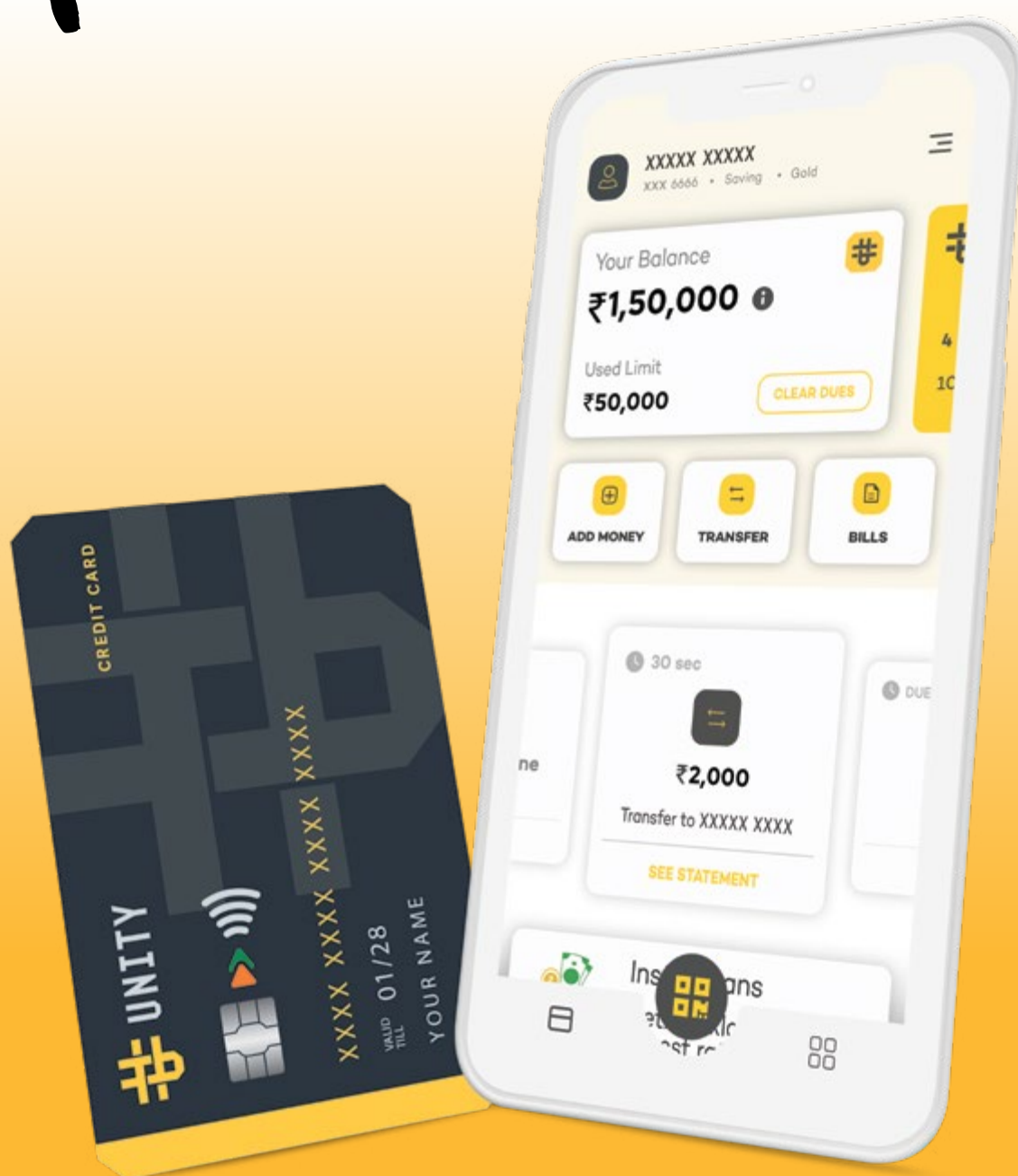


Building for a Smarter Tomorrow



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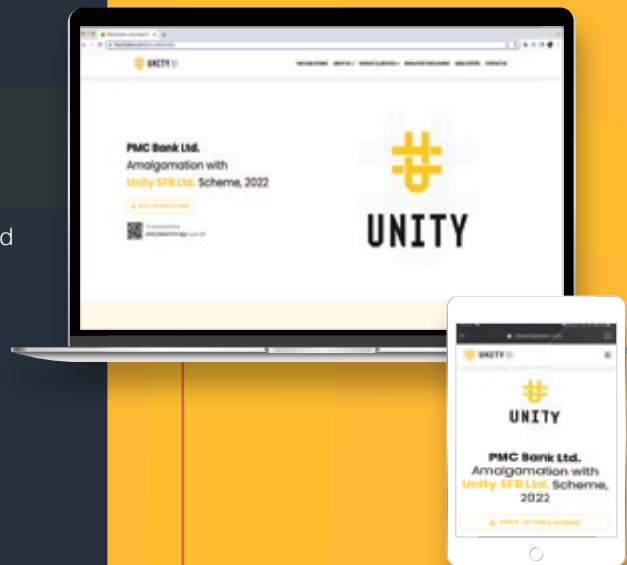
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#Building for a Smarter Tomorrow

is more than an aspiration for us. It inspires us to try harder, think smarter and go the extra mile. As we take small yet steady steps, we are committed to grow sustainably, create value for all our stakeholders, while capitalising on India's vast opportunity landscape.

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.

India is geographically, economically and culturally so diverse. Yet, a common thread that unites this diversity is that of 'Being Aspirational'. Aspirations represent possibilities, promises and opportunities.

Every Indian strives to do more, achieve big and grow sustainably. At Unity, we value the big dreams of people and endeavour to build a customer centric, technologically strong bank, that there is a service for every person and every dream. Simply put, we wish to reach out to every business – big or small, every region – urban or rural and moreover every Indian – retail or HNI, and help turn their aspirations into reality by offering a host of credit, savings and investment services.

Driven by a strong governance culture and steered by an experienced management team, we aim at building the preferred bank of the future, for every Indian.

Chairman's Message



Vinod Rai
Chairman

Dear Shareholders,

It is an absolute privilege to be part of a young and dynamic Bank. Unity endeavours to simplify banking by leveraging technology to offer a convenient and superior experience.

Along with my fellow Board members, the Bank's promoter and the Management Team, I thank the Reserve Bank of India and other regulatory authorities for not only giving us an opportunity to build a bank ground up, but also for having faith in our capabilities to bring relief to the stakeholders of the beleaguered Punjab & Maharashtra Co-operative Bank (PMC Bank).

In June 2021, the RBI gave an in-principle approval to the promoter (Centrum) to set up a Bank. Along with Resilient Innovations, the team worked hard to get the bank up and running in record time. A quick turnaround from regulatory approval to operationalisation, paved way for the amalgamation of PMC Bank with Unity, providing stability to its employees and protecting depositor's interest. All of this was made possible amidst the pandemic and two lockdowns!

I am happy to note that the erstwhile PMC staff has integrated well with the Unity family, their pay grades have been restored and benefits harmonized. The top team met with employees pan-India, through physical and virtual town halls to understand grievances and take suggestions to improve productivity. I am equally happy to share that, the Bank has opened fresh accounts for all PMC Bank customers and completed the first tranche of pay-outs as per the scheme of amalgamation. Post receiving liquidity assistance from the DICGC, we credited eligible depositor accounts, within minutes of receiving the same. Depositors remain assured of future payments as per the timelines of the scheme along with an opportunity to bank with a new age, digital Bank. I am happy to note that about 40% of deposits have stayed with Unity, which is an expression of trust in us, by depositors.

Opportunity Ahead

With the augmentation of digital technologies, consumers have become more demanding of virtual experiences with instant gratification. The pandemic has only amplified the need for easily accessible and convenient banking products and services. The introduction of the Aadhar and UPI, post the exponential telecom growth, catalysed the development of alternates for payments, investments, and data based and non discretionary, low-ticket loans. Now, with greater availability of analytics and the proliferation of technology, banks have the ability to provide services to the previously unbanked and underbanked. This brings more people into the formal financial ecosystem and given India's vast geography, the opportunity to grow is large.

“To get our operations off to a strong start, the shareholders have committed capital of over ₹ 3,000 crores through cash and warrants, which are being utilized to build a strong foundation for the bank, hire the right talent and bring best in class technology.”

Additionally, the use of emerging technologies like, AI, Machine learning and blockchain, is expected to play a key role as the 'game changer'. This shall be across all aspects of banking. The development of new products to meet competitive pressures, as well as the gradual transition to the 'Cash Flow' lending mechanism, are projected to promote growth in the banking industry. More robust monitoring and oversight along with overall enhanced efficiency is also expected to contribute towards fuelling growth.

Unity Bank – Taking Small Yet Significant Steps

At Unity, our endeavour is threefold:-

1. To enable wider financial inclusion by ensuring access and ease of banking for All
2. To build robust and new age banking products to service both individuals and institutions
3. Finally, to have a strong corporate governance mechanism and leverage technology to offer a secure and customer centric Banking experience.

To get our operations off to a strong start, the shareholders have committed capital of over ₹ 3,000 crores through cash and warrants, which are being utilized to build a strong foundation for the bank, hire the right talent and bring the best class technology. Centrum's successful and profitable MSME and Micro Finance businesses have merged with the bank, giving it a strong base to scale further. So, we have

made a steady start and are paving the path for sustainable growth ahead.

Financial Performance – FY 2022

As on 31st March, 2022, our total revenue stood at ₹ 154.23 crores, and we reported an operating profit of ₹ 4 crores (before provision and contingency, goodwill write off and fair value charges). Our capital position as measured by CRAR is very strong at 63.71% and the provision coverage ratio is 94.78%. As a conservative measure, we have written off goodwill of ₹ 92.2 crores completely along with a fair value charge of ₹ 45.7 crores. This has resulted in a loss of ₹ 149.61 crores. Being in business for only 5 months of FY2022, along with high start-up costs invested in technology and talent, our numbers may not be precisely reflective of our growth initially. With the roll out of our retail product suite and accelerated marketing and customer outreach, we expect a significant improvement in financial performance over the next few years. Also, we remain well capitalised to support our projected growth over the next few years.

Brand Building

Brand building is a key component of organisational growth. During the year, we spent considerable time finalising a name and brand identity, one that is reflective of our vision and personality is easily understood by all. The name Unity signifies inclusiveness, conveying the message that we are a bank for everyone. The logo is derived from the alphabet 'U'. The horizontal lines inter-woven into the alphabet, resemble a hashtag that symbolizes the convergence of technology and the bringing together of people. A modern and vibrant colour combination of 'New Gold' and 'Deep Slate', signifies the promise of a bright and solid future. We did a soft launch of our brand identity through a creative audio visual on our website and social media pages. Most of our branches, too have undergone a transformation and Unity's signages are displayed proudly. Our marketing and brand building efforts will increase significantly during FY2023 when we roll out our digital and retail product suite.

Employee Welfare

During the year, we undertook a number of initiatives for the well-being and safety of our employees. Well before the lockdowns were

announced, we put most of our staff on 'Work from Home'. Only those in essential service functions such as branch operations, treasury, etc. attended office, that too under strict guidelines. We arranged online counselling sessions to address mental health issues, fatigue and burnouts. In addition, a vaccination camp was arranged at our corporate office in Mumbai to provide vaccinations to staff and their families.

The Way Forward

During FY2023, we will roll out our retail product suite via our mobile app and will give our branches a fresh look. As mentioned earlier, we wish to simplify banking, and we are working to ensure that our App will be reflective of Customer centricity and ease of usage. Besides quick account opening, we will offer customers an instant credit limit, attractive interest rates on savings accounts and fixed deposits along with medical benefits such as insurance covers and doctor consultations. Breaking away from the traditional branch layouts, we will be redesigning the branches as 'Customer Experience Centres', offering 24/7 self-service kiosks, ATMs, assisted digital banking operations and analytical advisory to complement the Mobile App.

Our Business Banking unit, that caters to small businesses and our Inclusive Banking business that services low income women borrowers in urban and rural areas, are expected to double



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“Besides, organically growing our operations, we are also looking at introducing new products such as gold and personal loans along with a phase wise branch expansion roadmap. All teams are working hard to achieve their targets and I am confident that our collective efforts will result in steady growth for the bank.”

their AUM during FY2023. This will be driven by growth in our sales and credit teams to capitalise on the market opportunity post the pandemic.

Besides, organically growing our operations, we are also looking at introducing new products such as gold and personal loans along with a phase wise branch expansion roadmap. All teams are working hard to achieve their targets and I am confident that our collective efforts will result in steady growth for the bank.

Our Board presently comprises five Independent Directors, who are industry veterans with a distinguished track record. During the year, we will expand the Board to include shareholder nominees and a full time Managing Director. Our commitment to the highest standards of corporate governance remains, as we guide the country's newest bank, in its initial years.

FY2023 may continue to remain volatile. The fear of subsequent waves of the pandemic along with the prolonged Russia – Ukraine war and China's zero Covid policy could cause economic disruptions. A slowdown in any sector has a spiral effect on the banking sector as well,

and this is something we need to be prepared for. At Unity, we have put in considerable time and effort to draw out a robust business strategy, build in contingencies and streamline operations to offer a smooth banking experience for our customers.

I would like to take this opportunity to thank every Unity employee, our clients, regulators and Board members for the trust and confidence reposed in the Bank. I look forward to your continued support in our journey of creating long-term value for all stakeholders.

Warm Regards,

Vinod Rai
Chairman

Message from President's Desk



Ranjan Ghosh
President

Dear Shareholders,

Starting a bank from scratch is an exciting as well as daunting task and your directors and management team are committed to making this a grand success story. Not just any bank but a digital first bank that will harness the power of information technology to provide reach, convenience, easy access, and a superior customer experience.

The name Unity and our logo represents several underlying themes such as coming together of different business models of Centrum, BharatPe and PMC, a convergence of technology, convenience and customer centricity.

In the year gone by our primary achievement was to obtain and then operationalise a small finance bank license which we did in record time i.e. 14 weeks from the day we received our in-principle license to launch on 1 November. I am happy to say that the months of hard work to integrate Centrum's MSME lending and Microfinance businesses and the banking operations of PMC paid off and today we are off to a strong start. We have made significant progress in implementing the scheme of amalgamation announced by the Government which would result in revival of PMC and much needed relief for the depositors.

Our immediate business plan is to launch a mobile app based digital bank which will provide a very special experience to Customers. The emphasis will be on financial inclusion, focus on small ticket loans and deposits, a state of the art tech platform to power our growth. Our small business lending (business banking unit) and micro credit operations (inclusive banking unit) which are end to end digitised is expected to see very rapid growth to capture market opportunity we see. Complementing our digital platforms, we plan to grow the branch network and expand our partnership channels.

“The leadership team is largely in place and it's very satisfying to note how they have come together to deliver on what was once seen as a huge challenge. The coming months will no doubt bring fresh challenges as Unity launches its digital platform and app and earns the trust of its customers and stakeholders.”

The leadership team is largely in place and it's very satisfying to note how they have come together to deliver on what was once seen as a huge challenge. The coming months will no doubt bring fresh challenges as Unity launches its digital platform and app and earns the trust of its customers and stakeholders.

I would like to thank our 2200 plus employees, our board of independent directors and our shareholders for their guidance and support as Unity takes baby steps to realise its ambition of a truly digital bank serving the aspirations of our customers be they small businesses and underserved communities

Interim CEO's Message



Inderjit Camotra
Interim CEO

Dear Shareholders,

For all of us at Unity Small Finance Bank Limited (Unity Bank), FY2022 has been a year of unearthing opportunities, rising up to challenges and learning new skills.

What started off as a vision in early 2021, has today grown in to a formidable and fast growing venture, strongly focussed on corporate governance and customer centricity. While, we have made significant progress in a relatively short time frame, including the mammoth task of amalgamating erstwhile PMC Bank and repaying the first tranche of payouts, an exciting and rewarding journey awaits us in the years ahead.

I am happy to share some of the key milestones accomplished with the support of our employees and partners:

- Opening of our First Branch - We received the final license from RBI on 12th October, 2021 and opened our first branch in Mumbai on 1st November, 2021. A quick turnaround in just three weeks!
- PMC – Unity Amalgamation - We completed the challenging task of successfully amalgamating PMC Bank with Unity. This amalgamation rescued PMC Bank from liquidation and provided relief to the approx. 9.5 lakh deposit holders, whose deposits remain principal protected. We also welcomed the 1100+ employees to the Unity Family, who have integrated well and continue their committed service to customers.
- Merged Centrum's MSME & Microfinance Businesses – Centrum's established and profitable MSME and Microfinance businesses were merged with Unity, providing us a strong base to build on.
- Depositor Payouts - We received liquidity assistance from the DICGC on 31st March 2022, post banking hours, and on the same day itself, we credited the eligible ~8.5 lakh accounts with their requisite balances (upto ₹ 5 lakhs). We did not want any delays here, as depositors have had limited access to their funds for over two years. We were well prepared and ensured that branches were adequately staffed and that every branch had sufficient cash, NEFT forms and loose cheques. Separate arrangements were made for senior citizen customers.

“

Customers have been appreciative of our efforts. Many of them have expressed their gratitude in-person, over emails and social media as well. However, I am extremely happy to note that, we have been successful in retaining a sizeable amount of deposits. Many customers have even opened fresh FDs with us.”

- Set up Infrastructure for Smooth Payments – We received an in-principle membership from the RBI to participate in the CPS. Unity Bank is already participating in Clearing, NEFT Payments and Banking Channels actively.
- Indian Banks Association Membership – We received IBA membership and have already actively started participating in the IBA forum and activities for benefit of the Banking system. The forum also provides us with insights on improving our services and networking opportunities.

Customers have been appreciative of our efforts. Many of them have expressed their gratitude in-person, over emails and social media as well. However, I am extremely happy to note that, we have been successful in retaining a sizeable amount of deposits. Many customers have even opened fresh FDs with us.

As I mentioned earlier, while we have made significant progress, a lot of action awaits us in the coming years. Our focus for FY2023 will be to multifold and will include – Rolling out our Digital and Retail Product suite, strengthening our Branch Banking and Service Delivery Channels along with growing our presence geographically. All this, by being a compliant Bank respecting all stakeholders we work with – Regulators, Shareholders, Customers, Employees & the Communities where we are present across India.

Employee Insights

**Niketa Kothari**

Head Financial Institutions Group

I have spent over 20 years in the financial services industry across corporates, banks and NBFCs. However, this was my first stint as part of building a Bank ground up, which has been the most enriching experience so far. It has not only given my learning curve a steep hike but also broadened horizons in my career path and corporate journey. Very few employees get an opportunity to see a paradigm shift in the organisation and also be a part of it.

We set up Unity Bank's first branch in Mumbai and I am proud that the management had faith in my capabilities and was asked to be the First Branch Manager of the First Bank. A First for me as well ! An opportunity that I grabbed with both hands. It was a great learning experience as I worked with a very professional and motivated team and together we studied the market, took

best practices for the industry and successfully inaugurated the first branch. Considering I had no experience in Bank or Branch operations, the support from colleagues and seniors was very instrumental

It was an absolute privilege to inform our lenders (mostly Banks/ NBFCs), that we also are now a Bank. The experience of sitting on the other side of the table was a very satisfying and joyful moment for me and the NBFC treasury team. It was an uphill task for seeking NOCs / approvals for the movement of debt to the Bank, but the team achieved the necessary results in a time bound manner.

I am proud to be part of a fast growing, new age bank and look forward to achieving greater heights in my new role.

Customer Communication is Key

The formation of Unity Small Finance Bank Limited gave a ray of hope to lakhs of PMC Bank customers, who had limited access to their funds for over two years.

Even before the amalgamation was formally sanctioned, an integration committee under the leadership of Inderjit Camotra with representatives from both PMC Bank and USFB was formed to ensure smooth transition and integration. This homogeneous group worked round the clock to put procedures in place and ensure that customer queries are dealt with in a timely manner.

The services of Call Centre were engaged and toll free number along with a dedicated email id care@unitybank.co.in was created to provide updated information to customers as well as address queries. During the transition period (January – March 2022), the call centre handled over 1 lakh calls and we received over 5500 email queries, all of which were promptly addressed by our Customer Service Department. To ensure that Standard Operating Procedures are followed across all Branches of UNITY, SOP for various departments of the Bank were made under the guidance of Mr. Sujoy Bhawal and circulated amongst the Branches on the day of amalgamation.

