HQLA to manage excess liquidity. The Bank was conservative in its calculation approach by ignoring any inflow adjustment in the denominator. Starting Feb '23 the Bank started adjusting the denominator for inflows which led to an increase in LCR compared to the previous quarter. The Bank's LCR will steadily normalize with growing business requirements.

6 Net Stable Funding ratio (NSFR)

	Particulars	As at March 31, 2023					As at December 31, 2022				
		Unweighted value by residual maturity				Weightaged Value	Unweighted value by residual maturity				Weightaged Value
		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
	ASF Item										
1	Capital: (2+3)	2321.39	0.00	0.00	0.00	2321.39	2478.72	0.00	0.00	0.00	2478.72
2	**Regulatory capital**	1276.04	0.00	0.00	0.00	1276.04	1457.90	0.00	0.00	0.00	1457.90
3	Other capital instruments	1045.35	0.00	0.00	0.00	1045.35	1020.82	0.00	0.00	0.00	1020.82
4	Retail deposits and deposits from small business customers: (5+6)	850.53	521.17	198.96	0.00	1414.53	864.75	217.63	96.54	0.00	1040.97
5	Stable deposits	18.69	0.00	0.00	0.00	17.75	14.83	6.17	2.86	0.00	22.67

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

6 Net Stable Funding ratio (NSFR) (Contd..)

	Particulars	As at March 31, 2023					As at December 31, 2022				
		Unweighted value by residual maturity				Weightaged Value	Unweighted value by residual maturity				Weightaged Value
		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
6	Less stable deposits	831.84	521.17	198.96	0.00	1396.78	849.93	211.46	93.68	0.00	1018.30
7	Wholesale funding: (8+9)	12.75	13.36	62.69	0.00	44.40	0.00	0.00	40.86	0.00	20.43
8	Operational deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	Other wholesale funding	12.75	13.36	62.69	0.00	44.40	0.00	0.00	40.86	0.00	20.43
10	Other liabilities: (11+12)	1703.83	0.13	2.15	3681.64	3681.64	1162.12	7.40	4.49	3787.52	3787.52
11	NSFR derivative liabilities	0.00	0.13	2.15	0.00	0.00	0.00	7.40	4.49	0.00	0.00
12	All other liabilities and equity not included in the above categories	1703.83	0.00	0.00	3681.64	3681.64	1162.12	0.00	0.00	3787.52	3787.52
13	Total ASF (1+4+7+10)	-	-	-	-	7461.96	-	-	-	-	7327.64
	RSF Item	-	-	-	-	-	-	-	-	-	
14	Total NSFR high-quality liquid assets (HQLA)	386.30	545.54	18.38	1,009.41	109.24	383.12	646.18	77.05	1293.03	109.31
15	Deposits held at other financial institutions for operational purposes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	Performing loans and securities: (17+18+19+21+23)	12.81	561.42	495.05	3015.17	3619.70	11.81	1633.79	602.93	1888.83	2716.91
17	Performing loans to financial institutions secured by Level 1 HQLA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0.00	26.60	0.13	0.00	4.06	0.00	0.00	0.00	0.00	0.00
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	0.00	534.82	494.92	2717.62	3390.67	0.00	1633.79	602.93	1724.20	2583.93
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
21	Performing residential mortgages, of which:	0.00	0.00	0.00	194.15	126.20	0.00	0.00	0.00	85.02	55.26
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	0.00	0.00	194.15	126.20	0.00	0.00	0.00	85.02	55.26
23	Securities that are not in default and do not qualify as HQLA, including exchangetraded equities	12.81	0.00	0.00	103.40	98.78	11.81	0.00	0.00	79.62	77.71
24	Other assets: (sum of rows 25 to 29)	0.10	0.13	0.02	78.90	1240.82	0.10	5.42	4.82	1328.27	1338.60

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

6 Net Stable Funding ratio (NSFR) (Contd..)

	Particulars	As at March 31, 2023					As at December 31, 2022				
		Unweighted value by residual maturity				Weightaged Value	Unweighted value by residual maturity				Weightaged Value
		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
25	Physical traded commodities, including gold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	0.10	0.00	0.00	0.00	0.09	0.10	0.00	0.00	0.00	0.09
27	NSFR derivative assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
28	NSFR derivative liabilities before deduction of variation margin posted	0.00	0.11	0.00	0.00	0.11	0.00	0.59	0.00	0.00	0.59
29	All other assets not included in the above categories	0.00	0.02	0.02	78.90	1240.63	0.00	4.82	4.82	1328.27	1337.92
30	Off-balance sheet items	698.56	0.00	0.00	0.00	34.93	594.92	0.00	0.00	0.00	29.75
31	Total RSF	-	-	-	-	5004.69	-	-	-	-	4194.56
32	Net Stable Funding Ratio (%)					149.10%					174.69%

		As at September 30, 2022					As at June 30, 2022				
		Unweighted value by residual maturity				Weightaged Value	Unweighted value by residual maturity				Weightaged Value
		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
	ASF Item										
1	Capital: (2+3)	2420.92	0.00	0.00	0.00	2420.92	23.57	0.00	0.00	0.00	2357.49
2	Regulatory capital	1424.58	0.00	0.00	0.00	1424.58	13.85	0.00	0.00	0.00	1385.00
3	Other capital instruments	996.34	0.00	0.00	0.00	996.34	9.72	0.00	0.00	0.00	972.49
4	Retail deposits and deposits from small business customers: (5+6)	980.69	45.60	159.76	0.00	1119.95	1094.58	30.24	133.51	0.00	1188.83
5	Stable deposits	892.67	15.62	141.81	0.00	997.60	1008.53	15.14	102.97	0.00	1070.30
6	Less stable deposits	88.02	29.97	17.94	0.00	122.35	86.05	15.11	30.54	0.00	118.53
7	Wholesale funding: (8+9)	0.00	0.00	73.35	0.00	36.67	0.00	4.00	94.67	0.00	49.33
8	Operational deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	Other wholesale funding	0.00	0.00	73.35	0.00	36.67	0.00	4.00	94.67	0.00	49.33
10	Other liabilities: (11+12)	916.42	1.47	13.19	3614.57	3614.57	691.74	53.32	6.73	4593.13	4590.30
11	NSFR derivative liabilities	0.00	1.47	13.19	0.00	0.00	0.00	53.32	6.73	2.89	0.00
12	All other liabilities and equity not included in the above categories	916.42	0.00	0.00	3614.57	3614.57	691.74	0.00	0.00	4590.30	4590.30

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

6 Net Stable Funding ratio (NSFR) (Contd..)

		As at September 30, 2022					As at June 30, 2022				
		Unweighted value by residual maturity				Weightaged Value	Unweighted value by residual maturity				Weightaged Value
		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
13	Total ASF (1+4+7+10)	-	-	-	-	7192.10	-	-	-	-	8185.96
	RSF Item	-	-	-	-	-	-	-	-	-	
14	Total NSFR high-quality liquid assets (HQLA)	413.31	161.41	688.47	1,100.65	105.54	358.29	935.17	710.81	1247.51	150.20
15	Deposits held at other financial institutions for operational purposes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	Performing loans and securities: (17+18+19+21+23)	0.00	1418.25	849.12	1479.02	2372.77	0.00	927.28	429.31	1345.77	1783.76
17	Performing loans to financial institutions secured by Level 1 HQLA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26.50	0.00	13.25
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	0.00	1418.25	849.12	1306.14	2243.31	0.00	927.28	402.81	1100.14	1600.16
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
21	Performing residential mortgages, of which:	0.00	0.00	0.00	87.43	56.83	0.00	0.00	0.00	192.22	124.94
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	0.00	0.00	87.43	56.83	0.00	0.00	0.00	192.22	124.94
23	Securities that are not in default and do not qualify as HQLA, including exchange traded equities	0.00	0.00	0.00	85.45	72.64	0.00	0.00	0.00	53.41	45.40
24	Other assets: (sum of rows 25 to 29)	0.62	9.54	5.50	1374.89	1390.47	0.90	7.58	12.48	1420.08	1440.90
25	Physical traded commodities, including gold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	0.62	0.00	0.00	0.00	0.53	0.90	0.00	0.00	0.00	0.77

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

6 Net Stable Funding ratio (NSFR) (Contd..)

		As at September 30, 2022					As at June 30, 2022				
		Unweighted value by residual maturity				Weightaged Value	Unweighted value by residual maturity				Weightaged Value
		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
27	NSFR derivative assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
28	NSFR derivative liabilities before deduction of variation margin posted	0.00	0.73	0.00	0.00	0.73	0.00	3.15	0.00	0.00	3.15
29	All other assets not included in the above categories	0.00	8.81	5.50	1374.89	1389.21	0.00	4.43	12.48	1420.08	1436.99
30	Off-balance sheet items	476.57	0.00	0.00	0.00	23.83	269.04	0.00	0.00	0.00	13.45
31	Total RSF	-	-	-	-	3892.61	-	-	-	-	3388.31
32	Net Stable Funding Ratio (%)					184.76%					241.59%