The DICGC settled the valid claims of depositors, post banking hours on 31st March, 2022. This was followed by three consecutive bank holidays. Our team worked over the long weekend addressing customer queries on the settlement process and trained our branch staff to be well prepared for the large volume of customers expected on the following Monday. It was a day we had anticipated and were well prepared for. Cheque books were dispatched



through five different courier companies along with the provision of loose cheque leaves across branches, ensured that customers were able to access their funds in a timely manner.

As customers started getting their amounts credited, we could see the joy and relief on their faces. It was the moment they had waited patiently for. During the month of April 2022, the volume of calls and emails reduced significantly. We received many positive messages and words of encouragement from customers recognising our efforts in the resolution process. However, the biggest testament to our efforts was that many customers came back to the branches to re-invest their money with us!

I am proud to be part of a Bank that puts its customers first!

Rashmi Pandit

Vice President - Customer Services

Enabling Unity in Financial Diversity

About us

We're India's newest Small Finance Bank, driven by a team of Banking & Fintech experts, cutting edge technology and an impeccable promoter legacy. Promoted by Centrum Financial Services Ltd. with Resilient Innovations Pvt. Ltd. (BharatPe), as a joint investor, we aspire to be a truly digital first Bank.

What We Do?

Being Digital enables you to open and operate Savings, Loan or Current accounts using any digital device, instantly and round the clock. Of course, you're always welcome to visit us at any of our branches.

Why Choose Us?

We're uniting customers across socio income groups, small and medium businesses and HNIs offering a transparent, convenient and secure digital banking experience, bringing true Unity in Financial Diversity. Our platform is open architecture, uniting multiple service providers to deliver a seamless digital experience.



Our Endeavour

- To make financial inclusion a reality by ensuring access and ease of banking for all - including the unbanked and the underbanked.
- To build best-in-class and new age banking products catering to both institutions and individuals
- To abide by Strong corporate governance practices and leverage technology to deliver a secure and customer centric Banking experience.

Highlights - As on 31st March 2022

₹1924 Crore

Network

₹2419 Crore

Loan Book (net of NPA provisions)

122

Branches

63.7%

CRAR

₹1128 Crore

Borrowings

141

Offices

2312

Employees

₹531 Crore

Reserves & Surplus

94.8%

Provision Coverage Ratio

Branches & Offices



Our Promoter

Centrum Group

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 two and a half decades. Led by industry veterans, Jaspal Bindra and Chandir Gidwani, Centrum has established a PAN India presence with a strong leadership team of seasoned professionals, operating out of 140+ cities and an international presence in Singapore. Centrum is also listed on the BSE & NSE.

Its Investment Banking Division assists corporates in their financial management and offers services across and Equity Capital Markets, Corporate Finance, Debt Syndication and Infrastructure Advisory. Centrum has built a strong Wealth franchise that caters to the investments and insurance needs of HNIs and family offices and currently manages client assets of over Rs 35,000 crores. Additionally, 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 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 in across

seven states in India. Centrum's MSME and Micro Finance businesses had built a credible book, which we have since merged in to Unity Small Finance Bank.

Centrum also offers Asset Management Services and has two funds across Private Equity and Structured credit, both of which are fully deployed and are performing well.



Centrum Capital – Investment Banking with proven expertise across Equity Capital Markets, Corporate Finance, Debt Capital Markets, Infrastructure Advisory

Unity Bank – A New Age Bank driven by a team of Banking & Fintech experts

Centrum Wealth – Comprehensive wealth offering servicing 4000+ HNI families. Client Assets – ~Rs 35,000 crs

Centrum Housing Finance – Affordable Housing Finance in tier 2 & 3 cities

Centrum Broking – Fast growing Institutional & Retail Broking platform

Centrum MicroCredit – Loans to women borrowers in urban, semi-urban and rural areas (Merged with Unity)

Centrum Alternatives - Multi-asset, Alternative Investment platform focused on private credit and venture capital

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

Partnering for a #Smarter Tomorrow

Centrum Group

Unity Small Finance Bank Limited is promoted by the Centrum Group (Centrum Financial Services Ltd.), with Resilient Innovations Pvt. Ltd (BharatPe) as a joint investor. To get Unity Bank off to a strong start, Centrum has merged its young and profitable NBFC and Micro Finance Business with the Bank giving it a robust platform to scale up operations.

Centrum's NBFC Lending business provided credit to small and mid-sized companies in multiple forms and structures. The business catered to entities in metros and Tier II cities that are either in the stage of building up or diversifying and generally not catered to by the mainstream banking system. The key value propositions included flexibility, responsiveness and furthering financial inclusion while providing the right financing solutions.

Key Products

- SME & MSME Loans
- Supply Chain Finance



Centrum's Micro Finance business provided loans under the joint liability model to over 2 lakh low income women entrepreneurs in urban, semi-urban and rural areas. With 'Financial Inclusion' as a key objective, it offered un-served and underserved women loans and other financial services.

Key Products

- Join Liability Group Loans
- Micro Enterprise Loans
- WASH Loans – Clean Water & Sanitation Loans
- PM SVANIDHI Loans



Merging these two businesses with Unity have provided a formidable foundation to the Bank that will help scale up operations quickly.

Resilient Innovations Pvt. Ltd (BharatPe)

BharatPe is one of India's fastest growing fintech companies in India, 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.

Currently serving over 8 mn merchants across 225 cities, the company is a leader in UPI offline transactions, with an annual transaction processing value (TPV) of 16+ bn USD. In addition, the company has successfully launched and scaled up products around lending to merchants. It has facilitated loans of over ₹ 3000 crores to over 3 lac merchant partners, since the launch of the product. BharatPe facilitated US\$ 650 mn of loans in the last fiscal across merchant and consumer businesses. In 2020, post-Covid, BharatPe launched India's only zero MDR card acceptance terminal – BharatSwipe. Today, it has a network of over 1.25 lac POS machines across the country. BharatPe also made its

grand entry in the Credit Card segment with the launch of Postpe in October 2021. BharatPe has raised over US\$ 650 mn in equity and debt, till date. 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.



Steering our Journey Towards a Smarter Tomorrow

Board of Directors



1 Basant Seth
Independent Director

2 Renu Basu
Independent Director

3 Vinod Rai
Chairman

4 Subhash Kutte
Independent Director

5 Sandip Ghose
Independent Director



Management Team



1 Sanjay Rele
Head – Financial Markets & Treasury

2 Deepu Bhattacharya
Chief Human Resources Officer

3 Jaymeen Shah
Head – Compliance

4 V. Vaidynathan Iyer
Chief Information Officer

5 G.L. Kumar
Chief Business Officer – Business Banking

6 Ranjan Ghosh
President

7 Sujoy Bhawal
Director - Banking Operations

8 Inderjit Camotra
Interim CEO, CBO - Branch Banking & Distribution

9 Abhishek Baxi
Chief Financial Officer

10 Alok Chawla
Head – Internal Audit & Vigilance

11 Praveen Saha
Chief Business Officer – Inclusive Banking

12 Archana Goyal
Company Secretary

13 Saurabh Srivastava
Chief Risk Officer



An Aspirational Journey with a Quick Turnaround

Amalgamation of PMC Bank

It was indeed a matter of pride and joy, that The Reserve Bank of India (RBI) chose Centrum Financial Services Limited, to promote a new Small Finance Bank (SFB).

After a gap of nearly 6 years, a new banking license was issued, that paved the way for the amalgamation and revival of the beleaguered Punjab & Maharashtra Co-operative Bank (PMC Bank). We thank the RBI for the opportunity and confidence shown in our abilities.

Having complied with the requisite regulatory approvals, the Finance Ministry sanctioned the amalgamation on 25th January 2022, protecting PMC Bank from liquidation and bringing relief to its stakeholders, depositors and 1,100+ employees.

Centrum-BharatPe to take over

RBI gives in-principle approval to Centrum Financial Services Ltd to set up a small fin

SESA SEN @ New Delhi

DEPOSITORS, whose life savings are stuck in Punjab & Maharashtra Cooperative (PMC) Bank, may heave a sigh of relief with the banking regulator finally allowing new owners to take over the crisis-ridden lender. On Friday, the Reserve Bank of India (RBI) gave in-principle approval to Centrum Financial Services Limited to set up a small finance bank for this purpose within 120 days.

Centrum will set up the proposed bank in partnership with BharatPe, making PMC Bank the first troubled coop-



Depositors may not get their dues immediately

RBI's existing restrictions will expire by the end of this month. Large depositors may continue to face curbs for sometime to avoid a run on the bank

and put restrictions on the Bank, including on cash withdrawals, after investigations detected a fall in the bank's cash. Cash withdrawals were capped at ₹1,000 per account for six months but were usually relaxed to ₹1 lakh last year covering 84% of depositors. But, RBI refrained from raising the withdrawal limit beyond ₹1 lakh due to a lack of liquidity against the bank's liability of ₹10,727 crore on March 31, 2020. Liabilities available with the Bank were worth ₹4,477 crore, which was "insufficiently pay all its depositors' dues immediately

erative bank to make this transition. Bharat Pe and Centrum Group are among four groups that have made submissions to RBI for acquiring PMC Bank. However, the banking regulator would consider granting a licence for commencement of banking business under Sec-

tion 22(1) of the Banking Regulation Act, 1949, only after being satisfied that the applicant (Centrum) has complied with the requisite conditions laid down by RBI as part of "in-principle" approval.

In September 2019, the central bank superseded the board

PMC Bank, Unity SFB merger scheme: RBI seeks views on draft

THE RESERVE BANK OF INDIA (RBI) on Thursday released a draft scheme of amalgamation of Punjab & Maharashtra Cooperative Bank (PMC) Bank and Unity Small Finance Bank (USFB) to set up a new Small Finance Bank (SFB).

As per the draft, the PMC Bank depositors will get their money back in 3-9 years.

The RBI said the draft scheme of amalgamation of PMC Bank and USFB is a joint venture between the two banks. The RBI said the draft scheme of amalgamation of PMC Bank and USFB is a joint venture between the two banks. The RBI said the draft scheme of amalgamation of PMC Bank and USFB is a joint venture between the two banks.

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Ex-CAG Vinod Rai joins SFB as independent chair

Staff Writer

feedback@livemint.com

MUMBAI: The Reserve Bank of India (RBI) on Thursday approved the appointment of former comptroller and auditor general (CAG) of India Vinod Rai as independent chairman of Unity Small Finance Bank, the newest private lender in India.

Rai, a former chairman of Banks Board Bureau which advises the Centre on top-level appointments at public sector banks and tackling bad loans, has also served in the ministries of finance, commerce and



Former CAG Vinod Rai. MINT

eral PSUs and private banks will help in building a strong foundation and shaping the long-term strategy," Unity Bank said in a statement.

A 51:49 joint venture between the government and payments bank, the Unity Small Finance Bank started operations in January 2021. Its

Keeping the depositors' interest at the forefront, we operationalised the bank in record time, providing them access to deposits that were frozen for almost 2 years.

We are committed to repaying the principal amount due to all depositors, in its entirety, as per the scheme of amalgamation. 96% of depositors, with deposits of up to ₹ 5 lakhs, have been paid upfront (subject to completion of requirements as per DICGC rules).

Additionally, Institutional Depositors are entitled to preference shares (80%) and equity share warrants (20%) in lieu of their eligible deposit balances. The warrants will be converted into equity shares at the time of the IPO, offering them an added advantage during its listing on the bourses.

PMC Bank

finance bank for this purpose

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"We plan to bring ₹1,800 crore of capital which would be equally divided between Centrum Group and BharatPe, and half of this will be brought in the first year. We will be starting the bank with ₹500 crore on day one," said Jaspal Bindra, executive chairman, Centrum Group.

The new investors should ideally bring in capital for enabling the bank to achieve the minimum required capital to risk-weighted assets ratio of 9%. Later, they may explore the option of restructuring a part of deposit liabilities into capital/instruments.

ins Unity chairman

other board members include former central bank official Sandip Ghose; former chairman and managing director of Syndicate Bank and former deputy managing director of SIDBI Basant Seth; and former RBL Bank chairman Subhash Kuttie.

Last year, Rai had failed to secure a third term as a non-independent and non-executive director on the board of IDFC, after 62.3% of its shareholders voted against the proposal. Unity SFB's proposed merger with debt-ridden Punjab and Maharashtra Cooperative Bank is currently under review. "RBI announced the draft scheme of amalgamation and is currently reviewing public comments on it," a Centrum official said.

Centrum-BharatPe granted licence for small finance bank

Gopika Gopakumar
gopika.g@livermint.com
MUMBAI

The Reserve Bank of India (RBI) on Tuesday issued a small finance bank licence to a consortium of Centrum Financial Services Ltd and Resilient Innovations Pvt. Ltd (BharatPe). Centrum said in an exchange filing. The new SFB has been incorporated as 'Unity Small Finance Bank'.

"It is the first time ever that the two partners are uniting equally to build a bank. The proposed business model is one of collaboration and open architecture, uniting all its stakeholders to deliver a seamless digital experience," Centrum said in the exchange filing.

In June, RBI granted in-principle approval to Centrum to set up a small finance bank, which will later take over the assets of Punjab and Maharashtra Cooperative Bank (PMC Bank).

While it is not clear when RBI will transfer the assets of PMC Bank, Centrum hopes to start the operations of the SFB in a month's time.

Centrum's MSME and



Jaspal Bindra, executive chairman of Centrum Group.

Microfinance businesses shall be merged into the bank.

"The SFB will start with a loan book of ₹1,500 crore, focused only on retail lending through digital channels. We plan to have a national reach likely through this digital channel rather than physical presence," Jaspal Bindra, executive chairman of Centrum Group, said in an interview.

Both Centrum and BharatPe will hold equal stakes in the bank. The joint venture will infuse ₹1,800 crore capital into the bank over time.

Bindra added that the bank will now start the search to

TURN TO PAGE 6

Unity Bank starts operations, paving way for PMC merger

PRESS TRUST OF INDIA
Mumbai, November 1

UNITY SMALL FINANCE Bank, the 51:49 joint venture between Centrum Group and payments app BharatPe, on Monday launched their first branch that will go a long way in resolving the crippled cooperative PMC Bank by merging it with the new entity.

The 12th small finance bank begins operations with over ₹1,100 crore of equity capital, over two lakh customers and an asset base of over ₹2,400 crore which comes from the existing MSME and MSB credit business of the Centrum Group, Jaspal Bindra, group executive chairman and the non-executive chairman of Unity Bank, said on Monday.

Unity Bank commenced operations in a second time as it got the final licence only on October 12 from the RBI, after getting the in-principle approval in June. The licence is also contingent on the Unity Bank taking over PMC Bank, which was hit by a ₹7,000-crore loan scam and has been under the RBI administrator since September 2019.



The SFB licence is also contingent on Unity Bank taking over PMC Bank, which was hit by a ₹7,000-crore loan scam

under Section 45 of the Banking Regulation Act, first there has to be an operational bank for the merger/takeover of another bank. So we going operational is the first major step towards merger.

"And even our operational expansion is dependent on the merger scheme that the RBI and the finance ministry will come up with, he said, because though there are 145 Centrum branches available, we don't want to be a branch-led

96 %

of depositors with deposits of up to ₹ 5 lakhs, have been paid upfront

PMC Bank's team has integrated well with Unity's culture and practices. The branches too have undergone a transformation, with Unity's signages being proudly displayed.

A Glimpse of our Journey. A Quick Turnaround from In-Principal Approval to Operationalization

18th June, 2021

RBI grants in-principle approval to Centrum Financial Services Ltd. To establish a Small Finance Bank

RBI GRANTS 'IN-PRINCIPLE' NOD FOR SMALL FINANCE BANK Centrum to takeover PMC Bank, partner BharatPe to launch SFB

NEW DELHI, June 18 The Reserve Bank of India (RBI) on Tuesday granted an in-principle approval to Centrum Financial Services Ltd. to establish a Small Finance Bank (SFB).

PMC Bank is under regulatory supervision after the RBI issued a circular in May 2020, asking all banks to stop giving loans to PMC Bank. The bank has an exposure of ₹1,000 crore to the RBI. The RBI has requested the bank to submit a plan to the RBI for the takeover of the bank by June 18, 2021.

Centrum was founded by Chandan Gupta and the late Shri. Ravi Shankar Prasad. The bank has a total assets of ₹2,400 crore and a customer base of over 2 lakh. It also provides MSME loans and has a strong presence in the rural and semi-urban areas.


1st November, 2021

Unity Small Finance Bank Limited Commences operations. Centrum's successful MSME Lending and Microfinance Businesses with total assets of about ₹ 2400 crores, customer base of over 2 lakhs and 145 offices merge with Unity.

₹ **2400** Crore
Total Assets

7th September, 2021

Unity Small Finance Bank Limited opens its first office in Kalina, Mumbai



RBI grants banking licence to USFBL

Bank to be jointly managed by
Centrum Financial Services and BharatPe

NEW DELHI The Reserve Bank of India on Tuesday granted a banking licence to Unity Small Finance Bank Ltd (USFBL), which was established jointly by Centrum Financial Services Ltd (CFS) and Resilient Innovations Private Limited (BharatPe), to carry on SFB business in India.

The central bank had accorded "in-principle" approval to CFS, a wholly-owned subsidiary of Centrum Capital, on November 18, 2020.

The approval was in specific pursuance to CFS's February 2020 offer in response to the scam-hit Punjab and Mahabha-

shra Cooperative (PMC) Bank's November 2020 expression of interest (IoI) notification.

Aid PMC Bank The grant of banking licence to USFBL sets the stage for RBI to place in the public domain a draft scheme of amalgamation of PMC Bank with the SFB. The last step will be the government's sanction for the scheme.

This announcement should come as a relief to PMC Bank depositors who have been struggling to get their deposits back for more than two years amid the Covid-19 pandemic.

"It is the first time ever that

12th October, 2021

RBI grants Final Small Finance Bank license to Centrum Financial Services Limited, post completion of requisite regulatory approvals

two partners are uniting; equally to build a bank. The proposed business model is one of collaboration and open architecture, inviting stakeholders to deliver a new digital experience," Centrum and BharatPe said in a joint statement.

Centrum's MSME and micro-finance businesses merged into USFBL.

Digital bank Jagpal Bindra, Executive Chairman, Centrum Group, said in a statement: "We are delighted to see the licence and excited to partner with BharatPe to create this new age bank in strong synergy. We aspire to be India's first digital bank."

With the establishment of USFBL, the number of SFBs in the country goes up to 12.

22nd November, 2021

RBI announces Draft Scheme of Amalgamation of PMC Bank with Unity Small Finance Bank Limited.

RBI announces draft scheme for PMC-USFB amalgamation

'USFB set up with ₹1,000-cr. capital, higher than mandated'

SPECIAL CORRESPONDENT
The Reserve Bank of India (RBI) on Monday placed in public domain a draft scheme for amalgamation of the Punjab and Maharashtra Cooperative (PMC) Bank with Unity Small Finance Bank Ltd. (USFB), a banking company incorporated in India under Companies Act, 2013, and having its registered office in New Delhi. USFB commenced operations with effect from November 4, 2020. The draft scheme of amalgamation envisages takeover of the assets and liabilities of

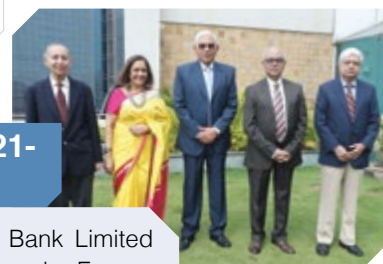


PMC Bank, including deposits, by USFB in terms of the provisions of the scheme, giving a greater degree of protection for the deposits.

"It can be seen that USFB is being set up with capital of about ₹1,000 crore as against

the regulatory requirement of ₹500 crore for setting up of a small finance bank under the guidelines for on-tap licensing of small finance bank in private sector, with provision for further infusion of capital at a future date after amalgamation," the banking regulator said.

Mumbai-based PMC Bank Limited, a multi-state urban cooperative bank, was placed under all-inclusive directions with effect from the close of business hours on September 23, 2019, on account of fraud, which led to a 'steep deterioration' in the network of the bank.



November 2021-January 2022

Unity Small Finance Bank Limited forms a strong Board. Former CAG of India, Vinod Rai joins as Chairman.

25th January, 2022

Ministry of Finance Sanctions Amalgamation Scheme of PMC Bank with Unity. PMC Bank's 110 branches and 1,100+ employees join the Unity Bank family.

110

PMC Bank's branches



3rd February 2022

Unity Small Finance Bank Limited begins outreach to PMC Bank's customers. Assures stability and continuity in services along with the opportunity to Bank with a technologically driven, new age Bank.

31st March 2022

Depositors received 1st tranche of their Deposits (Up to ₹ 5 lacs)*

Up to

₹ **5** lacs

PMC depositors get first payout

OUR SPECIAL CORRESPONDENT

Mumbai: Unity Small Finance Bank has paid out around ₹ 1,700 crore to 4.5 lakh account holders in Punjab and Maharashtra Cooperative Bank (PMC) Bank — following an order by the depositors who were denied access to their life savings after the bank collapsed in 2019.

In January, the Finance Minister had sanctioned the amalgamation of PMC Bank with Unity Bank, thus protecting it from liquidation.

Following the amalgamation,

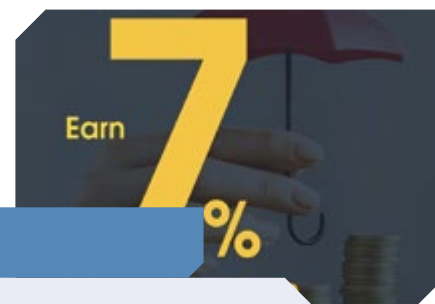
Unity Bank is promoted by Centrum Financial Services Ltd with Rediffm Investments Pvt Ltd, the latter's parent, as a joint investor. It commenced operations in November 2020 after the Reserve Bank of India issued a small finance bank licence with a capital infusion of ₹ 1,300 crore, total assets of about ₹ 400 crore and no active customer base of more than 1 lakh. While Centrum holds 33 per cent in the lender, the rest is held by Rediffm Investments. Unity Bank will repay the ₹ 100 crore amount due to 40 PMC Bank depositors.

FY 2023

Retail products suite to be rolled out. Customers can earn up to 7% on Savings Accounts. One of the highest ever interest rates.

7 %

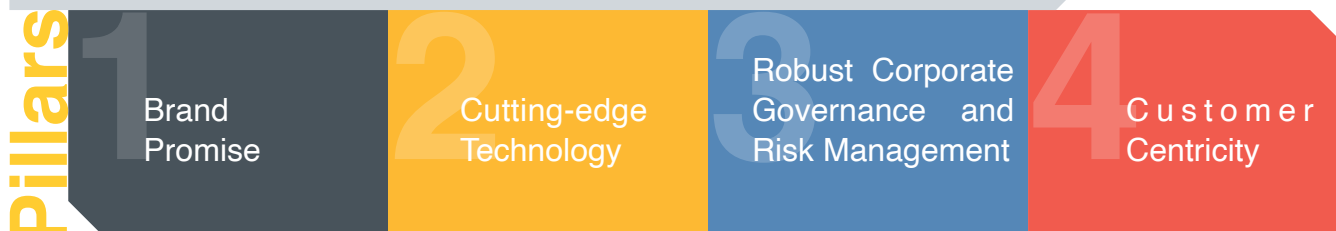
Savings Accounts interest rates



*subject to completion of requirements as per DICGC rules

Building a Solid Foundation for Inclusive Growth

Our Growth Engines



Brand Promise

The name Unity signifies inclusiveness, conveying that we are a Bank for Everyone. Unity as a name is very relevant on many counts. It is the first time; a Bank is being built by an almost equal partnership of two financial entities. Our thrust remains on financial inclusion, aiming to ensure unity through financial diversity. We also strive to strengthen our brand value through an open architecture, uniting multiple service providers to deliver a seamless digital experience.

Our Brand Identity



The conviction of **'ONE'** is perfectly captured in the thoughtfully-designed logo, which uses the alphabet 'U' from the word Unity.



The horizontal lines inter-weaved with the main U symbolize people holding hands - indicating the brand's people-centric approach. It also highlights the coming together of all Indians, through financial inclusion to create a strong unified society and nation.



The colour 'new gold' breaks away from the clutter and communicates the promise of a brighter future with the company's people-centric and technology-driven approach.

Bringing the Brand to Life



Building a Solid Foundation for Inclusive Growth

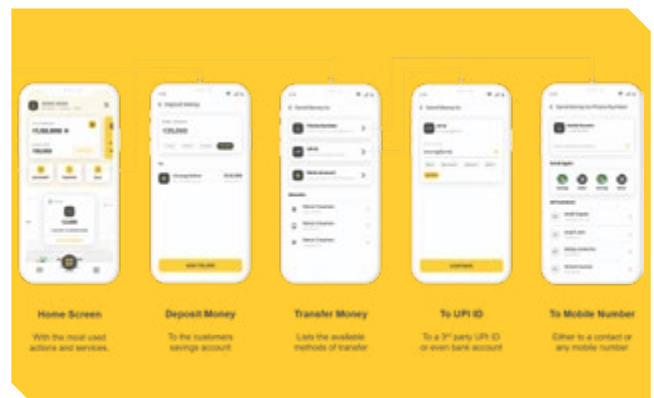
Cutting-edge technology

We endeavour to maximize the usage of technology to deliver solutions that simplify banking, and fulfil every customer's financial requirement in a convenient, simple and speedy manner, across our online and physical channels.

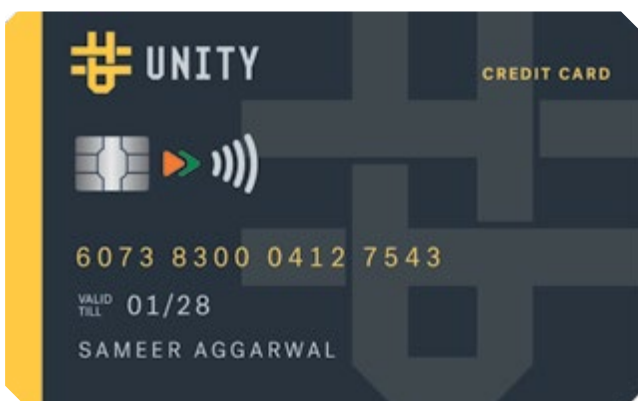
Our Experience Centres (Branches) and mobile app are being designed to ensure a smooth user experience with high levels of personalization.



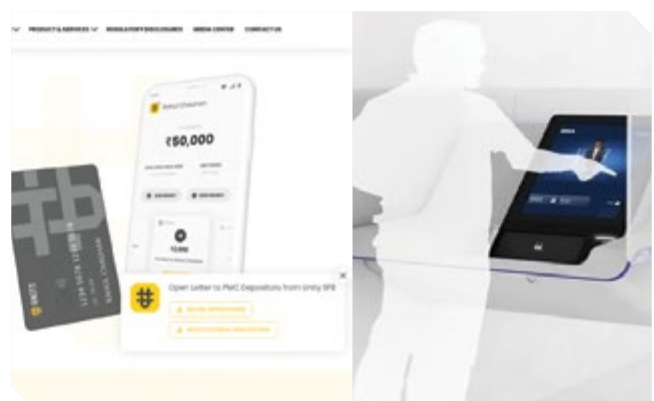
Account opening within 3 minutes.



Interface personalization with smart yet non-intrusive prompts and notifications.



Universal card for physical & virtual use, with an option of converting spends into EMIs.



Most existing and new branches will be re-branded as Experience Centres featuring 24x7 self-service kiosks, assisted digital banking operations, analytical advisory, etc. while sporting a modern look.

Building a Solid Foundation for Inclusive Growth

Robust Corporate Governance & Risk Management

With an agile and hands-on Board at the helm, we remain committed to build a resilient and proactive business model. Our Board comprises industry stalwarts with experience across multiple fields such as Banking, Hospitality and Fintech, giving us a holistic perspective.

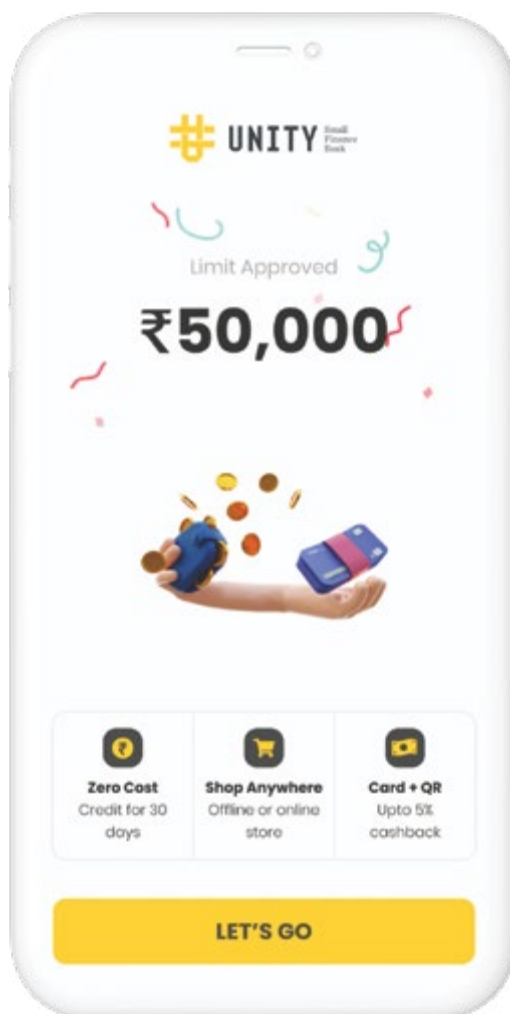
Our Board is further empowered by the presence of Vinod Rai, former IAS officer and the CAG of India. Keeping our values intact, we aim to build an ethical organisation that ensures transparency in operations and upholds its integrity. Further, our robust risk management policies allow us to identify emerging risks and undertake timely actions to mitigate adverse impacts on our operations. Our internal controls are structured to ensure reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use or losses, executing transactions with proper authorisation and ensuring compliance of corporate policies, laws, and accounting standards.



Building a Solid Foundation for Inclusive Growth

Customer Centricity

With an endeavour to offer comprehensive banking services while ensuring accessibility, convenience and speed, we are using a culmination of superior technology and easy to use services to simplify banking.



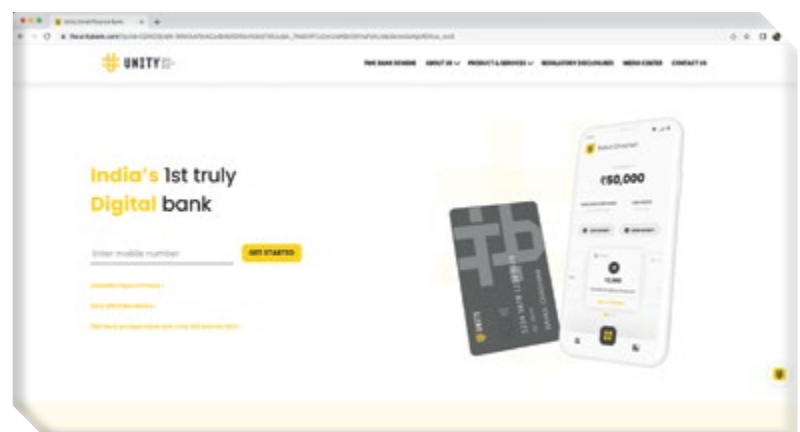
Keeping customer centricity at the core, our digital banking platforms – Mobile App and Netbanking along with our branches will ensure a smooth user experience. Some highlights below:-

Uncluttered and easy to navigate user interfaces

Quick turnarounds – Customer on-boarding, KYC verification processes to be done swiftly for all account types along with an immediate overdraft / credit facility for customers with a high CIBIL score.

Seamless experience at branches / ATMs through assisted services (digital devices) to complement mobile app experience

Digitally driven product portfolio enabling seamless payments through swipe machines, UPI, bank transfers, etc.



Our Service Offerings

Business Banking

MSME Loans

Secured and unsecured loans to Micro, Small and Medium enterprises. Be it growth capital, working capital, debt consolidation or purchase of assets, our services span diverse sectors.

Supply Chain Finance

Credit to overcome working capital challenges. Customized offerings across different structures - Invoice Discounting, Receivables Finance, etc. to ensure that your business cycle continues without any break.

Branch & Digital Banking

We continue to service the banking needs of erstwhile PMC bank customers. Our retail product suite will be rolled in mid 2022 through our physical and our digital channels (App / Netbanking).

Inclusive Banking

Loans under the Joint Liability Group (JLG) Model to low income women entrepreneurs in urban, semi-urban and rural areas.

Treasury & Financial Markets

Our treasury desk offers Interest Rate Trading (IRT), Non SLR Trading, Equity, Resource raising & rating, Debt Capital Markets and Treasury Sales.



Key Differentiators across Products



Product Customisation

Tailored solutions for specific client requirements, enabling them to derive maximum value.



Service for All

We are sector, client and region agnostic. We endeavour to serve even those who may not have access to organized finance.



Digital Innovation

From Loan origination to disbursement, our processes are fully automated, reducing turnaround times and giving you access to loans faster.

Corporate Information

Board of Directors

Vinod Rai

Part-time Chairman &
Independent Director

Basant Seth

Independent Director

Subhash Kutte

Independent Director

Sandip Ghose

Independent Director

Renu Basu

Independent Director

Key Personnel

Ranjan Ghosh

President

Inderjit Camotra

Interim 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

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 the First Directors' Report together with the Audited Financial Statements of the Bank for the financial year ended March 31, 2022.

1. STATE OF AFFAIRS OF THE BANK

The Bank is promoted by Centrum Financial Services Limited, with Resilient Innovations Private Limited 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 its operations effective November 1, 2021. Centrum's successful and profitable MSME and Micro Finance businesses have merged with the Bank, giving it a strong base to scale further.

The Ministry of Finance through a gazette notification dated January 25, 2022 sanctioned the scheme of amalgamation of the beleaguered Punjab & Maharashtra Co-operative Bank Limited (PMC Bank) with your Bank, bringing relief to its depositors and stakeholders. Along with Resilient Innovations Private Limited, the team worked hard to get the Bank up and running in record time. A quick turnaround from regulatory approvals to operationalisation, paved way for the amalgamation of PMC Bank with your Bank, providing stability to its employees and protecting depositor's interest.

As on 31st March, 2022, the Bank had total revenue of ₹ 154.23 crores, and operating profit of ₹ 4 crores (before provision and contingency, goodwill write off and fair value charges). The Bank's Capital Position as measured by CRAR is very strong at 63.71% and Provision Coverage Ratio is 94.78%. As a conservative measure, the Bank has written off goodwill of ₹ 92.2 crores completely along with a fair value charge of ₹ 45.7 crores. This has resulted in a loss of ₹ 149.61 crores. Being in business for only 5 months of FY 2022, along with high start-up costs invested in technology and talent, numbers of the Bank may not be precisely reflective of the growth initially. With the roll out of our retail product suite and accelerated marketing and customer outreach, we expect a significant improvement in financial performance over the next few years. Also, the Bank remains well capitalised to support its projected growth over the next few years.

2. FINANCIAL HIGHLIGHTS

The summary of Bank's financial performance for the FY 2021-22 is given below:

(₹ in Lakh)	
Particulars	Year ended March 31, 2022
Deposits	3,82,237
Borrowings	1,12,840
Advances	2,41,913
Total Income	15,424
Operating Profits (Profits before Provision, Depreciation and Taxation)	(4,463)
Less: Depreciation	9,682
Less: Provision and contingencies	816
Less: Provision for Taxation	-
Net Profit/ (Net Loss)	(14,961)
Add: Profit brought forward from previous year	-
Total Profit/(Loss) available for Appropriation	(14,961)
Appropriations	
Transfer to Statutory Reserve	-
Transfer to Special Reserve	-
Transfer to Capital Reserve	-
Transfer to/ (from) Investment Reserve	-
Transfer to/ (from) Investment Fluctuation Reserve	-
Proposed Dividend	-
Tax including Surcharge and Education cess on Dividend	(400)
Balance carried over to Balance Sheet	(15,361)

3. DIVIDEND

The Bank has not declared any dividend for the Financial year ended March 31, 2022.

4. TRANSFER TO RESERVES

As per Regulatory requirements, the Bank has created the following reserves for the financial year 2021-22:

Amount Transferred	₹ in Lakh
Statutory Reserve	Nil
Capital Reserve	28,471
Share Premium	40,032

5. MATERIAL CHANGES AFTER THE BALANCE SHEET DATE AS AT MARCH 31, 2022

There have been no major material changes and commitments from the end of FY 2021-22 to the date of this report, that affect 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.

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, 2022.

8. SHARE CAPITAL AND DEBT STRUCTURE

Authorised Capital

The total Authorised Share Capital of the Bank is ₹ 4000,00,00,000 (Rupees Four Thousand Crores Only).

During the year under review, the Authorised Share Capital of the Bank was reclassified into 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, the Bank has issued and allotted 35,94,90,000 (Thirty Five Crore Ninety Four Lakh and Ninety thousand) equity shares of ₹ 10/- each aggregating to ₹ 359,49,00,000 (Rupees Three Hundred Fifty Nine Crore and Forty Nine Lakh only) by way of Rights Issue and 34,54,01,960 (Thirty Four Crore Fifty Four Lakh one Thousand Nine Hundred and Sixty only) equity shares of

₹ 10/- each aggregating to ₹ 345,40,19,600/- (Rupees Three Hundred Forty Five Crore Forty Lakh Nineteen Thousand and Six Hundred only) by way of preferential issue. As on March 31, 2022, 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, the Bank is in the process of issuing 224,88,42,012 Unlisted, Unrated Fully paid-up, Non-Convertible, BASEL III Perpetual Non-Cumulative Preference Shares of ₹ 10/- each aggregating to ₹ 22,48,84,20,120/- to the institutional depositors and long term deposit holders of the erstwhile PMC Bank.

Warrants

During the year, the Bank has issued following warrants:

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

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

Further, in pursuance to the Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022, the Bank is in the process of issuing Unlisted, fully paid-up Equity Warrants to institutional depositors aggregating to ₹ 5,29,68,23,890/-.

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, 2022 was amounting to ₹ 32,744 Lakh and ₹ 23,825.90 Lakh, respectively.

9. CAPITAL ADEQUACY

The Capital Adequacy Ratio stood at 63.71% as on March 31, 2022 as against the minimum requirement of 15% stipulated by RBI. Further, the Networth of the Bank as on the said date was ₹ 1,92,396 Lakh.

10. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for FY 2021-22 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 spend any money towards Corporate Social Responsibility ("CSR") for the financial year 2021-22. Hence, as on March 31, 2022, the Bank does not have any unspent amount towards CSR.

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 2022-23.

14. MEETINGS OF THE BOARD AND COMMITTEES

The details of Board and Committee meeting held

and attended by the Directors of the Bank during the FY 2021-22 is forming 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.

15. DIRECTORS AND KEY MANAGERIAL PERSONNEL

As on the date of this Report, the Bank has (five) 5 Independent Directors including a Woman Independent Director.

Director liable to retire by rotation

All Directors on the Board of the Bank are Independent Directors. The Independent Directors are not required to retire in terms of Section 149(13) of the said Act. Hence, the provisions of Section 152(6) of Companies Act, 2013 relating to retirement of directors by rotation does not apply considering the present composition of Board of the Bank.

Accordingly, no Director is required to retire by rotation at this Annual General Meeting.

Change in Directors

The details of Directors appointed / resigned during the Year is given below:

Sr. No.	Name	Designation	Date of appointment	Date of Resignation
1	Mr. Jaspal Singh Bindra	Non – Executive Director	August 25, 2021	November 01, 2021
2	Mr. Ranjan Ghosh	Non – Executive Director	August 25, 2021	November 01, 2021
3	Mr. Sriram Venkatasubramanian	Non – Executive Director	August 25, 2021	November 01, 2021
4	Mr. Subhash Kutte	Independent Director	October 26, 2021	-
5	Mr. Basant Seth	Independent Director	October 26, 2021	-
6	Mr. Sandip Ghose	Independent Director	October 26, 2021	-
7	Mr. Vinod Rai	Part-Time Chairman and Independent Director	January 21, 2022	-
8	Ms. Renu Basu	Women Independent Director	January 28, 2022	-

Mr. Jaspal Singh Bindra, Mr. Ranjan Ghosh and Mr. Sriram Venkatasubramanian were the first Directors of the Bank and resigned as per the directions received from the Reserve Bank of India ("RBI"). The Board of Directors placed on record their appreciation for the valuable services rendered by the aforesaid Directors during their tenure as Directors of the Bank.

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 Independent Directors during the year was made with satisfaction of the Board after ascertaining the integrity, expertise, experience and proficiency of the Directors.

Key Managerial Personnel

The Bank appointed Mr. Abhishek Baxi as Chief Financial Officer and Ms. Archana Goyal as Company Secretary with effect from October 22, 2021. Mr. Inderjit Camotra was appointed as the Interim Chief Executive Officer of the Bank w.e.f November 1, 2021. Further, the Board of Directors approved the appointment of Mr. Camotra as the Key Managerial Personnel of the Bank with effect from April 06, 2022.

16. 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 have the required integrity and possess relevant expertise and experience.