Net Stable Funding ratio (NSFR)

		As at March 31, 2022					As at December 31, 2021				
		Unweighted value by residual maturity				Weightaged Value	Unweighted value by residual maturity				Weightaged Value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF	**Item**										
1	Capital: (2+3)	0.00	0.00	1475.04	948.90	2423.94	0.00	0.00	998.92	0.00	998.92
2	Regulatory capital	0.00	0.00	1475.04	0.00	1475.04	0.00	0.00	998.92	0.00	998.92
3	Other capital instruments	0.00	0.00	0.00	948.90	948.90	0.00	0.00	0.00	0.00	0.00
4	Retail deposits and deposits from small business customers: (5+6)	0.00	0.00	396.97	0.00	377.10	0.00	0.00	0.01	0.00	0.01
5	Stable deposits	0.00	0.00	396.67	0.00	376.84	0.00	0.00	0.01	0.00	0.01
6	Less stable deposits	0.00	0.00	0.30	0.00	0.27	0.00	0.00	0.00	0.00	0.00
7	Wholesale funding: (8+9)	0.00	0.00	12.00	0.00	6.00	0.00	0.00	18.00	0.00	9.00
8	Operational deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	Other wholesale funding	0.00	0.00	12.00	0.00	6.00	0.00	0.00	18.00	0.00	9.00
10	Other liabilities: (11+12)	0.00	0.00	267.88	7524.18	7580.97	0.00	0.00	393.69	585.29	705.81
11	NSFR derivative liabilities		0.00	0.00	77.15		0.00	0.00	0.00	76.33	0.00
12	All other liabilities and equity not included in the above categories	0.00	0.00	267.88	7447.03	7580.97	0.00	0.00	393.69	508.96	705.81
13	Total ASF (1+4+7+10)					10388.01					1713.74

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

6 Net Stable Funding ratio (NSFR) (Contd..)

		As at March 31, 2022					As at December 31, 2021				
		Unweighted value by residual maturity				Weightaged Value	Unweighted value by residual maturity				Weightaged Value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
RSF	**Item**						0.00	0.00	0.00	0.00	0.00
14	Total NSFR high-quality liquid assets (HQLA)	0.00	0.00	0.00	6464.42	315.45	0.00	0.00	78.01	591.26	65.77
15	Deposits held at other financial institutions for operational purposes	0.00	0.00	0.00	0.00	0.00	0.00	16.41	3.09	5.51	12.50
16	Performing loans and securities: (17+18+19+21+23)	0.00	817.67	351.85	904.74	1240.44	0.00	512.89	294.24	51.26	447.13
17	Performing loans to financial institutions secured by Level 1 HQLA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0.00	30.00	26.50	0.00	28.25	0.00	3.45	32.73	0.00	18.09
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	0.00	787.67	325.35	791.65	1207.82	0.00	509.44	261.51	51.26	429.04
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
21	Performing residential mortgages, of which:	0.00	0.00	0.00	107.95	70.17	0.00	0.00	0.00	0.00	0.00
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
23	Securities that are not in default and do not qualify as HQLA, including exchangetraded equities	0.00	0.00	0.00	5.14	4.37	0.00	0.00	0.00	0.00	0.00
24	Other assets: (sum of rows 25 to 29)	0.00	0.00	0.00	1781.94	1708.29	0.00	0.00	0.00	749.14	675.80
25	Physical traded commodities, including gold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

6 Net Stable Funding ratio (NSFR) (Contd..)

		As at March 31, 2022					As at December 31, 2021				
		Unweighted value by residual maturity				Weightaged Value	Unweighted value by residual maturity				Weightaged Value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	0.00	0.00	0.00	2.39	2.03	0.00	0.00	0.00	5.50	4.68
27	NSFR derivative assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
28	NSFR derivative liabilities before deduction of variation margin posted	0.00	0.00	0.00	77.15	3.86	0.00	0.00	0.00	76.33	3.82
29	All other assets not included in the above categories	0.00	0.00	0.00	1702.40	1702.40	0.00	0.00	0.00	667.31	667.31
30	Off-balance sheet items	0.00	0.00	0.00	222.00	11.10	0.00	0.00	0.00	0.00	0.00
31	Total RSF	0.00	817.67	351.85	9373.10	**3275.28**	0.00	529.30	375.34	1397.17	**1201.20**
32	Net Stable Funding Ratio (%)					**317.16**					**142.67**

The Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) are significant components of the Basel III reforms. The LCR promotes short term resilience of a bank's liquidity profile. The NSFR on the other hand ensures reduction in funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

The objective of NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the probability of erosion of a bank's liquidity position due to disruptions in a bank's regular sources of funding that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

$$\frac{\text{NSFR} = \text{Available stable Funding (ASF)}}{\text{Required stable Funding (RSF)}} \geq 100\%$$

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

The Bank maintained a comfortable NSFR of 149.10 % for year ending March 31, 2023 (Previous Year : 317.16%). NSFR has steadily reduced for the year mainly due to ASF remaining stagnant in comparison to RSF which increased mostly in form of performing advances.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

7 Investments

a) Composition of Investments Portfolio (Investment in India) :

Sr. No	Particulars	As at March 31, 2023						
		Government securities	Other approved securities	Shares	Debentures and Bonds*	Subsidiaries and/ or Joint Ventures	Others	Total investments in India
	Held to Maturity							
i)	Gross	903.90	-	-	-	-	-	903.90
ii)	Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-
iii)	Net	**903.90**	**-**	**-**	**-**	**-**	**-**	**903.90**
	Available for Sale							
i)	Gross	627.44	-	17.64	389.00	-	591.71	1,625.79
ii)	Less: Provision for depreciation and NPI	7.26	-	6.89	2.63	-	89.12	105.90
iii)	Net	**620.18**	**-**	**10.75**	**386.37**	**-**	**502.59**	**1,519.89**
	Held for Trading							
i)	Gross	12.01	-	-	-	-	-	12.01
ii)	Less: Provision for depreciation and NPI	-	-	-	-	-	-	-
iii)	Net	**12.01**	**-**	**-**	**-**	**-**	**-**	**12.01**
	Total Investments							
	Gross	1,543.35	-	17.64	389.00	-	591.71	2,541.70
	Less: Provision for non- performing investments	-	-	-	1.98	-	-	1.98
	Less: Provision for depreciation and NPI	7.26	-	6.89	0.65	-	89.12	103.92
	Net	**1,536.09**	**-**	**10.75**	**386.37**	**-**	**502.59**	**2,435.80**

** Grand-fathered Investment-NCD in the nature of Loan.*

Composition of Investments Portfolio (Investment in India) :

Sr. No	Particulars	As at March 31, 2022						
		Government securities	Other approved securities	Shares	Debentures and Bonds*	Subsidiaries and/ or Joint Ventures	Others	Total investments in India
	Held to Maturity							
i)	Gross	393.01	-	-	-	-	-	393.01
ii)	Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-
iii)	Net	**393.01**	**-**	**-**	**-**	**-**	**-**	**393.01**
	Available for Sale							
i)	Gross	2,355.15	-	1.08	31.20	-	94.84	2,482.27
ii)	Less: Provision for depreciation and NPI	12.95	-	0.01	2.14	-	89.12	104.22
iii)	Net	**2,342.20**	**-**	**1.07**	**29.06**	**-**	**5.72**	**2,378.05**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

7 Investments (Contd..)

Sr. No	Particulars	As at March 31, 2022						
		Government securities	Other approved securities	Shares	Debentures and Bonds*	Subsidiaries and/ or Joint Ventures	Others	Total investments in India
	Held for Trading							
i)	Gross	-	-	-	-	-	-	-
ii)	Less: Provision for depreciation and NPI	-	-	-	-	-	-	-
iii)	Net	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total Investments							
	Gross	2,748.16	-	1.08	31.20	-	94.84	2,875.28
	Less: Provision for non-performing investments	-	-	-	1.98	-	-	1.98
	Less: Provision for depreciation and NPI	12.95	-	0.01	0.16	-	89.12	102.24
	Net	**2,735.21**	**-**	**1.07**	**29.06**	**-**	**5.72**	**2,771.06**

** Grand-fathered Investment-NCD in the nature of Loan.*

Composition of Investments Portfolio (Investment Outside India) :

As at March 31, 2023 and 2022, the bank did not have any investment portfolio outside India.

b) Movement of provisions for Deprecation and Investment Fluctuation Reserves :