17. INDEPENDENT DIRECTORS' MEETING

A meeting of Independent Directors was held on March 28, 2022, as per Schedule IV of the Companies Act, 2013 read with Clause 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

18. EVALUATION OF BOARD PERFORMANCE

The performance of the Board, Committees of the Board, Chairman, Directors were evaluated on the basis of criteria as approved by the Board for the FY 2021- 22. All Directors were provided the criteria for evaluation and forms, which were duly filled by each Director.

19. 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 Policy on selection of Directors and Remuneration, the details of which are disclosed on our website at www.theunitybank.com.

20. 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, 2022, 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, 2022 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.

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

The Board of Directors of the Bank have adopted the 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 & fair conduct by Board Directors, KMPs and SMPs. For FY 2021-22, all Board members, KMPs and SMPs have affirmed the compliance with the said Code and a declaration to this effect signed by the CEO, forms 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.

22. REMUNERATION:

Details of remuneration given during FY 2021-22 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 A** forming part of this report.

23. 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 has not received any complaints under the Whistle Blower Policy of the Bank. The functioning of the Mechanism is reviewed by the Audit Committee from time to time. No employee of the Bank has been denied access to the Audit Committee for raising a whistle blower complaint.

24. CREDIT RATING

The details of credit ratings obtained by the Bank as on March 31, 2022 is given here under:

Credit Rating Agency	Instrument	Amount (₹ in crore)	Ratings	Rating Action
ICRA Limited	Non-Convertible Debentures	190 (Rupees one hundred ninety crores only)	[ICRA] A-&	The rating has been placed on watch with developing implications
ICRA Limited	Certificate of Deposit (CD)	25 (Rupees twenty five crores only)	[ICRA] A1&	The rating has been placed on watch with developing implications
ICRA Limited	Bank Facilities- Term Loan	340 (Rupees three hundred and forty crores only)	[ICRA] A-& / [ICRA] A1&	Long-term rating of [ICRA]A- Short-term rating of [ICRA]A1 The rating has been placed on watch with developing implications
ICRA Limited	Issuer Rating	NA	[ICRA] A-&	The rating has been placed on watch with developing implications
Acuité Ratings & Research Limited	Non-convertible Debenture-	375 (Rupees three hundred and seventy five crores)	ACUITE PP-MLD A-	Long Term Rating (Rating under watch with developing implications) (Assigned)

25. 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 Auditor Report form part of the Annual Report. There are no qualifications made by the Statutory Auditors in their report.

26. 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 B** to the report.

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

27. 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 2021-22, the Bank had no activity relating to conservation of energy.

b. Technology Absorption

Your Bank is committed to being a truly digital first Bank in India. The Bank is building a technology infrastructure designed for a complete digital experience for the customer, 24 x 7 x 365. After the takeover of PMC Bank, it is upgrading the existing technology and back-end systems across branches and ATMs, to reduce turnaround time. Additionally, the Bank is in the process of rolling out a number of digital initiatives, such as Net Banking and UPI payments. These are in advanced stages and the Bank is working closely with the authorities to introduce them at the earliest.

The Bank's architectural blueprint is for a complete App First Bank. It has projects underway towards releasing new products and services for the customers and

employees in a phased manner. The Bank's technology mantra is 'lean and agile technology framework' where systems are based on micro service architecture, connected to each other, to service and make information available for customers and stakeholders on a real time basis. The Bank is committed to IT security, cyber security and IT risk management, which are the core principles of its technology architecture and roadmap. All its efforts are on course to become a truly New Age Digital Bank.

c. Foreign Exchange Earnings and Outgo

During the year ended March 31, 2022, the foreign exchange earnings of the Bank was ₹ 0.06 crores and foreign exchange outgo was ₹ 0.17 crores.

28. 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. All Related Party Transactions are placed before the Audit Committee for approval/ ratification. 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 2021-22, transactions requiring reporting under Section 188(1) of the Act in Form AOC-2 is annexed with this Report as **Annexure C**. The Policy on Related Party Transactions is uploaded on website of the Bank, viz. www.theunitybank.com.

29. 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.

30. RISK MANAGEMENT

Your Bank has a Risk Governance structure in place which it is in the process of strengthening further. The Bank has constituted Risk Management Committee of the Board, which periodically reviews the risks faced by the Bank and the practices/ processes followed to manage them. Details of the same are covered in the MD&A report.

31. 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.

32. 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 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 were no complaints received by the Bank pursuant to 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, 2022, Bank's entire equity paid up share capital were in electronic form.

35. MATERIAL ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNALS

The Central Government, Ministry of Finance had on January 25, 2022, notified Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022. Besides this, during the period under review, no other 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

The Bank has an effective internal controls 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, accounting procedures and Bank's own internal rules and guidelines. The internal audit 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 systems and processes. Proper internal controls were in place and 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 2021-22.

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 2021-22, along with certificate issued by M/s. Alwyn Jay & Co., Practising 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 31st March 2022 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. STOCK OPTIONS

The Bank had not formulated any Employee Stock Option Scheme as on March 31, 2022.

42. 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 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.

By Order of the Board

For Unity Small Finance Bank Limited

Vinod Rai

Part time Chairman
DIN: 00041867

Place: Vietnam
Date: 30-05-2022

Subhash Kutte

Independent Director
DIN: 00233322

Kolhapur
30-05-2022

Annexure B

FORM NO. MR.3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL PERIOD FROM 1ST NOVEMBER, 2021 TO 31ST MARCH, 2022

[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").

Subject to limitation of physical interaction and verification of records caused by COVID-19 pandemic restrictions, 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, 2022, 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, 2022 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 Non- Executive Directors and Independent Directors. The Company has appointed Chief Executive Officer of the Company with effect from 6th April, 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. Approval of the Shareholders was obtained at the Extra Ordinary General Meeting held on 13th September, 2021:
 - a. to acquire the Business Undertaking of Centrum Financial Services Limited, by way of a slump sale, as a going concern, on 'as-is-where-is' basis, at a consideration amounting to ₹ 316.00 Crores;
 - b. to acquire the Business Undertaking of Centrum Microcredit Limited, by way of a slump sale, as a going

concern, on 'as-is-where-is' basis, at a consideration amounting to ₹ 110.00 Crores;

- c. to borrow and give guarantee/security on behalf of the Bank of an amount not exceeding ₹ 2,000 Crores or equivalent amount in foreign currency;
 - d. Creation of charges/mortgage under Section 180(1) (a) of the Companies Act, 2013 on the immovable and movable properties of the Company, both tangible and intangible, in respect of borrowings not exceeding ₹ 2,000 Crores or equivalent amount in foreign currency i.e. within the overall borrowing limits fixed pursuant to Section 180(1)(c) of the Companies Act, 2013.
2. Approval of the Shareholders was obtained at the Extra Ordinary General Meeting held on 4th October, 2021 for alteration of the Articles of Association of the Company pursuant to the approval/directions received from Reserve Bank of India vide its letter dated 28th September, 2021.
 3. The Bank was granted a banking license by Reserve Bank of India under sub-section 1 of Section 22 of the Banking Regulation Act, 1949 on 12th October, 2021. However, the bank has started transacting business of banking under section 5(c) of Banking Regulation Act, 1949 from 1st November, 2021.
 4. Approval of the Shareholders was obtained at the Extra Ordinary General Meeting held on 22nd October, 2021 to issue, offer and allot 90,05,50,000 Warrant – Series 1 and 100,06,10,000 Warrant – Series 2 of ₹10 each at a price of ₹0.10 per Warrant on Rights Basis.
 5. Approval of the Shareholders was obtained at the Extra Ordinary General Meeting held on 1st November, 2021 to raise fund of upto ₹ 745,72,28,316.40/- for issue of equity shares of face value of ₹10 each by way of preferential allotment to Resilient Innovations Private Limited in one or more tranches subject to overall limit of 49% post issue paid-up equity share capital at a price of ₹21.59 per share.
 6. Allotment of 34,54,01,960 Equity Shares of face value of ₹10 each at a premium of ₹11.59 per share to Resilient Innovations Private Limited on preferential basis on 1st November, 2021.
 7. Allotment of 35,94,90,000 Equity Shares of ₹10 each at a price of ₹10 per share on Rights basis to Centrum Financial Services Limited on 1st November, 2021.
 8. Allotment of 90,00,00,000 Warrant – Series 1 and 1,00,00,00,000 Warrant – Series 2 of ₹10 each at a price of ₹0.10 per Warrant to Centrum Financial Services Limited on Rights Basis on 1st November, 2021.
 9. The Bank had acquired the entire 'business undertaking' of Centrum Financial Services Limited and Centrum Microcredit Limited via slump sale, on a going concern and 'as-is-where-is' basis by execution of a Business Transfer Agreement ("BTA") dated October 26, 2021. The said transfers had become effective from November 1, 2021.

10. The bank had received approvals from BSE Limited for listing its debt securities on 23rd December, 2021 and 27th December, 2021.
11. On 25th January, 2022, the Government of India had sanctioned and notified the scheme for the amalgamation of the Punjab and Maharashtra Co-operative Bank Limited with the Bank.
12. The Company has obtained approval of the Shareholders of the Company at the Extra Ordinary General Meeting held on 28th March, 2022 for:
 - (a) the Reclassification of the existing Authorised Share Capital of the Company from ₹ 4000,00,00,000/- consisting of 400,00,00,000 Equity Shares of Face Value of ₹10/- each to ₹ 4000,00,00,000/- comprising of 170,00,00,000 Equity Shares of ₹10/- each and 230,00,00,000 Preference Shares of ₹ 10/- each and for consequent Alteration of Clause V of the Memorandum of Association of the Company;
 - (b) the adoption of the Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 notified and sanctioned by the Central Government on 25th January, 2022 and to issue such number of Unlisted, Unrated, Fully paid-up, Non-Convertible, BASEL III Perpetual Non-Cumulative Preference Shares and Such number of Unlisted, fully paid-up Equity Warrants as shall be required under the Scheme.

Place : Mumbai
Date : 30th May, 2022

ALWYN JAY & Co.
Company Secretaries

Office Address : [Jay D'Souza FCS.3058]
Annex-103, Dimple Arcade, (Partner)
Asha Nagar, Kandivali (East), [Certificate of Practice No.6915]
Mumbai 400101. [UDIN : F003058D000423742]

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 due to COVID-19 Pandemic restrictions 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.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

Place : Mumbai
Date : 30th May, 2022

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 : F003058D000423742]

Annexure C

FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain Arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis: NIL
2. Details of contracts or arrangements or transactions at Arm's length basis.

Sr. No.	Particulars	Details	Details
a)	Name (s) of the related party & nature of relationship	Centrum Financial Services Limited ("CFSL"), holding Company	Centrum Microcredit Limited ("CML"), subsidiary Company of ultimate holding Company.
b)	Nature of contracts/arrangements/ transaction	Acquisition of entire Business undertaking of CFSL by way of slump sale.	Acquisition of entire Business undertaking of CML by way of slump sale.
c)	Duration of the contracts/arrangements/ transaction	NA	NA
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Transfer of entire business undertaking of CFSL to the Bank by way of a slump sale as a going concern, on 'as-is-where-is' basis at a consideration amounting to ₹ 316.00 Crore (Rupees Three Hundred and sixteen crores only) through execution of Business Transfer Agreement (BTA) dated October 26, 2021	Transfer of entire business undertaking of CML to the Bank by way of a slump sale as a going concern, on 'as-is-where-is' basis at a consideration amounting to ₹ 110.00 Crore (Rupees one Hundred and ten Crores only) through execution of Business Transfer Agreement (BTA) dated October 26, 2021
e)	Date of approval by the Board	08/09/2021	08/09/2021
f)	Amount paid as advances, if any	NA	NA

FOR UNITY SMALL FINANCE BANK LIMITED

Vinod Rai

Part time Chairman
DIN: 00041867

Place: Vietnam
Date: 30-05-2022

Subhash Kutte

Independent Director
DIN: 00233322

Kolhapur
30-05-2022

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 five (5) Directors, drawn from diverse fields/professions, all of which are Independent Directors (including one Woman Director). Brief profile of all the Directors of the Bank is available on the website of the Bank at www.theunitybank.co.in.

During the financial year 2021-22, the Board met 11 (eleven) times viz. on, August 27, 2021, September 08, 2021, September 20, 2021, September 29, 2021, October 14, 2021, October 22, 2021, October 26, 2021, November 01, 2021, November 18, 2021, January 06, 2022 and February 09, 2022. The interval between any two Board Meetings 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 meetings eligible to attend	No. of Board Meetings attended	No of Directorship held in other companies*	Number of other Indian Public Limited 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
Jaspal Singh Bindra	Non – Executive Director	7	6	3	1	Nil	1. Centrum Capital Limited, (Executive Chairman)
Ranjan Ghosh	Non – Executive Director	7	6	3	Nil	Nil	Nil
Sriram Venkatasubramanian	Non – Executive Director	7	7	3	Nil	Nil	Nil
Vinod Rai	Part time Chairman and Independent Director	1	1	3	2	1	Apollo Tyres Limited, (Independent Director)
Subhash Kutte	Independent Director	4	4	7	7	4	1. Menon Pistons Limited, (Independent Director) 2. Synergy Green Industries Limited (Independent Director) 3. Centrum Capital Limited (Independent Director)
Basant Seth	Independent Director	4	4	5	5	2	1. Roto Pumps Limited, Independent Director
Sandip Ghose	Independent Director	4	4	1	1	1	-
Renu Basu	Independent Director	1	1	2	Nil	Nil	-

* 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 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.

Since the Bank was incorporated during FY 2021-22, the first AGM of the Bank will be held during FY 2022-23.

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

Name	Economics	Banking	Finance	Human Resource	Risk Management	Small scale industry	Accountancy	Agriculture and Rural economy	Co-operation	Law	Business Management
Mr. Vinod Rai	✓	✓	✓				✓				
Mr. Sandip Ghose		✓		✓	✓						
Mr. Basant Seth		✓	✓		✓	✓	✓				
Mr. Subhash Kutte		✓			✓	✓		✓	✓		
Ms. Renu Basu										✓	✓

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

available on the website of the Bank link 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, 2022:

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.

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 pecuniary relationship or transaction between the Bank and the Independent Directors.

During the year under review, no sitting fees was paid by the Bank till October 31, 2021. The payment of sitting fees was approved by the Board w.e.f. November 1, 2021 and revised w.e.f. February 09, 2022 as per the details mentioned below:

		(Amt. in ₹)	
Sr. no.	Particulars	Fees approved on November 01, 2021	Fees revised w.e.f. February 09, 2022
1	Board Meeting	60,000/-	1,00,000/-
2	Audit Committee meeting	30,000/-	60,000/-
3	Other Board Committee meetings	30,000/-	40,000/-

Details of Remuneration and Sitting Fees paid to Directors for the period ended March 31, 2022 along with their shareholding in the Bank are as under:

(Amt. in ₹)

Name	Remuneration	Sitting Fees		No. of Equity Shares held as on March 2022
		Board	Committee	
Vinod Rai	2,35,484	1,00,000	40,000	Nil
Subhash Kutte	Nil	2,80,000	1,30,000	Nil
Basant Seth	Nil	2,80,000	1,30,000	Nil
Sandip Ghose	Nil	2,80,000	1,70,000	Nil
Renu Basu	Nil	1,00,000	40,000	Nil
Jaspal Singh Bindra*	Nil	Nil	Nil	Nil
Ranjan Ghosh*	Nil	Nil	Nil	Nil
Sriram Venkatasubramanian*	Nil	Nil	Nil	Nil

*Resigned w.e.f. from November 01, 2021

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. The Independent Directors of the Bank are not eligible for Stock Options.

3. COMMITTEES OF THE BOARD

As on March 31, 2022, there were six (6) 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. Two (2) Board Committees were constituted on May 19, 2022. Thus the Bank has following Board Committees as on the date of this report:

- Audit Committee
- Nomination & Remuneration Committee
- Risk Management Committee

- IT Strategy Committee
- Review Committee - Wilful Defaulters/ Non Co-operative Borrowers
- Fraud Monitoring Committee (Special Committee of the Board for monitoring high value frauds)
- Stakeholders Relationship Committee (Constituted on May 19, 2022)
- Customer Service Committee (Constituted on May 19, 2022)

a) AUDIT COMMITTEE

Composition, Meetings & Attendance

The Audit Committee of the Board has been constituted on November 18, 2022. As on March 31, 2022 the Audit Committee comprised of Three (3) Independent Directors. Two (2) Meetings of the Committee were held on November 18, 2021 and February 09, 2022 during the FY 2021-22:

Name	Position	Number of Meetings held	Number of Meeting attended
Basant Seth	Chairman	2	2
Subhash Kutte	Member	2	2
Sandip Ghose	Member	2	2

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.

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

5. Approval of appointment of the 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 (vi) 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 ₹ 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

The Nomination & Remuneration Committee of the Board was constituted on February 09, 2022. As on March 31, 2022, the Nomination & Remuneration Committee comprised of Three (3) Independent Directors. Mr. Sandip Ghose is the Chairman of the Committee and Mr. Subhash Kutte and Ms. Renu Basu

are the other members of the Committee. No Meetings of the Committee were held during FY 2021-22.

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 broad 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 Directors

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

Composition, Meetings & Attendance

The Risk Management Committee of the Board has been constituted on February 09, 2022. As on March 31, 2022, the Risk Management Committee comprised of Three (3) Independent Directors. One (1) Meeting of the Committee was held on March 28, 2022 during FY 2021-22:

Name	Position	Number of Meetings held	Number of Meetings attended
Subhash Kutte	Chairman	1	1
Sandip Ghose	Member	1	1
Basant Seth	Member	1	1

Terms of Reference

Risk Management Committee shall approve the policy, strategy and methods for risk management, by evaluating the overall risks faced by the Bank in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee and determining the acceptable level of risks, its management and control in the best interest of the Bank, measures for risk mitigation including systems and processes for internal control of identified risks & Business continuity plan.. The Committee shall oversee all risk management functions in the Bank and undertake the following functions.

1. Approve the policies and strategies for implementing bank-wide integrated risk management system, for addressing various risks faced by the Bank.
2. Oversee composition and functions of Credit Risk & NPA Management Committee (CRNPAC), Asset Liability Management Committee (ALCO),

Operational Risk Management Committee (ORMC) and Information Security Risk Management Committee (ISC), as and when formed.

3. The appointment, removal and terms of office of the Chief Risk Officer (if any) 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. Periodically review and assess the internal/ external risks at the Bank, including but not limited to Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Portfolio Concentration Risk, Compliance Risk, Reputation Risk, Strategic Risk and Contagion Risk.
6. Ensure that the procedures for identifying, measuring, monitoring and controlling risks (including people, systems, operations, limits and controls, exception approval, escalation

- procedures, periodic reviews, delegation of powers for credit dispensation) are in place.
7. Ensure robustness and effectiveness of financial / rating models and their appraisal systems for assessing various risks faced by the Bank.
 8. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
 9. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
 10. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
 11. Reviewing and approving the Internal Capital Adequacy Assessment Process.
 12. Oversee statutory/regulatory reporting requirements related to risk management and capital adequacy computation
 13. Approval / Review of credit rating process, fixation of exposure ceilings for various types of exposures, geographies, sectors, industries etc. and based on internal / external rating, borrower category/ groups etc.
 14. Review the stress testing results/ scenario analysis and periodically monitor the action plans and corrective measures in line with internal guidelines.
 15. Hold the first line of defence accountable for breaches in the risk limits.
 16. Review of material outsourcing contracts
 17. Review and ensure that all systems are being implemented in the Bank with adequate security controls and that adequate technology/appropriate and adequate MIS system needed for risk management is in place.
 18. Any other matter, as may be required to be undertaken by the Committee as per RBI Regulations
 19. To perform any other functions or duties as assigned by the Board from time to time.

d) IT STRATEGY COMMITTEE

Composition, Meetings & Attendance

The IT Strategy Committee of the Board has been constituted on February 09, 2022. As on March 31, 2022, the IT Strategy Committee comprised of Three (3) Independent Directors. One (1) Meeting of the Committee was held on March 31, 2022 during FY 2021-22

Name	Position	Number of Meetings held	Number of Meetings attended
Vinod Rai	Chairman	1	1
Basant Seth	Member	1	1
Renu Basu	Member	1	1

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/ NON CO-OPERATIVE BORROWERS

Composition, Meetings & Attendance

The Review Committee of Wilful Defaulters / Non Co-operative Borrowers has been constituted on February 09, 2022. As on March 31, 2022, the said committee comprised of Three (3) Independent Directors. Mr. Vinod Rai is the Chairman of the Committee and Mr. Basant Seth and Ms. Renu Basu are the other members of the Committee. No Meetings of the Committee were held during the FY 2021-22.

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 the 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 (SPECIAL COMMITTEE OF THE BOARD FOR MONITORING OF HIGH VALUE FRAUDS)

Composition, Meetings & Attendance

The Fraud Monitoring Committee of the Board has been constituted on February 09, 2022. As on

March 31, 2022, the Committee comprised of Three (3) Independent Directors. Mr. Vinod Rai is the Chairman of the Committee and Mr. Basant Seth and Mr. Subhash Kutte are the other members of the Committee. No Meetings of the Committee were held during FY 2021-22.

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 SCBF. 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 SCBF through e- mail immediately on detection followed by placing report before the Committee in its next meeting.

g) STAKEHOLDERS RELATIONSHIP COMMITTEE

Composition, Meetings & Attendance

The Bank had constituted a Stakeholders Relationship Committee on May 19, 2022. The Committee comprised of (3) Three Independent Directors. Mr. Vinod Rai is the Chairman of the Committee and Mr. Sandip Ghose and Ms. Renu Basu are other members of the Committee. No Meetings of the Committee were held during FY 2021-22. Further, there were no investor complaints received and pending as on March 31, 2022.

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

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. Recommend 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 COMMITTEE

Composition, Meetings & Attendance

The Bank has constituted Customer Service Committee of the Board on May 19, 2022. The Committee comprises of (3) Three Independent Directors. Ms. Renu Basu is the Chairperson of the Committee and Mr. Sandip Ghose and Mr. Subhash Kutte are other members of the Committee. No Meetings of the Committee were held during FY 2021-22.

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

4. GENERAL MEETINGS

The Bank was incorporated on August 25, 2021. Thus the requirement of providing details of last 3 Annual General Meetings is not applicable for the Bank. Further, during the year under review, the Bank held following Extra Ordinary General Meetings:

Sr. No.	Date and Venue of the Meeting	Special Resolution/s Passed
1	Extra Ordinary General Meeting held September 13, 2021 at the Corporate office at Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098	<ul style="list-style-type: none"> To approve acquiring of Entire Business Undertaking of Centrum Financial Services Limited by way of a Slump Sale. To approve acquiring of Entire Business Undertaking of Centrum Microcredit Limited by way of a Slump Sale. To approve the limits for borrowings and giving guarantee/ security on behalf of the Company. To Approve Creation of Mortgage/Charge on Assets of the Company.
2	Extra Ordinary General Meeting held on October 04, 2021 at the Corporate office at Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098	<ul style="list-style-type: none"> Approval for Alteration of Articles of Association of the Company
3	Extra Ordinary General Meeting held on October 22, 2021 at the Corporate office at Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098	<ul style="list-style-type: none"> Approval of Issuance of warrants on Right basis to the existing members of the Company
4	Extra Ordinary General Meeting held on November 01, 2021 at the Corporate office at Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098	<ul style="list-style-type: none"> Approval of Issuance of Equity Shares by way of Preferential Issue to Resilient Innovations Private Limited.
5	Extra Ordinary General Meeting held on January 31, 2022 at the Corporate office at Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098	<ul style="list-style-type: none"> No Special Resolutions were passed
6	Extra Ordinary General Meeting held on March 28, 2022 at the Corporate office at Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098	<ul style="list-style-type: none"> To approve the appointment of Mr. Sandip Ghose (DIN: 07482589) as an independent director of the Bank To approve the appointment of Mr. Basant Seth (DIN: 02798529) as an independent director of the Bank To approve the appointment of Mr. Subhash Kutte (DIN: 00233322) as an independent director of the Bank To approve the appointment Mr. Vinod Rai (DIN: 00041867) as the Part-time Chairman of the Bank To approve the appointment of Ms. Renu Basu (DIN: 03550920) as Independent Woman Director of the Bank To Reclassify the Authorised Share Capital of the Bank and alter the Memorandum of Association of the Bank To adopt the Punjab And Maharashtra Co-Operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 notified and sanctioned by the Central Government on January 25, 2022 and to authorise actions thereunder

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 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.

6. GENERAL INFORMATION FOR SHAREHOLDERS

Annual General Meeting Date	05 August, 2022
Annual General Meeting Venue	Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai - 400098
Financial Year	2021-22
Dividend payment date	No Dividend is proposed for FY 2021-22
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 the Wholesale Debt Market Segment of BSE Limited. The Bank has paid listing fees upto the financial year 2022-23.
Stock Code	958361, 958436, 958571, 958761, 959014, 959077, 959462, 959476, 959713, 960280, 960318 and 960395.
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 2021-22 is not applicable to the Bank
Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index, etc.	NA
Registrar and Share Transfer Agents;	NSDL Database Management Limited 4 th 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.
Distribution of shareholding (as on 31.03.2022)	1. Centrum Financial Services Limited 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 31.03.2022)	The entire Equity shares of the Bank are held in dematerialised form.
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 M +91 9969252499 Website: http://beacontrustee.co.in/ IDB Trusteeship Services Limited IDBI Trusteeship Services Limited, Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai – 400 001. Mob. No.: 9820504366 Website: www.idbitrustee.com Catalyst Trusteeship Limited Windsor, 6 th 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, 2022 are forming part of Directors' Report.

7. OTHER DISCLOSURES

a) 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.

b) CEO/CFO Certification

The Chief Executive Officer 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, 2022. The said certificate is enclosed as **Annexure- 1** to this report.

c) 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 2022. The Declaration to this effect signed by Chief Executive Officer is enclosed as **Annexure-2** to this report.

d) Related Party Transactions

The particulars of transactions between the Bank and its related parties, as defined under Section 2(76) of the Act and in 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 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.

e) 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, there were no penalties or strictures imposed on the Bank by the stock

exchanges or SEBI or any statutory authorities on any matter related to Capital markets.

f) 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 employee of the Bank was denied access to the Audit Committee for raising any whistle blower complaint.

g) Mandatory Requirements

The Bank is in compliance with the mandatory requirements

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

M/s. Alwyn Jay & Co., 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.

i) Details of fee remitted to Statutory Auditors

The total fees incurred by the Bank for the service rendered by Statutory Auditors for FY 2021-22 is given below:

Particulars	Amount
Audit Fees (Includes fee for limited review)	₹ 35,00,000/-
Statutory Certificates	Nil
Other Reporting services	Nil
Reimbursement of expenses	Nil

j) 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.

k) Compliance

The Company is in compliance with the requirements stipulated under Regulations 17 to 27 and Clauses (b) to (i) of 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. Alwyn Jay & Co., 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.

FOR UNITY SMALL FINANCE BANK LIMITED

Vinod Rai

Part time Chairman
DIN: 00041867

Place: Vietnam
Date: 30-05-2022

Subhash Kutte

Independent Director
DIN: 00233322

Kolhapur
30-05-2022

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, 2022 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 violate 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; NIL
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; NIL 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. NIL

Inderjit Camotra
Interim CEO

Abhishek Baxi
Chief Financial Officer

Place: Mumbai
Date: May 30, 2022

Annexure 2

CEO Certificate on 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 31st March, 2022 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
Interim CEO

Place: Mumbai
Date: May 30, 2022

Annexure 3

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[Pursuant to sub-clause (10)(i) of Clause C of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

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

We 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 - 110057 IN (hereinafter referred to as '**the Bank**'), produced before us by the Bank for the purpose of issuing this Certificate, in accordance with Sub-clause 10(i) of Clause C of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our 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 us by the Bank, We hereby certify that none of the Directors on the Board of the Bank as stated below for the Financial Year ending on 31st March, 2022 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	Designation	Date of appointment
1	Vinod Rai	00041867	Director	21/01/2022
2	Subhash Kutte	00233322	Director	26/10/2021
3	Basant Seth	02798529	Director	26/10/2021
4	Renu Basu	03550920	Director	28/01/2022
5	Sandip Ghose	07482589	Director	26/10/2021

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Bank. 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 Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Place : Mumbai
Date : 30th May, 2022

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 : F003058D000424237]

Annexure 4

**CERTIFICATE OF COMPLIANCE OF CONDITIONS OF
CORPORATE GOVERNANCE**

To,
The Members of **UNITY SMALL FINANCE BANK LIMITED**,

1. We have examined the compliances of the conditions of Corporate Governance by **UNITY SMALL FINANCE BANK LIMITED** ("**the Bank**") for the financial year ended **31st March, 2022**, as prescribed in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paras C, D and E of Schedule V of SEBI (Listing Obligations and Disclosures Requirements) Regulations 2015 ('Listing Regulations').
2. The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.
3. In our opinion and to the best of our information and according to the explanations given to us and representations made by the Management, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.
4. We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

Place : Mumbai
Date : 30th May, 2022

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 : F003058D000424325]

Management Discussion & Analysis

Economic Overview

Global Economy

In 2021-22, volatility in the economy remained high, driven by persistent inflation, repeated waves of the pandemic and geopolitical tensions. Most emerging market and developing economies (EMDEs) continued witnessing growth challenges, whereas sharp rebounds were observed in major economies. Global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022, indicating an uneven recovery. Almost all advanced economies are expected to regain pre-pandemic per capita income levels by early 2023, however, only one-third of EMDEs are expected to do so. In the aftermath of the pandemic, the world's leading economies have re-adjusted their priorities to focus more on re-invigorating their local industries. However, soaring demand coupled with supply constraints and rising energy prices are impediments to their progress.

Indian Economy

In spite of Macroeconomic concerns, India charted a recovery path and is on track to record a GDP growth rate of 9.2% for FY2022. Widespread vaccination coverage, stable and accommodative monetary policy and fiscal support helped cushion the impact substantially. However, inflation remained elevated owing to high commodity prices, increased freight costs, global supply chain issues and geopolitical crises.

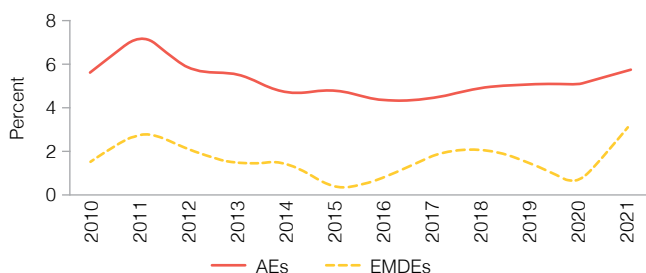
India's headline CPI inflation (retail inflation) averaged 5.4% for the period between April - February, FY22, as compared to 6.2% in the corresponding period last year. Despite the worldwide disruptions, India's balance of payments has been in surplus for the past two years. The RBI was able to maintain building foreign exchange reserves. In FY2023, the combination of large foreign exchange reserves, continued foreign direct investment (FDI) and expanding export profits will provide leverage against anticipated global liquidity tapering.

Balance of payments has been in surplus for the past two years

Capital markets have performed remarkably well

India's capital markets, like many other global markets, have performed remarkably well, allowing Indian corporates to raise record capital. Even with some after effects of the pandemic, the banking system is well capitalised, and NPAs are within reasonable limits. Going forward, the Government's emphasis on capital spending and exports are projected to boost capacity and aggregate demand, while attracting private investment.

Consumer Price Inflation Rates



Source: World Economic Outlook, January 2022 Update, IMF

Note: Figures are annual averages; Figures for 2021 are projections. Advanced Economies include 40 economies and Emerging Markets and Developing Economies (EMDEs) include 156 economies as per IMF classification.

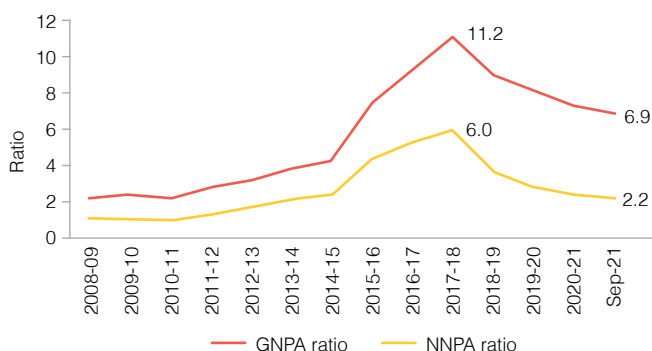
Banking Sector Overview

In FY2022 the banking industry was compelled to take note of the tectonic shifts that re-configured the global financial system and rethink their technological strategy to increase digital/branchless banking, redefine client interactions and rediscover the meaning of financial inclusion. The greatest defining factor for banks' performance has been their potential to capitalise on technological investments to create long-term value.

Small Finance Banks (SFBs) play a prominent role in supporting last-mile credit to individuals and small businesses. To provide targeted liquidity support to small business units, micro and small industries, and other unorganised sector entities that were adversely affected during the pandemic, the RBI conducted Special Long-Term Repo Operations (SLTRO) of ₹10,000 crores at the repo rate for SFBs and Credit Lending by SFBs to MFIs for on-lending.

Special Long-Term Repo Operations (SLTRO) of ₹10,000 crores for the SFBs

GNPA and NNPA ratio



Source: RBI

Note: Number of September 2021 is based on offsite returns data

The government expanded the Emergency Credit Line Guarantee Scheme (ECLGS) ceiling to ₹5 trillion and extended its availability until March 2023 or until the maximum limit is exhausted, whichever comes first. These developments will likely increase demand for bank credit.

In the Union Budget 2022, more credit lines for small firms, the launch of the central bank's digital currency, a push for digital banking, and reforms to reinforce the bankruptcy legislation were among the primary emphasis areas for the banking industry.

Apart from the premise that asset quality concerns have subsided since the pandemic, reduced credit costs driven by improved asset quality are likely to lead to increased profitability. Furthermore, capital is likely to stay above pre-pandemic levels, allowing banks to be more resilient and enhance their credit risk appetite.

The assets under management (AUM) of SFBs are predicted to increase at a marginally faster rate of around 20% in FY2022, compared to a growth rate of 18% in FY2021. SFBs have been able to preserve a favourable asset-liability maturity profile because of a combination of shorter-term assets, a large share of non-callable deposits, and long-term funding support from financial institutions.¹

Digital Banking

In recent years, digital banking, payments and fintech innovations have proliferated. The Reserve Bank of India is planning to launch a digital currency using blockchain and other technologies, as well as taxing virtual digital assets. With this, India will join the ranks of countries issuing their own Central bank Digital Currency (CBDC), which is the legal tender issued by a central bank in a digital form.

To ensure that the benefits of digital banking reach every corner of the country, scheduled commercial banks are set to establish 75 digital banking units in 75 districts.² The Unified Payments Interface (UPI) has surpassed the \$1trillion mark in transaction values for FY2022, marking a significant milestone for the payments system, which has seen significant growth over the last two years and contributed to increased digital usage.³

Digital lending, as a service, will be a futuristic business model for banks, NBFCs, and fintechs, allowing them to connect to the larger ecosystem and meet customers' daily requirements and personal goals.

Outlook

The banking sector is on an upward trend as asset quality issues are largely addressed and public and private capex plans are in place. Large corporations are slowing down their

deleveraging, given the significant chance of a resurgence in demand and addressing supply chain bottlenecks. With expansion of the real economy, investment funding proposals are increasing. Increased infrastructure spending, faster project delivery and the continuation of reforms are all likely to bolster industry, pointing to a strong future for India's banking sector.

Furthermore, with technological advancements, the banking sector places greater emphasis on providing better services to their customers and upgrading their technology infrastructure to improve the overall experience of their customers. This is likely to help banks gain a competitive edge and experience a boost in the long term.

Company Overview

Unity Small Finance Bank Limited (Unity Bank) 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.

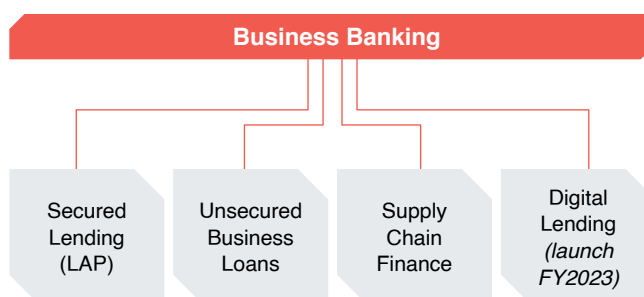
Through a gazette notification, the Ministry of Finance in January 2022, sanctioned the scheme of amalgamation of the beleaguered Punjab & Maharashtra Co-operative Bank (PMC Bank) with Unity Bank, bringing relief to its depositors and stakeholders.

Segment-wise Highlights

Business Banking

Business Overview

The Business Banking unit (erstwhile Centrum Financial Services Ltd) provides loans to MSME businesses in India and acts as a catalyst in their growth journey. The business can be divided into the following sub-units:



The business has predominantly been asset driven so far, going forward it will also drive liability growth with its customers.

² https://www.ey.com/en_in/alerts-hub/2022/02/budget-2022-banking-financial-services

³ <https://www.moneycontrol.com/news/business/upi-reaches-a-watershed-moment-with-digital-transaction-value-shooting-past-1-trillion-mark-in-fy22-8297951.html>

Highlights FY2022

During the year, Loan assets grew significantly, driven by growth in customer acquisition. The business continued to leverage its customized product offerings and strengthened its sales and support teams. Mobile Application based sourcing for all loan products was streamlined during the year, which helped reduce Turnaround times and enhanced customer experience.

During the year, the business sharpened its loan book to focus on more retail and granular loans. Over 2,000 customers were on-boarded. As on March 31, 2022 AUM is at Rs 819 crores, a growth of 81% y-o-y.

Outlook

The team will focus on further expansion and growth while maintaining the overall portfolio quality. The target is to double the Asset AUM, keep margins/NIM intact and penetrate liabilities products to existing and new customers.

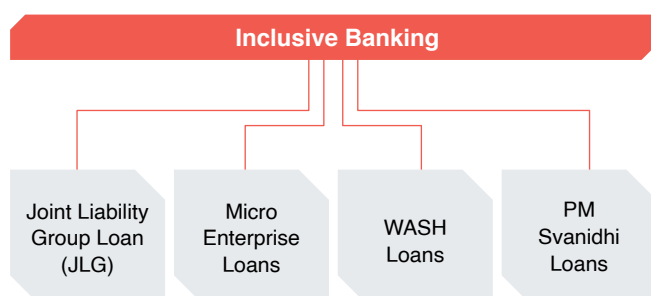
The business will follow a hub and spoke model, wherein the hub locations will provide infrastructure support to the spoke locations. As a strategy, the Supply Chain Finance and Unsecured Business Loans will have their major operations at the hubs, while secured products will operate up-to 75 kms from municipal limits of hub locations, along with identified spokes. The business aspires to expand its geographic reach by adding several hub locations and building its presence in all major economic centres.

Hiring for the proposed expansion will be carried out in FY2023.

Inclusive Banking

Business Overview

The Inclusive Banking business (Previously Centrum Microcredit), 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.



Highlights FY2022

During the year, the business expanded its client base and currently serves over 2,50,000 Women Entrepreneurs. As on 31st March, 2022, its AUM stands at approx. Rs 710 Crores. The Microfinance Business is spread over 9 States, 80 Districts and 160 Branches. It disbursed over 100+ Cr of Aarogya Dhara also known as "WASH loans". It entered partnerships with four fintechs PayNearby, FunFina, Jaikisan and Acematic to grow its Micro Enterprise Loan segment.

Outlook

In FY 2023, the business aims to grow its client base to over 5,00,000 and grow its presence in 100+ districts PAN India. It plans to open new branches in Madhya Pradesh and Uttar Pradesh. It aims to significantly grow its AUM with a strong growth focus in its Micro Enterprise Loan Segment.

Financial Markets & Treasury

Business Overview

The Bank's Treasury & Markets function comprises Asset Liability Management (ALM), Interest Rate Trading (IRT), Non SLR Trading, Equity, Resource raising & rating, Debt Capital Markets and Treasury Sales.

Highlights FY2022

The team's ALM group managed the regulatory requirements of Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR) and Liquidity Coverage Ratio (LCR). It also managed the liquidity, interest rate and currency risks in the Bank's portfolio, under the guidance of the Asset Liability Committee (ALCO) of the Bank.

The DCM desk was responsible for SLR and non SLR securities distribution to PFs, co-operative banks etc. The IRT Trading desk played the important role of market making and trading in G-Sec, SDL, T Bills & other interest rate products. The non SLR Trading desk undertook primary and secondary market investments in corporate bonds, commercial papers, certificates of deposits, and equity instruments. 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. Borrowings (in the form of Term Loans and NCDs) have been grandfathered by the Bank under the relevant RBI guidelines. During the next financial year, the high-cost grandfathered borrowing will be substituted with low-cost deposits and market borrowings.

Outlook

The team will look at diversifying its Resource raising and raise funds using a mix of instruments such as Certificates of Deposit (CDs), Term Money, Inter Bank Participatory

Certificates (IBPCs) 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.