Sr. No	Particulars	March 31, 2023	March 31, 2022
1	Movement of provisions held towards depreciation on investments		
	(i) Opening balance	102.24	-
	(ii) Add: Additions on amalgamation of PMC (schedule 18 note (1))	-	89.13
	(iii) Add: Provisions made during the year	12.51	13.12
	(iv) Less: Write off / write back of excess provisions during the year	10.83	-
	(v) Closing balance	103.92	102.24
2	Movement of Investment Fluctuation Reserve		
	(i) Opening balance	-	-
	(ii) Add: Amount transferred during the year	-	-
	(iii) Less: Drawdown	-	-
	(iv) Closing balance	-	-
3	Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category	-	-

c) Sale and transfer of securities to / from HTM category

During the year ended 31 March, 2023 and 2022 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities, additional shifting of securities explicitly permitted by RBI and sales to RBI under Open Market Operations (OMO) /Government Securities Acquisition Programme (GSAP)/Conversion/ Switch auctions) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

7 Investments (Contd..)

d) Non-SLR investment portfolio

i) Issuer composition of Non-SLR investments as at March 31, 2023:

Sr. No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
a)	PSUs	373.22	126.60	-	-	-
b)	FIs	-	-	-	-	-
c)	Banks	77.36	45.65	-	-	-
d)	Private Corporates	455.14	277.88	-	3.21	3.21
e)	Subsidiaries / Joint Ventures	-	-	-	-	-
f)	Others	90.65	0.46	-	90.65	90.65
g)	Provision held towards depreciation	96.66	-		-	-
	Total	**899.71**	**450.59**	**-**	**93.86**	**93.86**

Amounts reported under columns 4, 5, 6 and 7 above are not mutually exclusive

i) Issuer composition of Non-SLR investments as at March 31, 2022:

Sr. No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
a)	PSUs	5.33	-	-	-	-
b)	FIs	-	-	-	-	-
c)	Banks	5.14	-	-	-	-
d)	Private Corporates	24.47	-	-	18.75	18.75
e)	Subsidiaries / Joint Ventures	-	-	-	-	-
f)	Others	90.20	1.08	-	1.08	90.20
g)	Provision held towards depreciation	89.29	0.01	-	0.01	89.13
	Total	**35.85**	**1.07**	**-**	**19.82**	**19.82**

Amounts reported under columns 4, 5, 6 and 7 above are not mutually exclusive

ii) Non performing Non SLR Investments

Sr. No	Particulars	March 31, 2023	March 31, 2022
a)	Opening balance	1.98	-
b)	Addition during the year*	-	1.98
c)	Reductions during the above period	-	-
d)	Closing balance	1.98	1.98
e)	Total provisions held	1.98	1.98

**Refer note 18(1)(a).*

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

e) Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions (In face value terms) :

Sr. No	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2023
1	**Securities sold under repo**				
	i. Government securities	2.00	250.00	31.86	85.52
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	10.00	4,226.26	366.71	-
	ii. Corporate debt securities	-	-	-	-

Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions (In face value terms) :

Sr. No	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2022
1	**Securities sold under repo**				
	i. Government securities	15.54	15.54	0.10	-
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	59.87	1,219.74	326.27	246.62
	ii. Corporate debt securities	-	-	-	-

8 Asset Quality

a) Classification of advances and provisions held as at March 31,2023:

Sr. No	Particulars	Standard	Non Performing				Total
		Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non - Performing Advances	
	Gross Standard Advances and NPAs						
i)	Opening Balance	2,222.23	96.33	1,007.93	2,669.05	3,773.30	5,995.52
ii)	Add: Additions during the year	-	-	-	-	151.30	
iii)	Less: Reductions during the year*	-	-	-	-	157.24	
iv)	Closing balance	4,452.90	51.06	656.25	3,060.06	3,767.36	8,220.26
	*Reductions in Gross NPAs due to:	-	-	-	-		
	i) Upgradation	-	-	-	-	66.21	-
	ii) Recoveries (excluding recoveries from upgraded accounts)	-	-	-	-	82.21	-
	iii) Technical/Prudential Write-offs	-	-	-	-	-	-
	iv) Write-offs other than those under (iii) above	-	-	-	-	8.81	-
	Provisions (excluding Floating Provisions)						
i)	Opening balance of provisions held	12.52	21.39	885.97	2,669.05	3,576.41	3,588.93
ii)	Add: Fresh provisions made during the year	-				285.26	285.26
iii)	Less: Excess provision reversed/ Write-off loans	-				109.62	109.62
iv)	Closing balance of provisions held	19.26	38.85	653.14	3,060.06	3,752.05	3,771.31

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

8 Asset Quality (Contd..)

Sr. No	Particulars	Standard	Non Performing				Total
		Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non - Performing Advances	
	Net NPAs					-	
i)	Opening balance	-	74.93	121.96	-	196.89	196.89
ii)	Add: Fresh addition made during the year					13.13	13.13
iii)	Less: Reduction during the year					194.72	194.72
iv)	Closing Balance	-	12.21	3.11	-	15.31	15.31
	Floating Provisions						
i)	Opening Balance						-
ii)	Add: Additional provisions made during the year						-
iii)	Less: Amount drawn down during the year						-
iv)	Closing balance of floating provisions						-
	Technical write-offs and the recoveries made thereon						
i)	Opening balance of Technical/ Prudential written-off accounts						-
ii)	Add: Technical/ Prudential write-offs during the year						-
iii)	Less: Recoveries made from previously technical/ prudential written-off accounts during the year						-
iv)	Closing balance						-

Classification of advances and provisions held as at March 31,2022:

Sr. No	Particulars	Standard	Non Performing				Total
		Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non - Performing Advances	
	Gross Standard Advances and NPAs						
i)	Opening Balance						
ii)	Add: Additions during the year					3,773.30	
iii)	Less: Reductions during the year*						
iv)	Closing balance	2,222.23	96.33	1,007.93	2,669.05	3,773.30	5,995.52
	*Reductions in Gross NPAs due to:						
	i) Upgradation					-	-
	ii) Recoveries (excluding recoveries from upgraded accounts)					-	-
	iii) Technical/Prudential Write-offs					-	-
	iv) Write-offs other than those under (iii) above					-	-
	Provisions (excluding Floating Provisions)						
i)	Opening balance of provisions held	-	-	-	-	-	
ii)	Add: Fresh provisions made during the year					3,576.41	
iii)	Less: Excess provision reversed/ Write-off loans					-	
iv)	Closing balance of provisions held	12.52	21.39	885.97	2,669.05	3,576.41	3,588.93

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

8 Asset Quality (Contd..)

Sr. No	Particulars	Standard	Non Performing				
		Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non - Performing Advances	Total
	Net NPAs						
i)	Opening balance	-	-	-	-	-	
ii)	Add: Fresh addition made during the year					196.89	
iii)	Less: Reduction during the year					-	
iv)	Closing Balance	-	74.94	121.95	-	196.89	
	Floating Provisions						
i)	Opening Balance						-
ii)	Add: Additional provisions made during the year						-
iii)	Less: Amount drawn down during the year						-
iv)	Closing balance of floating provisions						-
	Technical write-offs and the recoveries made thereon						
i)	Opening balance of Technical/ Prudential written-off accounts						-
ii)	Add: Technical/ Prudential write-offs during the year						-
iii)	Less: Recoveries made from previously technical/ prudential written-off accounts during the year						-
iv)	Closing balance						-

Sr. No	Ratios (In Percent)	As at March 31, 2023	As at March 31, 2022
1	Gross NPA to Gross Advances (GNPA)*	45.83%	62.94%
2	Net NPA to Net Advances (NNPA)	0.34%	8.14%
3	Provision coverage ratio (PCR)	99.59%	94.78%

** GNPA excluding book acquired as part of the Scheme vide notification dated January 25,2022 is 3.17% and 3.37% for the year ended March 31, 2023 and 2022 Further, Bank has created 100% provision on Gross Non-performing advances acquired as part of the Scheme*

b) Details of transfer of loan exposure

During the year, the Bank has transferred/acquired loan exposure (including standard and stressed account) under master direction "RBI (Transfer of Loan Exposure) Directives, 2021.

Details of loans not in default transferred to other entities:

Particulars	March 31, 2023
Aggregate amount of loans transferred	50.04
Aggregate consideration received	50.04
Weighted average residual maturity	N.A.
Weighted average holding period of originator	5.58 Years
Retention of beneficial economic interest by originator	N.A.
Coverage of tangible security coverage (%)	100%
Rating-wise distribution of rated loans	Not Rated

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

8 Asset Quality (Contd..)

Details of stressed loans transferred (Including written off accounts) during the year ended 31 March, 2023:

Particulars	To ARC's		To permitted transferees		To other transferees	
	NPA	SMA	NPA	SMA	NPA	SMA
No. of accounts	-	-	2215	-	-	-
Aggregate principal outstanding of loans transferred (on the date of transfer)	-	-	9.06	-	-	-
Weighted average residual tenor of the loans transferred	-	-	N.A.	-	-	-
Net book value of the loans transferred (at the time of transfer)	-	-	-	-	-	-
Aggregate consideration	-	-	0.17	-	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-	-	-	-	-

During the year Bank has sold the Write off pool of ₹ 22.71 crore against the consideration of ₹ 0.42 crore to NBFC.