Branch Banking

Business Overview

Within weeks of securing its SFB license, the business opened its first branch on 1st November 2021 in Mumbai. The Bank is housed on Finacle as its Core Banking system, with full capability of Account Opening, Cheque Clearing, NEFT /RTGS payments and Teller Services.

On 25th January 2022, through a Government of India gazetted notification, all business and branches of erstwhile Punjab and Maharashtra co-op bank (PMC Bank) were merged into Unity Bank. Unity Bank branches will be digitally led, modern and service the needs of the customer by offering transaction, Savings, Investment and lending products.

Highlights FY2022

The Government of India announced the amalgamation scheme along with a unique depositor pay-out plan, which was backed by regular customer communication, setting up of a call centre for managing grievances and information dissemination. Fresh Unity Bank cheque books were issued to all eligible depositors. On 31st March 2022, the bank received funds from the DICGC to settle the 1st tranche of payouts. Depositor accounts were credited on the same day.

Outlook

FY2023 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. We aim to build momentum on customer acquisition, grow our Fee income Business and build a Strong Liability book while laying the foundation of Digital and superior customer experiences across branches.

Material Events

Amalgamation of PMC Bank with Unity Small Finance Bank and Depositor Payouts

On 25th January 2022, The Ministry of Finance, through a gazette notification sanctioned and notified the amalgamation scheme of Punjab & Maharashtra Co-operative Bank Limited (PMC Bank) with Unity Small Finance Bank Limited (Unity Bank), protecting it from liquidation and bringing relief to all stakeholders. PMC Bank's approx. 110 branches and over 1,100 employees were subsequently amalgamated into Unity Bank, providing security and stability in their employment along with offering uninterrupted service to clients.

Unity Bank will repay the full principal amount due to all depositors, as per the scheme of amalgamation. Additionally, Institutional depositors will receive preference shares (80%) and equity share warrants (20%) in lieu of their eligible deposit balances. The warrants will be converted into equity shares at the time of the Bank's IPO, giving them a potential equity upside.

On 31st March, the DICGC extended liquidity support of approx. Rs 3,800 crores to Unity Bank. Depositors were paid Rs 5 lakhs upfront almost instantaneously. (subject to completion of the requirements as per DICGC rules).

Unity Bank will diligently follow the provisions of the Amalgamation scheme to give depositors access to their balances in the future as well.

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 Risk management committee 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, ensuring compliances and setting prudential limits for various departments through its sub-delegated committee viz. the executive committee of the bank which currently undertakes the function of the Risk Management Committee of the Bank, Credit Risk & NPA Management Committee (undertaken by the Large Credit Sanctions Committee of the Bank), Operational Risk Management Committee (currently undertaken by the Executive Committee of the Bank), Asset & Liability Management Committee and the IT Security Risk Management Committee. The Risk Management Process is conducted, measured and monitored within the framework stipulated by the risk management policies and the delegation matrix approved by the Board of Directors.

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 oversight of the management's efforts to balance growth and prudent risk management while creating value for stakeholders. 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: General Credit Risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance, marked-to-market exposure from derivative contracts and certain off-balance sheet products such as guarantees and from the Bank's holdings of assets in the form of debt securities. 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.

The Credit Sanctions Committee and the Executive Committee of the bank oversee and review the credit risk and are responsible for the formulation of standards, financial covenants, and benchmarks, delegation of credit approving powers, prudential limits on large credit exposures, asset concentration, standards for loan collateral, portfolio management, loan review mechanism, risk concentration, monitoring and evaluation, provisioning, regulatory and other issues around it. Further, Bank has in place credit appraisal models for appraising cases including risk assessment and 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, delegated committees and the management through Portfolio Profiling, Early Warning Framework, Rapid Portfolio Review, and Annual Monitoring of High Value Customers.

Operational Risk Management: Operational and resilience risk management is the continuous measure, monitoring 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 executive committee of the Bank currently undertakes the Operational Risk Management Committee (ORMC) function. The Bank's operational risk management is conducted independently and folds into Chief Risk Officer (CRO). The Bank has in place a Board approved Operational Risk Management Policy which includes a comprehensive Operational Risk Management Framework for documenting, assessing and periodic monitoring of various risks and controls linked to various processes across all business verticals.

The bank also has a fraud Risk Containment Unit that is guided by a Board approved Fraud Risk Management Policy. Fraud cases reported in the Bank are apprised to the Audit Committee and the Board and fraud cases in excess of Rs. 1 crore or more are specifically reported and dealt by the Special Committee for Fraud Monitoring. 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 and focus is on ensuring faster recovery of/ minimising impact on the IT systems of the Bank. The Bank also has a Cyber Crisis Management Plan in place to address any disruption due to cyber events.

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 Board approved policy captures the risk appetite around the liquidity and market risk of the Bank and helps to put in place a defined governance structure. 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 its intention to become the first truly digital bank of India ensures that its IT security and information security management are comparable to the best standards in the industry. The IT steering committee comprises of the Executive Committee members of the Bank and ensures 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. A comprehensive BCP has already been put in place and it aims to ensure un-interrupted continuity of operations in case of any event.

Reputation Risk: The Bank ensures transparency in all its communications with all its stakeholders and the regulating authorities. The Bank ensures that all information is provided to the stakeholders and regulators as comprehensively as possible and within stipulated timelines. Operating within the Board approved Risk Guidelines and with a policy of transparency and full disclosure, the Bank has a zero tolerance policy for any events that may have a reputational impact.

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 ensure 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.

Internal Controls & their Adequacy

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 various executive-level committees, with participation from various business and control functions, that are designed to review and oversee critical aspects of the Bank's operations. The control functions set the standards and lay down policies and procedures by which the functions manage risks including compliance with regulatory guidelines & applicable laws, adherence to operational controls and relevant standards of conduct. Bank has implemented required controls through systems and processes ensuring a robust control framework.

The Bank has an 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

Total revenue stood at Rs 154.23 crores, and the Bank reported an operating profit of Rs 4 crores (before provision and contingency, goodwill write off and fair value charges). Capital position as measured by CRAR is very strong at 63.7% and the provision coverage ratio is 94.8%. As a conservative measure, the Bank has written off goodwill of Rs 92.2 crores completely along with a fair value charge of Rs 45.7 crores. This has resulted in a loss of Rs 149.61 crores. Being in business for only 5 months of FY2022, along with high start-up costs invested in technology and talent, the Bank's financials for FY 2022 may not be precisely reflective of its growth initially. With the roll out of the retail product suite, marketing and customer outreach, a significant improvement in financial performance over the next few years is expected. Also, the Bank remains well capitalised to support its projected growth over the next few years.

Human Resources

During the year, the Human Resources function worked hard to achieve two core 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 joiners, 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.

Outlook - While the team has ramped up lateral hiring to fulfil the talent needs of the business, it will now focus on reviewing member's skills, capabilities and interests to take up the new assignments in the bank. Special attention will be provided to introduce digital learning & development sessions to build the right capabilities for a Digital Bank. The function will further strengthen its HR Automation processes to embrace technology in daily work life at Unity Bank.

As on 31st March 2022, the total number of employees stood at 2,312.

Sectoral Opportunities and Challenges

Opportunities

Technology and fintech companies have acted as enablers for the banking sector with an overall increased demand in different sub-sectors. The total number of investors has increased by almost 63% in FY 2022. In addition to this, insurance, asset management and peer to peer loan services are also becoming more popular than ever. The rise of these services has further pushed the growth of the banking sector as these are either dependent or directly connected with banks.

In addition to this, banks have recognised the opportunities available in rural parts of the country. 75 new digital banking units have been introduced in the rural parts of the country. The central bank's digital currency will also push the sector forward, facilitating swifter trade (both domestic and international). The overall increased adoption of fintech services in rural parts of the country will be another crucial growth factor for the banking sector in the near future. Hence, apart from the direct growth that the sector will witness, technological advancements will facilitate and provide a wide range of opportunities for the sector.

Challenges

With an overall increase in digital banking, there are some significant threats that the sector will witness. Cybersecurity threats due to ransomware, identity theft, fraud, and social engineering-related issues are critical. The banking sector has to take account of a complete transformation regarding customer expectations and increased competition. The business models and regulatory compliances have also become more complex than before. Customer retention is also a challenge.

Cautionary Statement

This document contains statements about expected future events and financial operating results of the businesses, which are forward-looking. By their nature, forward-looking statements require 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 entirety 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, FY2022.

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, 2022, 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, 2022, its loss 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:

- a) Note no. 1(a) of Schedule 18 to the financial statements, regarding the accounting treatment, including the valuation and measurement of assets and reckoning of liabilities taken over from erstwhile Punjab and Maharashtra Co-operative Bank Limited ("PMC") as per the Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 sanctioned by the Government of India in exercise of the powers conferred by sub-section (7) of section 45 of Banking Regulation Act, 1949 (10 of 1949).

- b) Note no 1(c)(i) of schedule 18 of the financial statements regarding Fraud in erstwhile PMC Bank for which full provision has been made.
- c) Note no 1(c)-(ii) & (iii) of schedule 18 of the financial statement regarding disputes relating to erstwhile PMC Bank and the Scheme of Amalgamation for which no outflow of resources/ liability is expected by the Bank.

Our opinion is not modified in respect of the above matters.

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.

Other Matters

The management of USFBL has 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. The balance sheet as at 24th January, 2022 was audited by a firm of Chartered Accountants (auditor) approved by RBI and they have expressed qualified opinion vide their report dated 28th May, 2022. The management has taken cognizance of the matters of qualified opinion expressed by the said auditor and made adjustments in the valuation of assets and determination of liabilities as at the appointed date wherever required.

The financial statements of Centrum Financial Services Limited and Centrum MicroCredit Limited as at and for the period ended

31st October 2021, as considered for the purpose of determining the net assets acquired on slump sale basis (refer note 2 of Schedule 18) from the said companies as on November 01, 2021, was certified by the statutory auditors of the respective companies.

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, 2022 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 December 02, 2021, 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, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 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 Interim CEO for the year ended March 31, 2022 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 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.

For **V Sankar Aiyar & Co**
Chartered Accountants

Asha Patel
Partner

Place: Mumbai
Date: May 30, 2022

(M. No 166048)
UDIN: 22166048AJVTCW6372

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, 2022 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

We are informed that the bank is in the process of upgradation and automation of the Core Banking Solutions. 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, 2022, 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

Place: Mumbai
Date: May 30, 2022

(M. No 166048)
UDIN: 22166048AJYTCW6372

Balance Sheet

at March 31, 2022

(₹ in 000's)

Particulars	Schedule	As at March 31, 2022
CAPITAL AND LIABILITIES		
Capital	1	1,39,25,456
Reserves and Surplus	2	53,14,133
Deposits	3	3,82,23,671
Borrowings	4	1,12,84,004
Other Liabilities and Provisions	5	3,93,60,990
Total		10,81,08,254
ASSETS		
Cash and Balances with Reserve Bank of India	6	15,58,584
Balances with banks and money at call and short notice	7	4,24,84,114
Investments	8	2,77,10,548
Advances	9	2,41,91,264
Fixed Assets	10	30,22,001
Other Assets	11	91,41,743
Total		10,81,08,254
Contingent Liabilities	12	4,61,069
Bills for Collection		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 financial statements

As per our report of even date

For and on behalf of the Board of Directors

For **V Sankar Aiyar & Co.**

Chartered Accountants

Firm Registration No : 109208W

Asha Patel

Partner

Membership No. 166048

Vinod Rai

(DIN: 00041867)

Part-time Chairman

Place: Vietnam

Subhash Kutte

(DIN: 00233322)

Director

Place: Kolhapur

Inderjit Camotra

Interim CEO

Place: Mumbai

Abhishek Baxi

Chief Financial Officer (CFO)

Place: Mumbai

Archana Goyal

Company Secretary(CS)

Place: Mumbai

Date: 30-05-2022

Profit and Loss Account

for the year ended March 31, 2022

(₹ in 000's)

Particulars	Schedule	Year ended March 31, 2022
I. INCOME		
Interest earned	13	15,43,783
Other Income	14	(1,405)
Total		15,42,378
II. EXPENDITURE		
Interest expended	15	10,69,398
Operating expenses	16	18,87,528
Provisions and contingencies		81,560
Total		30,38,486
III. PROFIT		
Net Profit / (Loss) for the year		(14,96,108)
Balance in Profit and Loss Account brought forward		-
IV. APPROPRIATIONS		
Dividend payable on PNCPS		40,048
Balance carried over to Balance Sheet		(15,36,156)
V. EARNING PER EQUITY SHARE (Face Value of ₹ 10 per share)		
Basic		(2.12)
Diluted		(2.12)

Significant Accounting Policies and Notes to the Financial Statements

17&18

The schedules referred to above form an Integral part of the financial statements

As per our report of even date

For and on behalf of the Board of Directors

For **V Sankar Aiyar & Co.**

Chartered Accountants

Firm Registration No : 109208W

Asha Patel

Partner

Membership No. 166048

Vinod Rai

(DIN: 00041867)

Part-time Chairman

Place: Vietnam

Subhash Kutte

(DIN: 00233322)

Director

Place: Kolhapur

Inderjit Camotra

Interim CEO

Place: Mumbai

Abhishek Baxi

Chief Financial Officer (CFO)

Place: Mumbai

Archana Goyal

Company Secretary(CS)

Place: Mumbai

Date: 30-05-2022

Cash Flow Statement

for the year ended March 31, 2022

(₹ in 000's)

Particulars	Year ended March 31, 2022
Cash flows (used in) operating activities	
Profit before taxes	(15,73,312)
Adjustments for:	
Depreciation on fixed assets	46,262
Amortisation of Goodwill	9,21,998
Amortisation of premium on held to maturity investment	129
Provision for non performing assets	1,45,910
Provision for standard assets	12,854
Provision on investment	1,31,230
Operating loss before working capital changes	(3,14,929)
Adjustments for:	
Increase in investments	18,69,003
(Increase)/decrease in Advances	(56,03,662)
Increase in deposits	3,82,23,671
Increase in others assets	5,35,687
Increase in other liabilities and provisions	7,32,332
Direct taxes paid (net of refunds)	(2,669)
Net cash flow (used in) operating activities	3,54,39,433
Cash flow used in investing activities	
Purchase of fixed assets	(74,337)
Net Investment in banking book	(42,35,739)
Consideration paid to CML	(11,00,000)
Net cash (used in) investing activities	(54,10,076)
Cash flow from financing activities	
Proceeds from issue of share capital	78,92,228
Issue of Equity warrants	19,000
Increase in borrowings (net)	(32,92,065)
Net cash flow from financing activities	46,19,163
Net increase in cash and cash equivalents	3,46,48,520
Cash and Cash equivalents arising from -	
- BTA executed with CML (refer note 18(2))	18,85,466
- BTA executed with CFSL(refer note 18(2))	18,56,293
- Amalgamation with PMCB (refer note (refer note 18(1)))	56,52,419
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	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

For and on behalf of the Board of Directors

Asha Patel
Partner
Membership No. 166048

Vinod Rai
(DIN: 00041867)
Part-time Chairman
Place: Vietnam

Subhash Kutte
(DIN: 00233322)
Director
Place: Kolhapur

Inderjit Camotra
Interim CEO
Place: Mumbai

Abhishek Baxi
Chief Financial Officer (CFO)
Place: Mumbai

Archana Goyal
Company Secretary(CS)
Place: Mumbai

Date: 30-05-2022

Schedules forming Part of Balance Sheet

at March 31, 2022

SCHEDULE 1 - CAPITAL

(₹ in 000's)

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

SCHEDULE 1A - CAPITAL

(₹ in 000's)

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

SCHEDULE 1B - Capital

(₹ in 000's)

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

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in 000's)

Particulars	As at March 31, 2022
I. Statutory Reserve	
Opening Balance	-
Addition during the year	-
Deduction during the year	-
Total	-
II. Capital Reserve on Amalgamation	
Opening Balance	-
Addition during the year (Refer note 18(1)(a))	28,47,080
Deduction during the year	-
Total	28,47,080
III. Share Premium	
Opening Balance	-
Addition during the year	40,03,209
Deduction during the year	-
Total	40,03,209
IV. Revenue and Other Reserves	
Opening Balance	-
Addition during the year	-
Deduction during the year	-
Total	-
V. Investment Fluctuation Reserve	
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, 2022
VI. Balance in Profit and Loss Account	
Balance brought from Profit and Loss	(15,36,156)
Total	(15,36,156)
Total (I + II + III + IV + V + VI)	53,14,133

SCHEDULE 3 - DEPOSITS

(₹ in 000's)

Particulars	As at March 31, 2022
A. I. Demand Deposits	
(i) From Banks	-
(ii) From Others	35,00,066
Total	35,00,066
II. Saving Bank Deposits	3,44,16,493
III. Term Deposits	
(i) From Banks	2,50,000
(ii) From Others	57,112
Total	3,07,112
Total (I + II + III)	3,82,23,671
B. I. Deposits of branches in India	3,82,23,671
II. Deposits of branches outside India	-
Total	3,82,23,671

SCHEDULE 4 - BORROWINGS

(₹ in 000's)

Particulars	As at March 31, 2022
I. Borrowings in India	
(i) Reserve Bank of India	-
(ii) Other Banks	22,45,622
(iii) Other Institutions and Agencies	30,58,932
(iv) Sub-ordinate debts	-
(v) Bonds and Debentures (excluding subordinated debt)	59,79,450
Total	1,12,84,004
II. Borrowings Outside India	-
Total (I + II)	1,12,84,004

Secured Borrowings included in I & II above is ₹ 1,068 crore

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in 000's)

Particulars	As at March 31, 2022
I. Bills Payable	30,485
II. Inter - office adjustments (net)	-
III. Interest accrued	12,57,527
IV. Others (including provisions)	-
(i) Contingent provisions against standard assets	1,25,199
(ii) Others Liabilities (including provisions) (Refer note 18(30))	3,79,47,779
Total	3,93,60,990

SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA

(₹ in 000's)

Particulars	As at March 31, 2022
I. Cash in Hand	1,52,887
II. Balances with Reserve Bank of India	
(i) In Current Account	14,05,697
(ii) In Other Accounts	-
Total	15,58,584

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

(₹ in 000's)

Particulars	As at March 31, 2022
I. In India	
i) Balances with Banks	
a) In Current Account	2,57,91,340
b) In Other Deposit Accounts	1,36,43,901
Total	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)	4,23,35,049
II. Outside India	
i) In Current Account	1,49,065
ii) In Deposit Accounts	-
iii) Money at Call and Short Notice	-
Total	1,49,065
Total (I + II)	4,24,84,114

SCHEDULE 8 - INVESTMENTS

(₹ in 000's)

Particulars	As at March 31, 2022
A. Investments in India	
i) Government Securities	2,73,52,030
ii) Other approved securities	-
iii) Shares	10,651
iv) Debentures and bonds	2,90,644
v) Subsidiaries / joint ventures	-
vi) Others	57,223
Total	2,77,10,548
B. Investments Outside India	
i) Government securities (including local authorities)	-
ii) Subsidiaries and/or joint ventures abroad	-
iii) Others investments	-
Total	-
Total (A + B)	2,77,10,548

SCHEDULE 9 - ADVANCES

(₹ in 000's)

Particulars	As at March 31, 2022
A. i) Bills purchased and discounted	33,39,040
ii) Cash credits, overdrafts and loans repayable on demand	33,07,594
iii) Term loans	1,75,44,630
Total	2,41,91,264
B. i) Secured by tangible assets	1,19,13,606
ii) Covered by Bank / Government guarantees	-
iii) Unsecured	1,22,77,658
Total	2,41,91,264
C. I. Advances in India	
i) Priority Sectors	80,64,755
ii) Public Sector	-
iii) Banks	-
iv) Others	1,61,26,509
Total	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, 2022
A. Premises	
At cost on beginning of the year	
Additions: (Asset received Under BTA) refer note 18(2)	3,57,641
Additions: (Asset received Under Amalgamation) refer note 18(1)	21,55,545
Deductions during the year	-
Depreciation to date	(13,152)
Total	25,00,034
B. Other Fixed Assets (including Furniture and Fixtures)	
At cost on beginning of the year	
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	9,94,659
Deductions during the year	-
Depreciation to date	(35,99,467)
Total	5,19,824
C. Assets Given on Lease	-
D. Capital Work in Progress	2,143
Total (A + B + C + D)	30,22,001

SCHEDULE 11 - OTHER ASSETS

(₹ in 000's)

Particulars	As at March 31, 2022
I. Inter - office adjustments (net)	-
II. Interest accrued	4,64,008
III. Tax paid in advance/tax deducted at source (net of provision for tax)	2,91,486
IV. Stationery and stamps	-
V. Non-banking assets acquired in satisfaction of claims	6,977
VI. Deferred tax assets (net)	74,11,421
VII. Others	9,67,851
Total	91,41,743

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in 000's)

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

SCHEDULE 13 - INTEREST EARNED

(₹ in 000's)

Particulars	Year ended March 31, 2022
I. Interest/discount on advances/bills	10,80,214
II. Income on investments	3,83,795
III. Interest on balances with Reserve Bank of India and other inter-bank funds	79,774
IV. Other interest	-
Total	15,43,783

SCHEDULE 14 - OTHER INCOME

(₹ in 000's)

Particulars	Year ended March 31, 2022
I. Commission, exchange and brokerage	1,27,183
II. Profit/(Loss) on sale of investments(net)	(7,103)
III. Profit/(Loss) on sale of revaluation of investments	(1,31,231)
IV. Profit/(Loss) on sale of land, Building and Other assets	-
V. Profit/(Loss) on exchange transactions	623
VI. a) Lease finance income	-
b) Lease management fee	-
c) Overdue charges	-
d) Interest on lease rent receivables	-
VII. Miscellaneous income	9,123
Total	(1,405)

SCHEDULE 15 - INTEREST EXPENDED

(₹ in 000's)

Particulars	Year ended March 31, 2022
I. Interest on deposits	1,853
II. Interest on Reserve Bank of India/ inter-bank borrowings	1,15,927
III. Other	9,51,618
Total	10,69,398

SCHEDULE 16 - OPERATING EXPENSES

(₹ in 000's)

Particulars	Year ended March 31, 2022
I. Payments to and provisions for employees	4,94,144
II. Rent, taxes and lighting	69,553
III. Printing and stationery	4,527
IV. Advertisement and publicity	7,041
V. Depreciation on Bank's property	9,68,260
VI. Director's fees/remuneration, allowances and expenses	1,690
VII. Auditors' fees and expenses	3,500
VIII. Law charges	7,050
IX. Postage, telegrams, telephones, etc.	4,812
X. Repairs and maintenance	26,259
XI. Insurance	1,157
XII. Other expenditure (including DSA commission, Professional charges and Pre-operating expenses)	2,99,535
Total	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-principle 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, 2016, 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 Policies

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) where it is recognised upon realisation, as per the income recognition and asset classification and provisioning norms of RBI.
- 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.
- Profit/premium/loss realised at the time of securitisation of standard assets loan portfolio is reflected in the Profit & Loss account for the accounting period during which the sale is completed
- 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 recognised upfront when it becomes due.
- Fees paid/received for priority sector lending certificates (PSLC) is amortised on straight-line basis over the period of the certificate.
- 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,

SCHEDULE 17 - Significant Accounting Policies Forming Part of the Financial Statements

Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

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.