During the period ended March 31, 2022, the Bank has not transferred/acquired loan exposure (including standard and stressed account) under master direction "RBI (Transfer of Loan Exposure) Directives, 2021.

c) Sector-wise Advances and Gross NPAs

Sr. No	Particulars	As at March 31, 2023			As at December 31, 2022		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
I)	**Priority Sector**						
a)	Agriculture and allied activities	573.25	11.74	2.05%	94.54	-	0%
b)	Advances to industries sector eligible as priority	921.56	4.07	0.44%	137.58	-	0%
c)	Services	1438.79	14.82	1.03%	308.48	-	0%
d)	Personal loans	486.55	42.88	8.81%	265.88	-	0%
	'of which Micro finance/credit	485.47	42.87	8.83%	265.88	-	0%
	Sub Total (i)	**3420.15**	**73.51**	**2.15%**	**806.48**	**-**	**0%**
II)	**Non Priority Sector**						
a)	Agriculture and allied activities	0.26	0.22	81.28%	101.89	3.41	3.35%
b)	Industry	386.94	354.47	91.61%	475.97	332.42	69.84%
c)	Services	3022.92	2937.67	97.18%	3,584.65	2,985.39	83.28%
	of which commercial Real estate	2581.17	2577.27	99.85%	2,567.48	2,529.83	98.53%
d)	Personal loans	1389.96	401.49	28.88%	1,026.54	452.08	44.04%
	of which Housing loan	240.59	46.44	19.30%	361.04	63.22	17.51%
	Sub Total (ii)	**4800.08**	**3693.85**	**76.95%**	**5189.05**	**3773.30**	**72.72%**
	Total (I +II)	**8220.23**	**3767.36**	**45.83%**	**5,995.52**	**3,773.30**	**62.94%**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

8 Asset Quality (Contd..)

d) Overseas assets, NPAs and revenue

As at March 31, 2023, the Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable. (Previous Year : Nil)

e) Divergence in asset classification and provisioning

RBI vide its circular no. DOR.ACC.REC.No.45/21.04.018/2021-22 dated 30 August 2021, has directed banks to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to financial statements, wherever either-

(a) the additional provisioning requirements assessed by RBI exceed 10% of the reported net profits before provisions and contingencies or

(b) the additional gross NPAs identified by RBI exceed 10% of the published incremental gross NPAs for the reference period, or both.

There was no divergence in asset classification and provisioning for NPAs for the years ended March 31, 2022.

f) Disclosure under Resolution Framework for COVID-19-related Stress

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A), amount written off during the half-year	Of (A), amount paid by the borrowers during the half- year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year i.e. 31st March 2023
Personal Loans	19.83	5.03	-	5.18	9.62
Corporate persons	17.17	1.66	-	9.62	5.89
Of which MSMEs	3.31	0.43	-	0.39	2.49
Others	-	-	-	-	-
Total	**37.00**	**6.69**	**-**	**14.80**	**15.51**

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A),s amount written off during the half-year	Of (A), amount paid by the borrowers during the half- year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year i.e. 31st March 2022
Personal Loans	86.35	1.23	-	10.21	74.91
Corporate persons	34.54	-	-	8.45	26.09
Of which MSMEs	9.30	4.99	-	0.56	3.74
Others	-		-	-	-
Total	**130.19**	**6.22**	**-**	**19.23**	**104.74**

g) Details of resolution plan implemented under Prudential Framework for Resolution of Stressed Assets

There were no account that have been restructured under Prudential Framework for Resolution of Stressed Assets as per RBI circular RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019 during the year ended March 31, 2023. (Previous year : Nil)

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

8 Asset Quality (Contd..)

h) Particulars of account restructured for Micro, small and medium enterprise sector based on RBI guidelines dated January 01, 2019 and further extended by RBI circular dated February 11, 2020 and August 6, 2020

The Bank has restructured account as below:

Particulars	March 31, 2023	March 31, 2022
No. of Accounts Restructured	57	71
Outstanding amount	15.41	36.20
Provision Amount	3.40	3.90

9 Exposures

a) Exposure to real estate sector

(₹ in 000's)

Category	March 31, 2023	March 31, 2022
i) Direct exposure		
a) Residential Mortgages –	**240.59**	**378.13**
(of which housing loans eligible for inclusion in priority sector advances)	-	-
b) Commercial Real Estate	**2,581.17**	**2,581.80**
c) Investments in Mortgage-Backed Securities (MBS) and other securitized exposures –	**3.40**	**18.75**
i) Residential	3.40	18.75
ii) Commercial Real Estate	-	-
ii) Indirect exposure		
Fund based and non-fund-based exposures on National Housing Bank and Housing Finance Companies.		-
Total Exposure to Real Estate Sector	**2,825.16**	**2,978.68**

b) Exposure to capital market

Category	March 31, 2023	March 31, 2022
Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	21.20	1.08
Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds;	-	28.50
Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	-	-
Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

9 Exposures (Contd..)

Category	March 31, 2023	March 31, 2022
Bridge loans to companies against expected equity flows / issues	-	-
Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
Financing to stockbrokers for margin trading	-	-
All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total exposure to capital market	**21.20**	**29.58**

c) Risk category-wise country exposure

Risk category	March 31, 2023		March 31, 2022	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	**16.09**	**-**	**14.91**	**-**
Low	-	-	-	-
Moderately low	-	-	-	-
Moderate	-	-	-	-
Moderate high	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Total	**16.09**	**-**	**14.91**	**-**

d) Unsecured advances

Particulars	March 31, 2023	March 31, 2022
Total unsecured advances of the bank*	6,024	4,301
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	-	-
Estimated value of such intangible securities	-	-

*Represents Gross advances

*Includes HDIL exposure. The said HDIL exposure has been classified as "unsecured advances" as certain instances of fraud were detected (refer note 18(c)). The Bank has undertaken the reassessment of legal, due diligence and security value. Considering the issues identified with the security available this advance has been prudently/conservatively classified as unsecured by the bank.

e) Factoring exposures

During FY 2022-23, the Bank has not entered into any factoring transactions.

f) Intra-group exposures

Particulars	March 31, 2023	March 31, 2022
Total amount of intra-group exposures	-	9.60
Total amount of top 20 intra-group exposures	-	9.60
Percentage of intra-group exposures to total exposure of the bank on borrowers/ customers	0.00%	0.16%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	Nil	Nil

g) Unhedged Foreign Currency Exposure (UFCE)

The Bank doesn't have any unhedged foreign currency exposure as at March 31, 2023. (Previous Year : Nil)

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

9 Exposures (Contd..)

h) Details of Single Counterparty limit/limit for group of connected counterparties exceeded by Bank-

During the year ended March 31, 2023 and March 31, 2022, The Bank's assets are within the limit in respect of single counterparty and group of connected counterparties on disbursement made post 1st November 2021. Also, refer note 18 (1) (f) in relation to relaxation granted by RBI.

10 Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits

Particulars	As at March 31, 2023	As at March 31, 2022
Total Deposits of twenty largest depositors	421.47	33.59
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	15.70%	0.88%

b) Concentration of Advances

Particulars	As at March 31, 2023	As at March 31, 2022
Total advances of twenty largest borrowers*	2723.12	2,693.41
Percentage of advances of twenty largest borrowers to Total advances of the bank	32.93%	44.92%

*Advances are computed as per the definition of Credit Exposure as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC. 12/13.03.00/2015-16 dated July 1, 2015

c) Concentration of Exposures *

Particulars	As at March 31, 2023	As at March 31, 2022
Total Exposure of twenty largest borrowers/customers	2,987.68	2,741.00
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	32.36%	44.51%

*Exposure is based on Credit and investment Exposure as prescribed in RBI's Master Circular on Exposure Norms.

d) Concentration of NPAs

Particulars	As at March 31, 2023	As at March 31, 2022
Total exposure of twenty NPA accounts	2723.12	2,693.41
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	72.58%	71.38%

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

11 Derivatives

a) Forward rate agreements /Interest rate swap

(i) During the year ended March 31, 2023, the Bank has not undertaken Forward Rate Agreement / Interest Rate Swap/ Credit default Swap and Exchange Traded Interest Rate Derivatives. Therefore, there is no outstanding position as at the year end. (Previous Year : Nil)

(ii) The Bank issues market linked debentures (MLD) which has a component in the nature of "Embedded derivatives-Market linked derivatives". Further to hedge it enters into options which is in the nature of "Index linked derivatives-options". Derivatives are entered for risk management purposes. These include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but the Bank has elected not to apply hedge accounting requirements.