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. Any diminution, other than temporary, in the value of such securities is provided.

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

SCHEDULE 17 - Significant Accounting Policies Forming Part of the Financial Statements

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 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:	<ol style="list-style-type: none"> 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 realisable 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:	<ol style="list-style-type: none"> 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

SCHEDULE 17 - Significant Accounting Policies Forming Part of the Financial Statements

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.

Amounts recovered against debts written off in earlier years are recognised in the profit and loss account 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. 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 over the period of the Certificate.

E. 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 as per Part C of Schedule II to the Companies Act, 2013, on a straight-line basis.

Assets	Estimated useful life specified under schedule II of Companies Act, 2013
Owned Premises	60 years
Computer	3 years
Furniture and fittings	10 years
Motor Vehicles	8 years
Office Equipment	5 years
Server	6 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

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.

F. Employee Stock Compensation Cost

Employees (including senior executives) of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions). In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI, the cost of equity-settled transaction is measured using the fair value method and recognised, together with a corresponding increase in the "Employees Stock options outstanding account" in reserves. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the Profit and Loss Account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

G. Foreign exchange transaction

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

SCHEDULE 17 - Significant Accounting Policies Forming Part of the Financial Statements**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 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**Operating Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term is classified as operating leases. 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 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.

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.

SCHEDULE 17 - Significant Accounting Policies Forming Part of the Financial Statements

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

Defined Contribution Plan

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. 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. Cash and cash Equivalents

Cash and cash equivalents include Cash and Balances with RBI, Balances with Banks and money at call and short notice.

P. 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.

Q. 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.

R. 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.

S. 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, 2022

(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 said 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 amalgamation has been accounted for as per the Scheme. In accordance with the Scheme, the assets shall be valued as follows:

- i) Investments other than Government Securities shall be valued at the market rates prevailing on the day immediately preceding the appointed date;
- ii)
 - a) the Government Securities shall be valued as 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 shall be valued at their face value or the encashable value as on the said 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, the security shall be valued 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, the investment may be valued on the basis of its average market value over any reasonable period;
- 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;

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

- v) premises and all other immovable properties and any assets acquired in satisfaction of claims shall be valued at their market value;
- vi) the furniture and fixtures, stationery in stock and other assets, if any, shall be valued 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 will be scrutinised by the transferee Bank and the securities, including guarantees held as cover therefor examined and verified by the transferee Bank and thereafter, the advances including portions thereof, will 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 shall include all liabilities, including contingent liabilities, which the transferee 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 may be decided by the Reserve Bank and could include historical cost, current cost, settlement value, present value or any other measurement basis.

- 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.

These liabilities have been valued on a present value basis and carried in the financial statements as on 31 March 2022. The Imputed interest expense arrived at using effective Interest rate of this liability over the tenor of the liability shall be charged to Interest expenses in the Profit & Loss Account for the relevant periods.

- 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.

These liabilities have been valued on a present value basis and carried in the financial statements as on 31 March 2022. The Imputed interest expense arrived at using effective Interest rate of this liability over the tenor of the liability shall be charged to Interest expenses in the Profit & Loss Account for the relevant periods.

- xi) Support from DICGC

DICGC has extended support to the Bank to repay Depositors as explained in detail in Clause No [6][c][i to vii] of the scheme. As on 31 Mar 2022, part of the support has been approved by DICGC and availed of by the Bank.

The Bank shall repay the amount received (no interest is payable on these sums) pursuant to Clause [7] of Note [2] of the scheme This liability have been valued on a present value basis and carried in the financial statements as on 31 March 2022. The Imputed interest expense arrived at using effective Interest rate of this liability over the tenor of the liability shall be charged to Interest expenses in the Profit & Loss Account for the relevant periods.

- xii) Perpetual Non-Cumulative Preference Shares (PNCPS)

The Bank issued PNCPS to institutional depositors with dividend of one percent, per annum payable annually. PNCPS have been valued on a present value basis and carried in the financial statements as on 31 March 2022.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

The Bank shall 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 as explained in details in Clause No [6][G,H] of the scheme

The terms and conditions of the PNCPS and the equity warrants have been submitted with RBI for approval. The approval from RBI is awaited

The management of USFBL has 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. The balance sheet as at 24th January, 2022 was audited by a firm of Chartered Accountants (auditor) approved by RBI and they have expressed qualified opinion vide their report dated 28th May, 2022. The management has taken cognizance of the matters of qualified opinion expressed by the said auditor and made adjustments in the valuation of assets and determination of liabilities as at the appointed date wherever required.

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 (e) 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:

- 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 may have to be classified as NPA, as the process of identification of NPA in the erstwhile PMC Bank was manual.
- The Bank has 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.
- The Bank has reckoned additional liabilities as at the appointed date based on its assessment.
- Other Assets include refund amount of ₹ 28 crores due from income tax department in respect of various assessment years of erstwhile PMC Bank. The said amount has been arrived at based on the assessment of the Bank that it is reasonably certain that it is recoverable.
- Deferred tax asset as at the appointed date has been 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. The erstwhile PMC Bank had not recognised Deferred Tax Asset on the same based on its own assessment.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

However, Deferred tax asset has not been recognised for the tax effect on accumulated loss pertaining to erstwhile PMC Bank for the assessment years upto AY 2021-22 considering that admissibility of these losses for set offs is yet to be clearly established and also considering that assessments of erstwhile PMC for certain years have not yet been completed.

- vi) 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, which can be done in one instalment or in several instalments. The Bank has created a specific DICGC payable account in its books wherein the liability will accrue on a yearly basis, until 20 years, for the purpose of discharging its liability towards DICGC in accordance with the provisions of the Scheme.

(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 deeds of all the immovable properties of erstwhile PMC Bank, except for few premises, the title deeds of which are being traced. The Bank is also in the process of getting these title deeds transferred in its name. Registration formalities/ obtaining occupancy certificate etc. are pending in respect of certain Land and building.

(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) Public interest Litigation has also been filed against promoters of HDIL and erstwhile PMC Bank for taking criminal/civil action. There are certain legal cases filed against the erstwhile PMC Bank for release of mortgage of the properties held by the Bank and also for certain other claims against the said PMC Bank. The Bank has analysed these cases and 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. As per the Scheme of Amalgamation referred to in note 18 (1) (a) depositor or creditor of the transferor Bank shall 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 hereinabove. 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

The erstwhile PMC's Core Banking Solutions (CBS) was not automated fully and the computation of DPD, asset classification and interest capitalisation were being done manually, the Bank is intending to take steps in the future for upgradation and automation of existing system and also integrating the system being used by NBFCs which were acquired on slump sale basis with the CBS system after upgradation and automation. In case of advances pertaining to erstwhile PMC, 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.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

(e) Internal/concurrent audit/System audit

The Bank has initiated the process of conducting the internal/concurrent audit of operations of erstwhile PMC Bank by an external auditor. The same is 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) Transfer to Deposit Education and Awareness Fund (DEAF) by erstwhile PMC Bank

Since the erstwhile PMC Bank was placed under AID, unclaimed amounts could not be transferred to DEAF by erstwhile PMC Bank. USFB, vide email dated April 29, 2022, had requested few clarifications from RBI- DEAF section, Department of Regulation. The clarifications are awaited. Upon receipt of clarifications, the Bank shall take steps to identify such unclaimed amounts and accordingly transfer the amounts to DEAF.

(g) 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 as Tier II Bonds ("10 year Retail Payables") for the purpose of CRAR calculations.
 - c) Certain restructured liabilities i.e. Perpetual Non-Cumulative Preference Shares ("PNCPS") is proposed to be a 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.
 - 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) 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-pasu 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.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

(h) Reconciliation of office accounts

The Bank has taken necessary steps to reconcile various account including system related accounts such as Interest payable, Interest receivable account NFS accounts of the erstwhile PMC Bank. Necessary adjustments will be made after completing the reconciliation.

2 Slump sale

The financial statements of Centrum Financials Service Limited and Centrum Micro Credit Limited as at and for the period ended 31st October 2021, as considered for the purpose of determining the net assets acquired on slump sale basis from the said companies as on November 01, 2021, was certified by the statutory auditors of the respective companies.

3 Regulatory Capital**3.1 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, 2022
Common Equity Tier 1 capital (CET 1) *	1,475.04
Tier 1 capital *	1,475.04
Tier 2 capital *	948.90
Total capital (Tier 1 + Tier 2)	2,423.94
Total Risk weighted assets (RWAs)	3,804.70
Common Equity Tier 1 Capital ratio (%) (CET 1 as a percentage of RWAs)	38.77%
Tier 1 capital ratio (%) (Tier 1 capital as a percentage of RWAs)	38.77%
Tier 2 capital ratio (%) (Tier 2 capital as a percentage of RWAs)	24.94%
Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	63.71%
Leverage Ratio	14.67%
Percentage of the shareholding of the Government of India in public sector banks	0.00%
Amount of Additional Tier 1 capital raised of which;	0.00%
Perpetual Non Cumulative Preference Shares (PNCPS):	0.00
Perpetual Debt Instruments (PDI)	0.00

* Refer note 18(1)(a), (g)(ii), (g)(iii)

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

3 Regulatory Capital (Contd.)**3.2 Capital Infusion**

The Bank has issued 70,49,01,960 equity shares having face value of ₹ 10 each aggregating to ₹ 704.90 crores excluding share premium.

Details of movement in the paid up equity share capital are as below:

Particulars	March 31, 2022	
	Equity shares	Amount (₹)
Equity shares at the beginning of the year	-	-
Addition pursuant to equity shares issued during the year	70,49,01,960	7,04,90,19,600
Equity shares outstanding at the end of the year	70,49,01,960	7,04,90,19,600

3.3 Earnings per equity share

Particulars	March 31, 2022
Net loss after tax (in crores)	(149.61)
Weighted average number of equity shares in computing the basic earnings per share	70,49,01,960
Basic earnings per share	(2.12)
Weighted average number of equity shares in computing the diluted earnings per share	70,49,01,960
Diluted earnings per share	(2.12)
Nominal value per Share (₹)	10.00

3.4 Reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	March 31, 2022
Weighted average number of equity shares in computing the basic earnings per share	70,49,01,960
Effect of potential equity shares outstanding	-
Weighted average number of equity shares in computing the diluted earnings per share	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.

4 Reserves**4.1 Statutory Reserve and Investment Fluctuation reserve (IFR)**

The Bank has reported loss during the year ended March 31, 2022, and hence the Bank has transferred 'Nil' in Statutory Reserve/ Investment Fluctuation reserve

4.2 Draw down from Reserves

During the year ended March 31, 2022, there is no drawdown from reserves.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

5 Asset Liability Management**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.

6 a) Liquidity Coverage Ratio (LCR)

Quantitative information on Liquidity coverage ratio (LCR) is given below:

Particulars	Quarter ended December 31, 2021		Quarter ended March 31, 2022	
	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)		868.05		6,887.42
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:				
(i) Stable deposits	3.26	0.16	5,718.42	382.24
(ii) Less stable deposits	3.26	0.16	3,792.11	189.61
3 Unsecured wholesale funding, of which:				
(i) Operational deposits (all counterparties)	0.00	0.00	1,926.31	192.63
(ii) Non-operational deposits (all counterparties)	0.14	0.14	15.56	15.56
(iii) Unsecured debt	0.00	0.00	0.00	0.00
4 Secured wholesale funding	0.00	0.00	0.00	0.00
5 Additional requirements, of which	0.14	0.14	15.56	15.56
(i) Outflows related to derivative exposures and other collateral requirements		109.09		257.95
(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

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

6 a) Liquidity Coverage Ratio (LCR) (Contd.)

Quantitative information on Liquidity coverage ratio (LCR) is given below:

Particulars	Quarter ended December 31, 2021		Quarter ended March 31, 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
6 Other contractual funding obligations	0.00	0.00	48.61	48.61
7 Other contingent funding obligations	35.00	1.75	8.33	0.42
8 TOTAL CASH OUTFLOWS		111.14		704.76
Cash Inflows				
9 Secured lending (e.g. reverse repos)	95.00	0.00	244.98	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	95.00	0.00	244.98	0.00
13 TOTAL HQLA		868.05		6,887.42
14 TOTAL NET CASH OUTFLOWS		111.14		704.76
15 LIQUIDITY COVERAGE RATIO (%)		781.01		977.27

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 due to excess liquidity resulting from inflow of DICGC deposits which fall under 5% outflow category. Bank's LCR will steadily normalize with growing business requirements, repayment of outstanding borrowings and outflow of DICGC deposits

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

6 b) Net Stable Funding ratio (NSFR)[illegible]

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

6 b) Net Stable Funding ratio (NSFR) (Contd.)

Particulars	Unweighted value by residual maturity				Weighted Value	Unweighted value by residual maturity				Weighted Value
	No maturity*	< 6 months	6 months to < 1yr	≥ 1yr		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
23 Securities that are not in default and do not qualify as HQLA, including exchange traded 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	0.00	749.14
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	0.00	0.00	0.00	2.39	2.03	0.00	0.00	0.00	0.00	5.50
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	0.00	76.33
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	0.00	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."

NSFR = Available stable Funding (ASF) ≥ 100%
Required stable Funding (RSF)

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 317.16% for year ending March 31, 2022

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

7 Investments**7.1 Composition of Investments Portfolio (Investment in India) :**

Sr. No	Particulars	As at March 31, 2022						Total investments in India
		Government Securities	Other approved securities	Shares	Debentures and Bonds*	Subsidiaries and/ or Joint Ventures	Others	
	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
	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, 2022, the Bank does not have any investment portfolio outside India.

7.2 Movement of provisions for Depreciation and Investment Fluctuation Reserves :

Sr. No	Particulars	As at March 31, 2022
1	Movement of provisions held towards depreciation on investments	
	(i) Opening balance	-
	(ii) Add: Additions on amalgamation of PMC (schedule 18 note (1))	89.13
	(iii) Add: Provisions made during the year	13.12
	(iv) Less: Write off / write back of excess provisions during the year	-
	(v) Closing balance	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	-

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

7 Investments (Contd.)**7.3 Sale and transfer of securities to / from HTM category**

During the year ended March 31, 2022, the Bank has not sold and transferred any securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year.

The 5% threshold referred to above does not include :

- one-time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the year,
- sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and
- Repurchase of Government securities by Government of India from banks
- sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM.
- Additional shifting of securities explicitly permitted by RBI
- Repurchase of State Development board Government securities by respective state Government.

7.4 Non-SLR investment portfolio**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

2 Amounts reported under columns 4, 5, 6 and 7 above are not be mutually exclusive

ii) Non performing Non SLR Investments

Sr. No	Particulars	As at March 31, 2022
a)	Opening balance	-
b)	Addition during the year*	1.98
c)	Reductions during the above period	-
d)	Closing balance	1.98
e)	Total provisions held	1.98

*Refer note 18(1)(a)

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

7 Investments (Contd.)**7.5 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**8.1 Classification of advances and provisions held:**

Sr. No	Particulars	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non - Performing Advances	Total
	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					-	
iii)	Closing balance of provisions held	12.52	21.39	885.97	2,669.05	3,576.41	3,588.93
	Net NPAs						
i)	Opening balance		-	-	-	-	
ii)	Add: Fresh addition made during the year					196.89	
iii)	Less: Reduction during the year					-	
iii)	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						-

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

8 Asset Quality (Contd.)**8.1 Classification of advances and provisions held:**

Sr. No	Ratios (In Percent)	As at March 31, 2022
1	Gross NPA to Gross Advances	62.94%
2	Net NPA to Net Advances	8.14%
3	Provision coverage ratio	94.78%

8.2 Details of transfer of loan exposure

During the year, the Bank has not transferred/acquired loan exposure (including standard and stressed account) under master direction "RBI (Transfer of Loan Exposure) Directives, 2021.

8.3 Sector-wise Advances and Gross NPAs

Sr. No	Particulars	As at March 31, 2022		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
I)	Priority Sector			
a)	Agriculture and allied activities	94.54	-	0.00%
b)	Advances to industries sector eligible as priority	137.58	-	0.00%
c)	Services	308.48	-	0.00%
d)	Personal loans	265.88	-	0.00%
	'of which Micro finance/credit	265.88	-	0.00%
	Sub Total (i)	806.48	-	0.00%
II)	Non Priority Sector			
a)	Agriculture and allied activities	101.89	3.41	3.35%
b)	Industry	475.97	332.42	69.84%
c)	Services	3,584.65	2,985.39	83.28%
	of which commercial Real estate	2,567.48	2,529.83	98.53%
d)	Personal loans	1,026.54	452.08	44.04%
	of which Housing loan	361.04	63.22	17.51%
	Sub Total (ii)	5,189.05	3,773.30	72.72%
	Total (I +II)	5,995.52	3,773.30	62.94%

8.4 Overseas assets, NPAs and revenue

As at March 31, 2022, the Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable.

8.5 Divergence in asset classification and provisioning

RBI vide its circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and Notification dated April 1, 2019, has directed banks shall make suitable disclosures, if either or both of the following conditions are satisfied:

- the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and/ or
- the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

As at March 31, 2022, there has been no inspection conducted by RBI for the Bank, hence for current year this disclosure is not applicable.

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

8 Asset Quality**8.6 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 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

8.7 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, 2022

8.8 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:

Particular	March 31, 2022
No. of Accounts Restructured	71
Outstanding amount	36.20
Provision Amount	3.90

9 Exposures**9.1 Exposure to real estate sector**

Category	March 31, 2022
i) Direct exposure	
a) Residential Mortgages – (of which housing loans eligible for inclusion in priority sector advances)	378.13
b) Commercial Real Estate	2,581.80
c) Investments in Mortgage-Backed Securities (MBS) and other securitized exposures –	18.75
i) Residential	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	2,978.68

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

9 Exposures (Contd.)**9.2 Exposure to capital market**

Category	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;	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	-
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	29.58

9.3 Risk category-wise country exposure

Risk category	Exposure (net)	Provision held
Insignificant	14.91	-
Low	-	-
Moderately low	-	-
Moderate	-	-
Moderate high	-	-
High	-	-
Very High	-	-
Total	14.91	-

9.4 Unsecured advances

Particulars	March 31, 2022
Total unsecured advances of the bank*	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 account has been classified as "unsecured advances" as certain instances of fraud were detected (refer note 18(c)). The Bank is undertaking reassessment of legal, due diligence and security value. On completion of the reassessment, necessary changes will be made.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

9 Exposures (Contd.)**9.5 Factoring exposures**

During FY 2021-22, the Bank has not entered into any factoring transactions.