The table below shows the fair values of derivative financial instruments recorded as assets & Liabilities together with their notional amounts.

The notional amounts indicate the value of transactions outstanding at the year end March 31, 2023 and are not indicative of either the market risk or credit risk.

Particulars	Notional	Fair value asset	Notional	Fair value liability
(i) Index linked derivatives				
Options purchased	-	-	-	-
Subtotal(i)	**-**	**-**	**-**	**-**
(ii) Embedded derivatives				
In market linked debentures	-	-	-	2.28
Subtotal(ii)	**-**	**-**	**-**	**2.28**

The table below shows the fair values of derivative financial instruments recorded as assets & Liabilities together with their notional amounts.

The notional amounts indicate the value of transactions outstanding at the year end March 31, 2022 and are not indicative of either the market risk or credit risk.

Particulars	Notional	Fair value asset	Notional	Fair value liability
(i) Index linked derivatives				
Options purchased	4.38	4.42	-	-
Subtotal(i)	**4.38**	**4.42**	**-**	**-**
(ii) Embedded derivatives				
In market linked debentures	-	-	-	77.15
Subtotal(ii)	**-**	**-**	**-**	**77.15**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

12 Disclosures relating to securitisation

a) As at March 31, 2023, the Bank has no outstanding securitisation transaction. (Previous Year : Nil)

b) Details of Direct assignment transactions

During the year ended March 31, 2023, the Bank has not entered into any new direct assignment transaction. Outstanding direct assignment as at March 31, 2023 are stated below:

Sr. No	Particulars	March 31, 2023	March 31, 2022
(i)	No. of accounts	1,724	13,246
(ii)	Aggregate value of accounts sold to SC	-	-
(iii)	Aggregate Consideration	-	-
(iv)	Aggregate gain over net book value	-	-
(v)	Outstanding balance	14.96	38.24

Details of book value of investment in Security receipts (SRs):

As at March 31, 2023 , the Bank has investment of ₹ 89.12 crore in security receipts. The Bank has 100% provision against Security receipts.

c) Inter-Bank Participation with risk sharing

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines as at March 31, 2023 is ₹ 368.85 (Previous Year: Nil)

d) Off balance sheet SPVs sponsored

As at March 31, 2023, the Bank does not have any off balance sheet SPVs Sponsored. (Previous Year: Nil)

e) Transfers to Depositor Education and Awareness Fund (DEA Fund)

Particulars	March 31, 2023	March 31, 2022
Opening balance of amounts transferred to DEA Fund	18.71	18.71*
Add: Amounts transferred to DEA Fund during the year	2.64	-
Less: Amounts reimbursed by DEA Fund towards claims	0.78	-
Closing balance of amounts transferred to DEA Fund	20.57#	18.71

*includes ₹ 0.6 crore paid to the customers and pending to be claimed from RBI.

#includes ₹ 0.26 crore paid to the customers, claim raised with RBI but pending to be received.

13 Disclosure relating to Complaints

a) Summary information on complaints received by the bank from customers and from the Offices of Banking Ombudsman (OBOs)

	Particulars	March 31, 2023	March 31, 2022
	Complaints received by the bank from its customers		
1	Number of complaints pending at beginning of the year	-	-
2	Number of complaints received during the year	1125	300
3	Number of complaints disposed during the year	1114	300
	3.1 Of which, number of complaints rejected by the bank	-	-
4	Number of complaints pending at the end of the year	11	-
	Maintainable complaints received by the bank from office of Ombudsman		

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

13 Disclosure relating to Complaints (Contd..)

	Particulars	March 31, 2023	March 31, 2022
5	Number of maintainable complaints received by the bank from Office of Ombudsman	90	5
	5.1 Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	83	5
	5.2 Of 5, number of complaints resolved through conciliation/mediation/ advisories issued by Office of Ombudsman	1	-
	5.3 Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

b) Top five grounds of complaints received by the bank from customers for the year ended March 31, 2023

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days	Number of Complaints received over the previous year
1	2	3	4	5	6	
			F.Y. 2022-2023			F.Y. 2021-2022
Ground 1 : Loans & Advances	-	670	163%	7	-	255
Ground 2 : Staff Behaviour	-	25	92%	-	-	13
Others :	-					
a) DICGC	-	152	-	-	-	-
b) Account Related (Passbook, Cheque book, Fixed Deposit, Closure of account etc.)	-	143	-	3	-	1
c) Amalgamation Scheme	-	27	-	-	-	-
d) Early Encashment Scheme	-	26	-	-	-	-
e) Third Party Service Complaint	-	19	-	-	-	-
f) Death Claim	-	12	-	1	-	-
g) PNCPS	-	12	-	-	-	-
h) Locker	-	6	-	-	-	-
i) Miscellaneous (PMJJY,Shares, Forex,Channel Banking,LTD etc.)	-	33	-	-	-	31
Others Total (a to i)	**-**	**430**	**1244%**	**4**	**-**	**32**
Total	**-**	**1,125**	**275%**	**11**	**-**	**300**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

14 Disclosure of penalties imposed by the Reserve Bank of India

During the year ended March 31, 2023, no penalty was imposed by the RBI on the Bank.

15 Disclosures on remuneration

a) Qualitative Disclosures

(i) Information relating to the composition and mandate of the Nomination and Remuneration Committee.

The Board of Directors of the Bank has constituted a Nomination and Remuneration Committee of the Board as required under the provisions of Companies Act, 2013, SEBI Regulations and RBI Guidelines. The Committee interalia performs the functions of formulation of criteria pertaining to qualifications, positive attributes and Independence of a Directors and recommend to the Board on Compensation policy for Directors, Key Managerial Personnel and Senior Management Employees; Identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board their appointment or removal; formulate method for evaluation of performance of Board, its committees and individual directors to be carried out by Board or Committee.

The Nomination and Remuneration Committee of the Board consist of Three Independent Directors which is in line with the applicable guidelines. The committee works in coordination with Risk Management Committee & Audit Committee of the Board, for achieving effective alignment between Risk and Remuneration.

(ii) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Bank's Remuneration Policy (the 'Policy') is aligned to business strategy, market dynamics, internal characteristics and complexities within the Bank. The ultimate objective of the Policy is to provide a fair and transparent structure that helps in acquiring and retaining the talent pool critical to build competitive advantage and brand equity. The Policy has been designed basis the principles for sound compensation practices in accordance with regulatory requirements and provides a framework to create, modify and maintain appropriate compensation programs and processes with adequate supervision and control.

The Remuneration Policy is designed and structured in a way that it ensures that the compensation is reasonable, taking into account all relevant factors including industry practice with a mix of fixed and variable component.

(iii) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

The Bank takes into account various types of risks in its remuneration processes. The Bank follows a comprehensive framework that includes within its ambit the key dimensions of remuneration such as fixed pay & variable pay.

The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year for Whole Time Directors and employees in certain grades. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of bonus payout pertaining to the reference performance year. The deferred bonus is paid out post review and approval by the NRC.

(iv) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.

The Bank has a robust performance management system for evaluating the performance of its employees. The performance appraisal system is based on qualitative as well as quantitative factors of performance. The main performance metrics include profitability, business growth, compliance, and customer service. The assessment of employees shall be based on their performance with respect to their result areas.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

15 Disclosures on remuneration (Contd..)

(v) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

The bank has a policy of deferral of Variable pay for MRTs in accordance with the guidelines issued by RBI. Currently this is applicable for MRTs only. 50% of the variable pay is paid in Non cash instruments with deferral of minimum 3 years. The bank has created an ESOP Scheme with cliff vesting after 5 years from the time of grant. The deferral of variable pay is applicable only for non cash instruments. For cash payment the same is not applicable.

(vi) Description of the different forms of variable remuneration (i.e., cash and types of share-linked instruments) that the bank utilizes and the rationale for using these different forms.

The Bank recognises the importance of variable pay in reinforcing a pay for performance culture. Variable pay stimulates employees to stretch their abilities to exceed expectations.