9.6 Intra-group exposures

Particulars	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	0.16%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	Nil

9.7 Unhedged Foreign Currency Exposure (UFCE)

The Bank doesn't have any unhedged foreign currency exposure as at March 31, 2022.

9.8 Details of Single Counterparty limit/limit for group of connected counterparties exceeded by Bank-

The Bank is within the limit in respect of single counterparty and group of connected counterparties on disbursement made post 1 November 2021. In addition, refer note 18 (1) (g).

10 Concentration of Deposits, Advances, Exposures and NPAs**10.1 Concentration of Deposits**

Particulars	As at March 31, 2022
Total Deposits of twenty largest depositors	33.59
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	0.88%

10.2 Concentration of Advances

Particulars	As at March 31, 2022
Total advances of twenty largest borrowers*	2,693.41
Percentage of advances of twenty largest borrowers to Total advances of the bank	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

10.3 Concentration of Exposures *

Particulars	As at March 31, 2022
Total Exposure of twenty largest borrowers/customers	2,741.00
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	44.51%

*Exposure is based on Credit and investment Exposure as prescribed in RBI's Master Circular on Exposure Norms.

10.4 Concentration of NPAs

Particulars	As at March 31, 2022
Total exposure of twenty NPA accounts	2,693.41
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	71.38%

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

11 Derivatives

- a) During the year ended March 31, 2022, 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.
- b) 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 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

12 Disclosures relating to securitisation

12.1 As at March 31, 2022, the Bank has no outstanding securitisation transaction

12.2 Details of Direct assignment transactions

During the year ended March 31, 2022, the Bank has not entered into any new direct assignment transaction. Outstanding direct assignment as at March 31, 2022 are stated below:

Sr. No	Particular	March 31, 2022
(i)	No. of accounts	13,246
(ii)	Aggregate value of accounts sold to SC	-
(iii)	Aggregate Consideration	-
(iv)	Aggregate gain over net book value	-
(v)	Outstanding balance	38.24

Details of book value of investment in Security receipts (SRs):

As at March 31, 2022, the Bank has investment of ₹ 89.12 crore in security receipts. The Bank has 100% provision against Security receipts.

12.3 Inter- Bank Participation

During the period ended March 31, 2022, the Bank has not purchased or sold any Inter Bank Participation Certificate.

12.4 Off balance sheet SPVs sponsored

As at March 31, 2022, the Bank does not have any off balance sheet SPVs Sponsored.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

12 Disclosures relating to Securitisation (Contd.)**12.5 Transfers to Depositor Education and Awareness Fund (DEA Fund)**

Particulars	March 31, 2022
Opening balance of amounts transferred to DEA Fund*	18.11
Add: Amounts transferred to DEA Fund during the year	-
Less: Amounts reimbursed by DEA Fund towards claims	-
Closing balance of amounts transferred to DEA Fund	18.11

* Refer note 18 (1) (a)

13 Disclosure relating to Complaints**13.1 Summary information on complaints received by the bank from customers and from the Offices of Banking Ombudsman (OBOs)**

Sr. No	Particulars	Year ended 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	300
3	Number of complaints disposed during the year	300
	3.1 Of which, number of complaints rejected by the bank	-
4	Number of complaints pending at the end of the year	-
	Maintainable complaints received by the bank from OBOs	
5	Number of maintainable complaints received by the bank from Office of Ombudsman	5
	5.1 Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	5
	5.2 Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	-
	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)	-

13.2 Top five grounds of complaints received by the bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
FY 2021-22					
Account Related	-	1	-	-	-
Deposit Accounts	-	2	-	-	-
Loan	-	255	-	-	-
App	-	2	-	-	-
Staff Behaviour	-	13	-	-	-
Others	-	27	-	-	-
Total	-	300	-	-	-

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

(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, 2022, no penalty was imposed by the RBI on the Bank.

15 Disclosures on remuneration**A) Qualitative Disclosures****(a) 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 inter alia 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. The Composition of NRC committee is as follow:

Sr. No	Name	Designation
1	Sandip Ghose	Independent Director (Chairman)
2	Subhash Kutte	Independent Director
3	Renu Basu	Independent Director

(b) 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.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

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.

(d) 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, 2022

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

15 Disclosures on Remuneration (Contd.)

- (e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

For MRTs, KMPs and SMPs the cash component of the variable pay has been paid in 2 tranches. 50% of the cash component of the variable Pay has been deferred by 6 months. We are yet to introduce the ESOP program

- (f) 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 does not have any share linked instruments. However, in future if bank decides to include such instruments as a component of variable pay, the same would be framed by the bank in conformity with relevant statutory provisions. Share-linked instruments would be fair market value on the date of grant by the bank.

B) Quantitative disclosures

Sr. No	Subject	March 31, 2022
(a)	Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members.	Nil
(b)	(i) Number of employees having received a variable remuneration award during the financial year.	Nil
	(ii) Number and total amount of sign-on/joining bonus made during the financial year.	Nil
	(iii) Details of severance pay, in addition to accrued benefits, if any.	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.	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

16 Other Disclosures**a) Business Ratio**

Sr. No	Ratio	March 31, 2022
(i)	Interest Income as a percentage to Working Funds ¹	6.48%
(ii)	Non interest income as a percentage to Working Funds ¹	(0.01%)
(iii)	Operating Profit ³ as a percentage to Working Funds ¹	(5.93%)
(iv)	Return on Assets	(6.28%)
(v)	Cost of Deposits ^{5&6}	2.28%
(vi)	Net Interest Margin ⁴	1.16%
(vii)	Business (deposits plus advances) per employee (₹ in crore) ²	3.53
(viii)	Profit per employee & (₹ in crore) ²	(0.08)

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

16 Other Disclosures (Contd.)

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. Productivity Ratios are based on average monthly employee numbers
3. Operating Profit is the net profit/(loss) for the year before provisions and contingencies
4. Net Interest Income/Average earning assets. Net Interest Income = Interest Income - Interest Expenses
5. Deposits exclude amount received from DICGC and credited to customer accounts on 31st March 2022
6. Average deposit is based on month end balances

b) Bancassurance business

During the year ended March 31, 2022, the Bank has received ₹ 0.16 crore from Bancassurance business.

c) Marketing and distribution

During the year ended March 31, 2022, the Bank has not received any fees / remuneration from marketing and distribution.

d) Disclosures regarding Priority Sector Lending Certificates(PSLCs)

During the year ended March 31, 2022, No PSLCs have been sold and purchased by the Bank.

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, 2022
(i)	Provision towards NPA	14.59
(ii)	Deferred tax assets	(7.72)
(iii)	Provision for Standard asset	1.29
	Total	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 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 18 January, 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.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

16 Other Disclosures (Contd.)**g) Payment of DICGC Insurance Premium**

Sr. No	Particulars	March 31, 2022
i)	Payment of DICGC Insurance Premium	0.08
ii)	Arrears in payment of DICGC premium	-

17 Contingent liabilities

Contingent liabilities *	March 31, 2022
Income tax liability	4.71
Guarantee given on behalf of constituents	14.75
DEAF	18.11
Others	8.55
Total	46.11

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) 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.

d) Other items for which the Bank is contingently liable

Primarily includes DEAF

*Also refer Schedule 12 - Contingent liabilities

18 Provision on Standard Assets

Particulars	March 31, 2022
Provision towards standard assets	12.52

19 Fraud accounts

Particulars	March 31, 2022
Number of frauds reported during the year	3
Amount involved in fraud (crore)	0.02
Amount of provision made for such frauds (crore) excluding recovery	0.01
Amount of Unamortised provision debited from 'other reserves' as at the end of the year (crore)	-

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

20 Employee Benefits (Contd.)**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 Lakhs. 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

Particulars	March 31, 2022
Current service cost	0.55
Interest cost on benefit obligation	0.09
Past Service Cost	-
Expected return on plan assets*	-
Net actuarial (gain)/ loss recognised in the year	4.62
Employer Expenses	5.26

* Represents expected returns determined by the actuary

Net Liability/ (Asset) recognised in the Balance Sheet

Particulars	March 31, 2022
Present value of Defined Benefit Obligation	(41.43)
Fair value of plan assets	32.96
Net liability recognised in balance sheet	(8.48)
Less: Unrecognised Past Service Cost	-
Liability recognised in balance sheet	(8.48)

Reconciliation of Defined Benefit Obligation (DBO)

Particulars	March 31, 2022
Present Value of DBO at start of year	-
Interest cost	0.99
Current service cost	0.55
Liability transferred in /Acquisitions	35.89
Past Service Cost	-
Benefits paid	-
Actuarial loss	4.01
Present Value of DBO at end of year	41.43

Reconciliation of Fair Value of Plan Assets

Particulars	March 31, 2022
Fair Value of Plan Assets at start of year	-
Expected return on plan assets	0.90
Contributions by the employer	0.05
Asset transferred In/Acquisitions	32.62
Benefits paid	-
Actuarial (loss)/ gain	(0.61)
Fair value of plan assets at end of year	32.96
Estimated employer contributions for the next year	6.35
Actual return on plan assets	0.29

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

20 Employee benefits (Contd.)**The principal assumptions used in determining gratuity obligations for the Bank's plan are shown below:**

Particulars	March 31, 2022
Discount rate	5.66%
Expected rate of return on assets	5.66%
Employee turnover	25.00%
Salary growth rate	7.00%
Mortality Rate	Indian Assured Lives Mortality 2012-14 (Urban)
Expected average remaining working lives of employees	3 years

Percentage break-down of total plan assets

Particulars	March 31, 2022
Insurer Managed Funds (non unit-linked)	100.00%
Total	100.00%

Planned Asset Break up for Non Linked Fund - HDFC Standard Life Insurance Company Ltd

Particulars	March 31, 2022
Government Securities	55.45%
Corporate Bonds	41.86%
Cash and Deposit	2.69%
Total	100.00%

Planned Asset Break up for Non Linked Fund - LIC

Particulars	March 31, 2022
Government Securities	71.05%
Corporate Bonds	18.53%
Equity	10.42%
Total	100.00%

Experience Adjustments

Particulars	March 31, 2022
Present Value of DBO	32.96
Fair Valuation of Plan Assets	41.43
Funded Status [Surplus/(Deficit)]	(8.48)
Experience adjustment on plan liabilities : (Gain) / Loss	(0.14)
Experience adjustment on plan Assets : Gain / (Loss)	(0.60)

Employee benefits - Leave encashment

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at March 31, 2022 is 4.22 crore
Assumption used:

Discount rate : 5.66%

Salary escalation rate : 7%

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 ₹ 2.10 for the year ended March 31, 2022.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

21 Segment Reporting

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

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.

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.

f) 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, 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

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

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 entity
4	Centrum Alternatives LLP	Other related entity
5	Centrum Capital International Limited	Other related entity
6	Centrum Capital Advisors Limited	Other related entity
7	Centrum International Services PTE Limited	Other related entity
8	Centrum Retail Services Limited	Other related entity
9	Centrum Broking Limited	Other related entity
10	Centrum Alternative Investment Managers Limited	Other related entity
11	Centrum Housing Finance Limited	Other related entity
12	Centrum Microcredit Limited	Other related entity
13	Centrum Wealth Limited	Other related entity
14	Centrum Insurance Brokers Limited	Other related entity
15	Centrum Investment Advisors Limited	Other related entity
16	CCIL Investment Management limited	Other related entity
17	Business Match Services (India) Private Limited	Other related entity
18	Acorn Fund Consultants Private Limited	Other related entity
19	JBCG Advisory Services Private Limited	Other related entity
20	BG Advisory Services LLP	Other related entity
21	Ignis Capital Advisors Limited	Other related entity

The Bank's related party balances and transaction for the year ended March 31, 2022 are summarised as follows:

Items/Related party	Holding company	Ultimate holding company	Other related entity	Total
Borrowings	-	-	50 (50)	50 (50)
Deposits Taken	-	-	-	-
Deposits Placed	-	-	-	-
Advances Given	-	-	-	-
Fixed Assets Purchased From	-	0.00	0.15	0.15
Fixed Assets Sold To	-	-	0.00	0.00
Interest Paid To	-	-	6.40	6.40
Interest Received From	-	-	-	-
Income From Services Rendered To	-	-	0.66	0.66
Expenses For Receiving Services From	-	0.01	3.82	3.83
Equity Investments	43.50	-	745.72	789.22
Other Investments	1.90	-	-	1.90
Receivable From	37.86 (37.86)	-	-	37.86 (37.86)
Payable to	-	-	0.15 (5.17)	0.15 (5.17)
Guarantees Given	-	-	-	-
Slump sale transaction (refer note 18(2))	316.00	-	110.00	426.00

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balance as at year end .

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

22 Related Party Disclosures

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, 2022
Borrowing:	50
Resilient Innovations Private Limited	
Fixed Assets Purchased From:	0.14
Centrum Wealth Limited	
Interest Paid To:	
Resilient Innovations Private Limited	2.36
Centrum Wealth Limited	4.04
Income From Services Rendered To:	0.64
Centrum Retail Services Limited	
Expenses For Receiving Services From:	
Resilient Innovations Private Limited	1.24
Centrum Retail Services Limited	1.26
Ignis Capital Advisors Limited	0.85
Equity Investments:	746
Resilient Innovations Private Limited	
Slump sale transaction:	316
Centrum Financial Services Limited	110
Centrum Microcredit Limited	

23 Deferred Tax Assets

As at March 31, 2022, the Bank has recorded net deferred tax asset of ₹ 741.14 crore, included in other assets

The composition of Deferred Tax Assets (DTA) is as under :

Particulars	As at March 31, 2022
Deferred tax asset arising out of:	
Employee Benefit	3.19
Provision for Advances	739.23
Others	1.66
Total (a)	744.08
Deferred tax liability arising out of:	
Depreciation	2.94
Total (b)	2.94
Deferred tax asset (net) (a-b)	741.14

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

24 Leases

Operating lease primarily comprises of office premises, vehicle, computers and tablets, which are renewable at the option of the Bank. The following table sets forth the details of future rentals payable on operating leases :

Particulars	As at March 31, 2022
Not later than one year	22.41
Later than one year but not later than five years	24.58
Later than five years	8.73
Total	55.72
The total lease payments recognised in the Statement of Profit and Loss account for the year	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, 2022, the Bank is not required to contribute to Corporate Social Responsibility under section 135 of the Companies Act, 2013

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.

27 Letter of Comfort

The Bank has not issued letter of comfort during the year ended March 31, 2022

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 2021-22

29 Code on Social Security

The Code on social security 2020 ("the code") related to employee benefits 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.

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.

SCHEDULE 18 - Notes Forming Part of the Financial Statements for the year ended March 31, 2022

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

30 Other Liabilities (including Provision)

Particulars	March 31, 2022
Payable to Depositors of erstwhile PMC Bank upto 5 years (refer note 18 (1) (a) (ix))	1,475.90
Payable to Depositors of erstwhile PMC Bank at the end of 10 years (refer note 18 (1) (a) (x))	936.37
Payable to DICGC (refer note 18 (1) (a) (xi))	590.41
Liability towards devolved LC / invoke BG	282.40
Contingent Provision	243.00
Others	266.70
Total	3,794.78

31 Details of payments to auditor as per profit and loss Account

Particulars	March 31, 2022
Audit fees	0.35
Tax audit fees	0.10
Other services	-
Out of pocket expenses	-
Total	0.45

The Bank commenced its banking operation on November 1, 2021. Therefore, the figures reported for year ended March 31 2022 represents the period commenced from November 1, 2021 to March 31, 2022.

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

Asha Patel
Partner
Membership No. 166048

Vinod Rai
(DIN: 00041867)
Part-time Chairman
Place: Vietnam

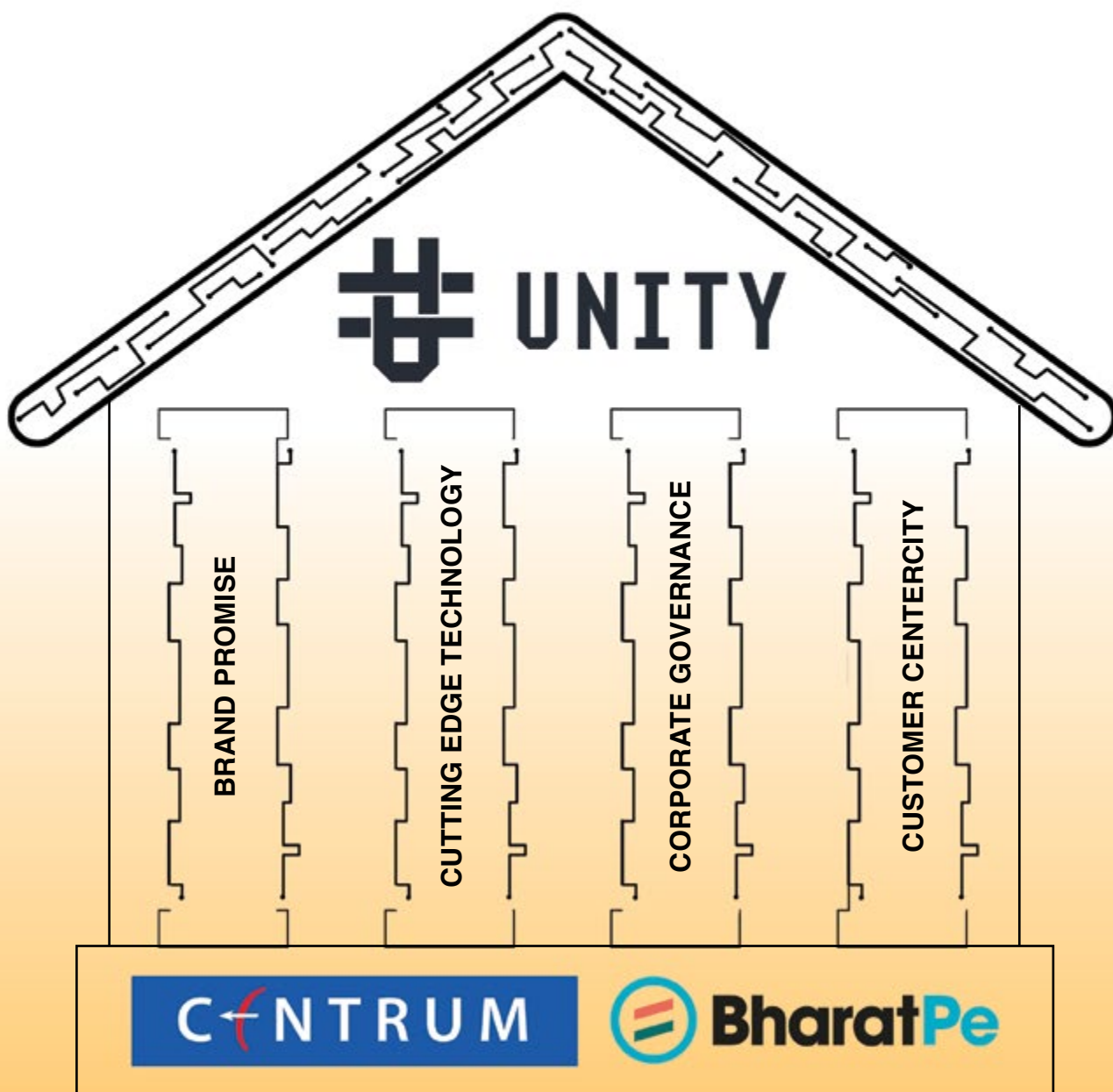
Subhash Kutte
(DIN: 00233322)
Director
Place: Kolhapur

Inderjit Camotra
Interim CEO
Place: Mumbai

Abhishek Baxi
Chief Financial Officer (CFO)
Place: Mumbai

Archana Goyal
Company Secretary(CS)
Place: Mumbai

Date: 30-05-2022



Unity Small Finance Bank Limited

CIN: U65990DL2021PLC385568

Registered Office

40, Basant Lok, Vasant Vihar,
New Delhi – 110057

Corporate Office

Centrum House, CST Road,
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Tel: 022-42159000

Website – www.theunitybank.com

Email – care@unitybank.co.in