Annual Performance Bonus: These are paid to reward performance for a given financial year. This covers all employees. This is based on performance of the business unit, performance rating, job band and functional category of the individual. The Bank currently pays Variable in the form of Cash and share-linked intruments. However the latter is restricted to few senior employees currently. Share-linked instruments are fair market valued on the date of grant by the bank.

b) Quantitative disclosures

Sr. No	Particulars	March 31, 2023	March 31, 2022
(a)	Number of meetings held by the Nomination and Remuneration Committee during the financial year and	4	Nil
	Remuneration paid to its members.	0.05	Nil
(b) (i)	Number of employees having received a variable remuneration award during the financial year.	Nil	Nil
(ii)	Number and total amount of sign-on/joining bonus made during the financial year.	Nil	Nil
(iii)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	-	-
(ii)	Total amount of deferred remuneration paid out in the financial year.	-	-
(d) (i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	-	-
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-
(ii)	Total amount of reductions during the financial year due to ex post explicit adjustments.	-	-
(iii)	Total amount of reductions during the financial year due to ex post implicit adjustments.	-	-
(f) (i)	Number of MRTs identified.	1.00	Nil
(g) (i)	Number of cases where malus has been exercised	-	-
(ii)	Number of cases where clawback has been exercised.	-	-
(iii)	Number of cases where both malus and clawback have been exercised.	-	-
(h)	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	Not applicable	Not applicable

For FY 2022-23, the Non-Executive Directors of the Bank were paid remuneration (including sitting fees) of ₹ 1.01 crore (previous year: ₹ 0.18 crore) for attending meetings of the Board and Committees.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

16 Other Disclosures

a) Business Ratio

Sr. No	Ratio	March 31, 2023	March 31, 2022
(i)	Interest Income as a percentage to Working Funds[1]	9.14%	6.48%
(ii)	Non interest income as a percentage to Working Funds[1]	0.85%	(0.01%)
(iii)	Operating Profit[2] as a percentage to Working Funds[1]	1.89%	(5.93%)
(iv)	Return on Assets	0.43%	(6.28%)
(v)	Cost of Deposits[4]	6.74%	2.28%
(vi)	Net Interest Margin[3]	5.52%	1.16%
(vii)	Business[6] (deposits plus advances) per employee (₹ in crore)[5]	2.43	3.53
(viii)	Profit per employee (`in crore)[5]	0.01	(0.08)

1. Working funds represents the monthly average of total assets computed for reporting dates of Form X submitted to RBI under Section 27 of the Banking Regulation Act, 1949
2. Operating Profit is the net profit/(loss) for the year before provisions and contingencies
3. Net Interest Income/Average earning assets. Net Interest Income = Interest Income - Interest Expenses
4. Average deposit is based on month end balances
5. Productivity Ratios are based on average of month end employee numbers
6. Business is the total of closing deposits (net of inter-bank deposits) and net advances

b) Bancassurance business

During the year ended March 31, 2023, the Bank has received ₹ 0.00 crore (previous year: ₹ 0.16 crore) from Bancassurance business.

c) Marketing and distribution

During the year ended March 31, 2023, the Bank has not received any fees / remuneration from marketing and distribution. (Previous Year : Nil)

d) Disclosures regarding Priority Sector Lending Certificates(PSLCs)

During the year ended March 31, 2023, No PSLCs have been sold and purchased by the Bank. (Previous Year : Nil)

e) Provisions and contingencies

The following table sets forth, for the periods indicated, the break-up of provisions and contingencies included in Profit and Loss Account:

Sr. No	Provision debited to Profit and Loss Account	March 31, 2023	March 31, 2022
(i)	Provision towards NPA	123.63	14.59
(ii)	Deferred tax assets	(22.11)	(7.72)
(iii)	Provision for Standard asset	6.74	1.29
(iv)	Others	8.92	-
	Total	**117.18**	**8.16**

Note

1. The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts. In accordance with the provisions of Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Bank recognizes a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where it is not probable that an outflow of resources will be required to settle the obligation, disclosure to this effect is made as contingent liabilities in the financial statements.

f) Implementation of IFRS converged Ind AS

The Minister of Corporate affairs, in its press release dated January 18,2016, has issued a roadmap for implementation of Indian Accounting Standards (Ind-As) for scheduled commercial banks, insurers/Insurance companies and non banking financial companies, which was subsequently confirmed by RBI through its circular dated February 11, 2016. This roadmap required these institution to prepare Ind-AS financial statements for the accounting periods beginning April 1, 2018 with comparatives for the period beginning April 1, 2017. The implementation of the IND-AS by banks requires certain legislative changes in the format of financial statement to comply with the disclosure required under IND AS. In April 2018, the RBI deferred the implementation of IND As by a year by when the necessary legislative amendments were expected. the legislative amendments recommended by the RBI are under consideration by the Government of India. Accordingly, the RBI, through its circular dated March 22, 2019, deferred the implementation of IND AS until further notice. The Bank had undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-a-vis Ind AS and shall proceed for ensuring the compliance as per applicable requirements and directions in this regard.

g) Payment of DICGC Insurance Premium

Sr. No	Particulars	March 31, 2023	March 31, 2022
i)	Payment of DICGC Insurance Premium	3.26	0.08
ii)	Arrears in payment of DICGC premium	-	-

17 Contingent liabilities

Contingent liabilities	March 31, 2023	March 31, 2022
Claims against the bank not acknowledged as debts - Taxation	4.97	4.71
Claims against the bank not acknowledged as debts - Others	0.21	0.21
Liability for partly paid investments	5.26	-
Guarantees given on behalf of constituents in India	27.82*	14.75
Other items for which the Bank is contingently liable		
- DEAF	20.32	18.11
- Capital Commitment	17.67	-
- Underwriting commitments	28.73	-
- Others	-	8.33
Total	**104.98**	**46.11**

*This conservatively includes such Bank Guarantees which have expired but have not been returned back to the Bank's counters.

Description of contingent liabilities

a) Claims against the Bank not acknowledged as debts - taxation

The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws.

b) Claims against the Bank not acknowledged as debts - others

The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

c) Liability for partly paid investments

This represents amount remaining unpaid towards liability for partly paid investments.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

17 Contingent liabilities (Contd..)

d) Guarantees given on behalf of constituents, acceptances, endorsements and other obligations

This item represents the guarantees and documentary credits issued by the Bank in favour of third parties on behalf of its customers, as part of its trade finance banking activities with a view to augment the customers' credit standing. Through these instruments, the Bank undertakes to make payments for its customers' obligations, either directly or in case the customers fail to fulfill their financial or performance obligations.

e) Other items for which the Bank is contingently liable

These include: a) Capital commitments; b) Underwriting commitments; c) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

*Also refer Schedule 12 - Contingent liabilities

18 Provision on Standard Assets

Particulars	March 31, 2023	March 31, 2022
Provision towards standard assets	19.26	12.52

19 Fraud accounts

Particulars	March 31, 2023	March 31, 2022
Number of frauds reported during the year	9	2
Amount involved in fraud (₹ crore)	0.14	0.02
Amount of provision made for such frauds (₹ crore) excluding recovery	0.12	0.01
Amount of Unamortised provision debited from 'other reserves' as at the end of the year (₹ crore)	-	-

20 Employee benefits

Employee benefits - Gratuity

The Bank has non-contributory defined benefit arrangement providing gratuity benefits expressed in terms of final monthly salary and years of service. Every employee who has completed five years or more of service gets a gratuity on cessation of employment at 15 days salary (last drawn basic salary) for each completed year of service, subject to a maximum of ₹ 20 Lakh. The scheme is funded with LIC of India and HDFC Standard Life Insurance Company Ltd. The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet.

Expenses recognised in the Profit and Loss Account	March 31, 2023	March 31, 2022
Current service cost	2.42	0.55
Interest cost on benefit obligation	0.48	0.09
Past Service Cost	-	-
Expected return on plan assets*	-	-
Net actuarial (gain)/ loss recognized in the year	(1.63)	4.62
Employer Expenses	**1.27**	**5.26**

* Represents expected returns determined by the actuary

Net Liability/ (Asset) recognised in the Balance Sheet	March 31, 2023	March 31, 2022
Present value of Defined Benefit Obligation	37.99	(41.43)
Fair value of plan assets	28.25	32.96
Net liability recognized in balance sheet	9.74	(8.48)
Less: Unrecognised Past Service Cost		-
Liability recognized in balance sheet	9.74	(8.48)

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

20 Employee benefits (Contd..)

Reconciliation of Defined Benefit Obligation (DBO)	March 31, 2023	March 31, 2022
Present Value of DBO at start of year	41.43	-
Interest cost	2.35	0.99
Current service cost	2.42	0.55
Liability transferred in /Acquisitions	-	35.89
Past Service Cost	-	-
Benefits paid	(6.60)	-
Actuarial loss	(1.60)	4.01
Present Value of DBO at end of year	**37.99**	**41.43**

Reconciliation of Fair Value of Plan Assets	March 31, 2023	March 31, 2022
Fair Value of Plan Assets at start of year	32.96	-
Expected return on plan assets	1.86	0.90
Contributions by the employer	-	0.05
Asset transferred In/Acquisitions	-	32.62
Benefits paid	(6.60)	-
Actuarial (loss)/ gain	0.03	(0.61)
Fair value of plan assets at end of year	**28.25**	**32.96**
Estimated employer contributions for the next year	8.28	6.35
Actual return on plan assets	1.89	0.29

The principal assumptions used in determining gratuity obligations for the Bank's plan are shown below:	March 31, 2023	March 31, 2022
Discount rate	7.29%	5.66%
Expected rate of return on assets	7.29%	5.66%
Employee turnover	25.00%	25.00%
Salary growth rate	7.00%	7.00%
Mortality Rate	Indian Assured Lives Mortality 2012-14 (Urban)	Indian Assured Lives Mortality 2012-14 (Urban)
Expected average remaining working lives of employees	3 years	3 years

Percentage break-down of total plan assets

	March 31, 2023	March 31, 2022
Insurer Managed Funds (non unit-linked)	100.00%	100.00%
Total	**100.00%**	**100.00%**

Planned Asset Break up for Non Linked Fund - HDFC Standard Life Insurance Company Ltd

	March 31, 2023	March 31, 2022
Government Securities	51.27%	55.45%
Corporate Bonds	42.67%	41.86%
Cash and Deposit	6.06%	2.69%
Total	**100.00%**	**100.00%**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

20 Employee benefits (Contd..)

Planned Asset Break up for Non Linked Fund - LIC

Particulars	March 31, 2023	March 31, 2022
Government Securities	71.05%	71.05%
Corporate Bonds	18.53%	18.53%
Equity	10.42%	10.42%
Total	**100.00%**	**100.00%**

Experience Adjustments

	March 31, 2023	March 31, 2022
Present Value of DBO	28.25	32.96
Fair Valuation of Plan Assets	37.99	41.43
Funded Status [Surplus/(Deficit)]	**(9.74)**	**(8.48)**
Experience adjustment on plan liabilities : (Gain) / Loss	0.01	(0.14)
Experience adjustment on plan Assets : Gain / (Loss)	0.03	(0.60)

Employee benefits - Compensated Absences

Particulars	March 31, 2023	March 31, 2022
The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding	4.56	4.22
Assumption used:		
Discount rate	7.29%	5.66%
Salary escalation rate	7.00%	7.00%

The estimates of future salary growth considered in the actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.

All the assets consist of unit-linked and traditional insurer managed debt instruments, the expected rate of return on assets is drawn from the Indian Government bond yields.

Employee benefits - Provident Fund

The contribution to Employees Provident Fund included under "Payments to and Provisions for Employees" in Schedule 16 amounted to ₹ 10.86 Crore for the year ended March 31, 2023 (Previous year: ₹ 2.10 crore)

21 Segment Reporting

Business Segments have been identified and reported taking into account the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and guidelines prescribed by the RBI and in compliance with the Accounting Standard 17 - "Segment Reporting". The RBI vide its circular dated April 7, 2022 on establishment of Digital Banking Units (DBUs), has prescribed reporting of Digital Banking Segment as a sub-segment of Retail Banking Segment. The Bank is in the process of setting up DBUs and hence no Digital Banking Segment disclosure have been made. The business operations of the Bank are in India and for the purpose of segment reporting as per Accounting Standard-17 (Segment reporting) the bank is considered to operate only in domestic segment.

a) Treasury

Treasury performs liquidity management activities for various business segments. Transfer pricing is based on internally approved yield curve or at an agreed transfer rate on the funding provided by treasury to another business segment.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

21 Segment Reporting (Contd..)

b) Retail banking

The retail banking segment serves retail customers through a branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with the Bank. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

c) Wholesale banking

Wholesale banking includes all advances to borrowers, which are not included under Retail banking. Revenues of the wholesale banking segment consist of interest and fees on loans made to customers.

d) Other Banking Operation

Other Banking includes other items not attributable to any particular business segment. This segment includes income from para banking activities such as distribution of third party product and the associated costs.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities such as deferred tax etc.

Geographical segments

The business operations of the Bank are concentrated in India hence the Bank is considered to operate only in domestic segment.

Segment reporting for the year ended March 31, 2023 is given below:

Particulars	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	160.60	544.27	96.13	-	801.00
Unallocated Revenue	-	-	-	-	2.31
Income from Operations	-	-	-	-	803.31
Segment Result	75.70	(31.32)	(34.18)	-	10.20
Unallocated expenses					2.31
Operating Profit					12.51
Income taxes					22.11
Extraordinary profit/loss	-	-	-	-	-
Net Profit					34.62
Other information:	-	-	-	-	-
Segment assets	3,055.08	4,186.82	706.22	-	7,948.12
Unallocated assets					813.21
Total assets					8,761.33
Segment Liabilities	371.41	6,601.97	32.49	-	7,005.87
Unallocated liabilities					11.23
Total liabilities					7,017.10
Capital employed					1,744.23
Capital expenditure					29.49
Depreciation					16.34

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

21 Segment Reporting (Contd..)

Segment reporting for the year ended March 31, 2022 is given below:

Particulars	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	32.84	93.19	28.21	-	154.24
Segment Result	(14.24)	(124.33)	(11.97)		(150.54)
Unallocated expenses					(6.79)
Operating Profit					(157.33)
Income taxes					7.72
Extraordinary profit/loss					-
Net Profit					(149.61)
Other information:					
Segment assets	3,343.67	5,075.26	1,528.42		9,947.35
Unallocated assets					863.52
Total assets					10,810.87
Segment Liabilities	2,451.43	5,884.58	544.88		8,880.88
Unallocated liabilities					6.03
Total liabilities					8,886.91
Capital employed					1,923.95
Capital expenditure					99.47
Depreciation					96.83

22 Related Party Disclosures

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

Sr. no.	Name of Entity	Nature of relationship
1	Centrum Financial Services Limited	Holding Company
2	Centrum Capital Limited	Ultimate Holding Company
3	Resilient Innovations Private Limited	Other Related Party
4	Centrum Alternatives LLP	Other Related Party
5	Centrum Capital International Limited	Other Related Party
6	Centrum Capital Advisors Limited	Other Related Party
7	Centrum International Services PTE Limited	Other Related Party
8	Centrum Retail Services Limited	Other Related Party
9	Centrum Micro Credit Limited	Other Related Party
10	Centrum Broking Limited	Other Related Party
11	Centrum Alternative Investment Managers Limited	Other Related Party
12	Centrum Housing Finance Limited	Other Related Party
13	Centrum Wealth Limited	Other Related Party
14	Centrum Insurance Brokers Limited	Other Related Party
15	Centrum Investment Advisory Limited	Other Related Party
16	CCIL Investment Management limited	Other Related Party
17	Business Match Services (India) Private Limited	Other Related Party
18	Acorn Fund Consultants Private Limited	Other Related Party
19	JBCG Advisory Services Private Limited	Other Related Party
20	BG Advisory Services LLP	Other Related Party
21	Ignis Capital Advisors Limited	Other Related Party

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

22 Related Party Disclosures (Contd..)

The Bank's related party balances and transaction for the year ended March 31, 2023 are summarised as follows:

Name / Related Party	Holding Company and Ultimate Holding Company	Other Related Party	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	-	-	-	-	-
Deposits Taken	25.00	31.40	0.83	-	57.23
	(60.00)	(60.02)	(0.83)	-	(120.85)
Deposits Placed	-	-	-	-	-
Advances Given	-	-	-	-	-
Investments	-	-	-	-	-
Non-funded commitments	-	-	-	-	-
Leasing/HP arrangements availed	-	-	-	-	-
Leasing/HP arrangements Provided	-	-	-	-	-
Fixed Assets Purchased From	0.00	0.00	-	-	0.00
Fixed Assets Sold To	-	-	-	-	-
Interest Paid To	1.63	22.15	0.13	-	23.91
Interest Received From	-	-	-	-	-
Income From Services Rendered To	-	1.50	-	-	1.50
Expenses For Receiving Services From	0.01	5.34	-	-	5.34
Receivable From	27.58	-	-	-	27.58
	(27.58)				(27.58)
Payable to	0.68	50.43	0.10	-	51.22
	(0.68)	(53.72)	(0.10)		(54.51)
Guarantees Given	19.39	-	-	-	19.39
Remuneration Paid	-	-	2.82	-	2.82
Loans sold to	-	50.04	-	-	50.04

The Bank's related party balances and transaction for the year ended March 31, 2022 are summarised as follows:

Particulars	Holding Company and Ultimate Holding Company	Other Related Party	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	-	50.00	-	-	50.00
		(50.00)			(50.00)
Deposits Taken	-	-	-	-	-
Deposits Placed	-	-	-	-	-
Advances Given	-	-	-	-	-
Equity Investments by	45.40	745.72	-	-	791.12
Non-funded commitments	-	-	-	-	-
Leasing/HP arrangements availed	-	-	-	-	-
Leasing/HP arrangements Provided	-	-	-	-	-
Fixed Assets Purchased From	-	0.15	-	-	0.15
Fixed Assets Sold To	-	0.00	-	-	0.00
Interest Paid To	2.36	0.44	-	-	2.80
Interest Received From	-	-	-	-	-
Income From Services Rendered To	-	0.66	-	-	0.66
Expenses For Receiving Services From	0.01	3.82	-	-	3.83
Receivable From	37.86	-	-	-	37.86
	(37.86)		-	-	(37.86)

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

22 Related Party Disclosures (Contd..)

Particulars	Holding Company and Ultimate Holding Company	Other Related Party	Key Management Personnel	Relatives of Key Management Personnel	Total
Payable to	-	0.15	-	-	0.15
		(5.17)			(5.17)
Guarantees Given	91.88	131.44	-	-	223.32
Remuneration Paid	-	-	0.47	-	0.47
Asset transferred under Business transfer agreement#	316.00	110.00	-	-	426.00

*Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter end.

*Related parties are in accordance with AS-18 Related Party Disclosures.

#In line with Business transfer agreement, there are no receivable/payable under the transaction as at 31 March 2023 other than disclosed above.

A specific related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category.

Particulars	Year ended March 31, 2023	Period ended March 31, 2022
Borrowing:		
Resilient Innovations Private Limited	-	50.00
Deposits Taken :		
Centrum Capital Limited	25.00	-
Centrum Retail Services Limited	30.00	-
Fixed Assets Purchased From:		
Centrum Capital Limited	0.00	-
Centrum Alternatives LLP	0.00	-
Centrum Wealth Limited	-	0.14
Fixed Assets Sold to:		
Centrum Housing Finance Limited	-	-
Centrum Broking Limited	-	0
Interest Paid To:		
Resilient Innovations Private Limited	4.75	2.36
Centrum Wealth Limited	16.45	0.44
Income From Services Rendered To:		
Centrum Retail Services Limited	1.45	0.66
Expenses For Receiving Services From:		
Centrum Retail Services Limited	1.80	1.26
Ignis Capital Advisors Limited	2.77	0.85
Resilient Innovations Private Limited	-	1.24
Equity Investments:		
Resilient Innovations Private Limited	-	745.72
Slump sale transaction:		
Centrum Financial Services Limited	-	316.00
Centrum Microcredit Limited	-	110.00

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

23 Deferred Tax Assets

As at March 31, 2023, the Bank has recorded net deferred tax asset of ₹ 763.25 crore (previous year: ₹ 741.14 crore), included in other assets.

The composition of Deferred Tax Assets (DTA) is as under:

Particulars	March 31, 2023	March 31, 2022
Deferred tax asset arising out of:		
Employee Benefit	3.71	3.19
Provision for Advances	768.78	739.23
Others	4.46	1.66
Total (a)	**776.95**	**744.08**
Deferred tax liability arising out of:		
Depreciation	13.70	2.94
Total (b)	**13.70**	**2.94**
Deferred tax asset (net) (a-b)	**763.25**	**741.14**

24 Leases

Operating lease primarily comprises of office premises, vehicle and computers, which are renewable at the option of the Bank. The following table sets forth the details of future rentals payable on operating leases :

Particulars	March 31, 2023	March 31, 2022
Not later than one year	34.86	22.41
Later than one year but not later than five years	81.95	24.58
Later than five years	44.99	8.73
Total	**161.80**	**55.72**
The total lease payments recognised in the Statement of Profit and Loss account for the year	**27.75**	**6.02**

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreement.

25 Corporate Social Responsibility (CSR)

During the year ended March 31, 2023, the Bank is not required to contribute to Corporate Social Responsibility under Section 135 of the Companies Act, 2013 (Previous Year : Nil)

26 Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. (Previous Year : Nil)

27 Letter of Comfort

The Bank has not issued letter of comfort during the year ended March 31, 2023 (Previous Year : Nil)

28 Investor Education and Protection Fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank for the financial year 2022-23

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

29 Code on social security

The Code on social security 2020 ('the code") related to employee benefit, during the employment and post-employment, has received presidential assent on September 28, 2020. The code has been published in the Gazette of India. Further, The ministry of labour and employment has release draft rules for the code on November 13, 2020. The effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are not yet issued. the Bank will assess the impact of the code and will give appropriate impact in the financial statements in the period in which, the code become effective and related rules to determine financial impact are published.

30 Disclosure under Rule 11(e) of the Companies (Audit and Auditors) Rules, 2014

The Bank, as part of its normal banking business, grants loans and advances to its constituents including foreign entities with permission to lend or invest or provide guarantee or security or the like in other entities identified by such constituents. Similarly, the Bank accepts deposits from its constituents, who may instruct the Bank to lend/invest/provide guarantee or security or the like against such deposit in other entities identified by such constituents. These transactions are part of Bank's normal banking business, which is conducted after exercising proper due diligence including adherence to "Know Your Customer" guidelines as applicable in respective jurisdiction.

Other than the nature of transactions described above, the Bank has not advanced/lent/invested/provided guarantee or security to or in any other person with an understanding to lend/invest/provide guarantee or security or the like to or in any other person. Similarly, other than the nature of transactions described above, the Bank has not received any funds from any other person with an understanding that the Bank shall lend or invest or provide guarantee or security or the like to or in any other person.

31 Other Liabilities (including Provision)

Details of items under other liabilities (Schedule 5 – Other Liabilities and Provisions) exceeding 1% of total assets of the Bank are given below:

Particulars	March 31, 2023	March 31, 2022
Reserve Fund for "Payable to PMC Depositors upto 5 years" in accordance with the Scheme (Refer Note 18(1)(a)(ix))	1,233.15	1,475.90
Reserve Fund for "Payable to PMC Depositors at the end of 10 years" in accordance with the Scheme (Tier II Bond for the purpose of CRAR calculations) (Refer Note 18(1)(a)(x)) and Note 18(1)(f)(ii) (b)	1,026.10	936.37
Reserve Fund for "Payable to DICGC" in accordance with the Scheme (Refer Note 18(1)(a)(xi))	658.64	590.41
Liability towards devolved LC / invoke BG (refer note 18 (1) (a))	263.41	282.40
Payable to National Housing Bank	149.13	-
General Provision on Standard Assets in accordance with the scheme (refer note 18(1)(a)(vii) and note 18(1)(a)(xiv)(i))	243.00	243.00

32 Details of payments to auditor as per profit and loss Account

Particulars	March 31, 2023	March 31, 2022
Audit fees	0.45	0.35
Tax audit fees	0.05	0.10
Other services	0.01	-
Out of pocket expenses	0.00	-
Total	**0.51**	**0.45**

33 Other Income

Miscellaneous Income includes ₹ 29.96 crore towards liquidity assistance scheme offered by the bank. (Previous Year : Nil)

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2023

(All amounts are in Indian Rupees in crore unless otherwise stated)

34 Other Expenditure

Details of items under other expenditure (Schedule 16 – Operating Expenses) exceeding 1% of total income of the Bank are given below:

For the year ended 31 March, 2023

Particulars	March 31, 2023
Direct Selling Agent commission	40.0
Legal & Professional Fees	20.7
Security Charges	8.7

For the Period ended 31 March, 2022

Particulars	March 31, 2022
Legal & Professional Fees	6.8
DSA Commission	5.5
Conveyance Expenses	2.5

35 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date
For **V Sankar Aiyar & Co**.
Chartered Accountants
Firm Registration No : 109208W

For and on behalf of the Board of Directors

Vinod Rai
Part-time Chairman
(DIN: 00041867)

David Rasquinha
Independent Director
(DIN: 01172654)

Asha Patel
Partner
Membership No. 166048

Inderjit Camotra
Managing Director & CEO
(DIN: 09602543)

Abhishek Baxi
Chief Financial Officer (CFO)

Place: Darjeeling
Date: May 03, 2023

Archana Goyal
Company Secretary (CS)

Basel II (Pillar 3) Disclosures

As at 31st March 2023

RBI circular DBR.No.BP.BC.4/21.06.001/2015-16 dated 1st July, 2015 on 'Prudential guideline on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF)' requires banks to make applicable Pillar 3 disclosures. These disclosures have not been subjected to audit or limited review. These disclosures are available on the Bank's website at: https://theunitybank.com/regulatory-disclosures.

Notes

Notes

CENTRUM

Advisory

- Investment Banking
- Wealth
- Stock Broking
- Alternative Investments

Credit

Affordable
Housing Finance

Banking

Unity Bank

Leveraging strengths across the Centrum Group to

Capitalise on Opportunities

UNITY

Unity Small Finance Bank Limited

CIN: U65990DL2021PLC385568

Registered Office

40, Basant Lok, Vasant Vihar,
New Delhi – 110057

Tel: 011-47414100

Corporate Office

Centrum House, CST Road,
Vidyanagari Marg, Kalina, Santacruz
(East), Mumbai 400098

Tel: 022-42159000

Website – www.theunitybank.com

Email – care@unitybank.co.in

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