



Equitas Small Finance Bank Ltd.

INTEGRATED ANNUAL REPORT 2019-20

Fundamentally Speaking...

GROWTH PROFITABILITY PROSPECTS



What's inside



INTEGRATED REPORT

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About the Report

Overview

The Securities and Exchange Board of India (SEBI) through its circular dated February 6, 2017 had recommended the top 500 listed entities to voluntarily prepare their Annual Report in accordance with the principles of Integrated Reporting prescribed by the International Integrated Reporting Council (IIRC). Equitas Small Finance Bank has voluntarily adopted the principles and has prepared its first Integrated Report for FY20 which forms a part of this Annual Report.

The Report endeavours to provide a holistic assessment of the Bank's financial and non-financial performance. The Report also outlines relevant information on the Bank's strategy, governance, risks, and prospects to offer better insights into its activities and progress.

Integrated Reporting Principles and Frameworks

The Integrated Report is aligned with the reporting framework prescribed by the International Integrated Reporting Council (IIRC). Through this Report, we provide insights about how the Company creates value by sharing financial as well as non-financial information. The IIRC has prescribed seven guiding principles for Integrated Reporting. These are strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, and consistency and comparability.

Materiality and Scope

This Report includes information, which is material to all stakeholders of the Bank and provides an overview of its business and related activities. The Report discloses matters that substantially impact or affect the Bank's ability to create value and could influence decisions of providers of financial capital.

Responsibility Statement

The contents of this Report have been reviewed by the senior management of the Bank, and reviewed and approved by Those Charged with Governance (TCWG) to ensure accuracy, completeness and relevance of the information presented.

Reporting Boundary

The financial and non-financial information in this Report largely covers the activities and progress of Equitas Small Finance Bank Limited on a standalone basis.

Forward-looking Statements

This Report contains statements that relate to future operations and performance of the Bank. Actual results may differ materially from those suggested by such statements due to certain risks associated with our expectations with respect to, but not limited to, future circumstances such as technological changes, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions, natural calamities, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, etc.

Fundamentally speaking...

Our strong growth and profitability amid a challenging environment reflects our robust fundamentals. With an unwavering focus on maintaining the highest asset quality and using technology as a key enabler, we are reinventing the way banking is delivered and experienced. Anchored to our core values and steadfast commitment to adhering to the highest standards of governance and risk management, we have laid a strong foundation of trust, on which we aspire to build an inclusive future.

Our well-diversified, high-quality asset portfolio focused on the informal segments of the society, combined with our fast expanding liabilities franchise, enables us to seamlessly navigate economic cycles. We are redefining convenience and simplicity with our 'digital first' approach – strengthening our relationship with existing customers while bringing new ones to the fold. With the buildout phase now behind us, we are well positioned to continue creating sustainable value for our stakeholders.

Accomplishments of 2019-20

Introducing our capitals for value creation



FINANCIAL CAPITAL

Customer deposits, loans and advances, shareholder equity, retained earnings, among others, constitute our financial capital. The ability to raise, lend and manage financial capital prudently is reflected in our strong balance sheet and stable growth momentum.

₹19,315 crores
Balance Sheet Size

₹15,367 crores
Advances

₹10,788 crores
Deposits (including CD)

₹244 crores
Net Profit

9.11%
Net Interest Margin
(NIM on Interest Earning Assets)

9.84%
Return on Equity



HUMAN CAPITAL

Our people, their diverse skill sets, proven expertise, and deep industry knowledge constitute our human capital. We have created a culture of continuous learning and improvement, which further augments our ability to acquire, retain and better serve our diverse customer base.

16,106
Employees

14,183
Man Days of Classroom Learning Programmes

97
Culture Workshop

45,043
Man Hours of E-Learning Programmes



SOCIAL AND RELATIONSHIP CAPITAL

We take a holistic approach to sustainable value creation by nurturing our long-standing relationships, which constitutes our social and relationship capital. Through our CSR initiatives, we aim to improve life and livelihood opportunities of underserved sections.

24,19,063
Customer Base

3,838
Merchants/Partners

5,94,777
CSR Beneficiaries



MANUFACTURED CAPITAL

Our pan-India distribution network comprising banking outlets, ATMs, and other customer touchpoints constitute our manufactured capital. It also includes our IT infrastructure. We optimally leverage our manufactured capital to engage with all stakeholders including customers and the community at large.

854
Banking Outlets

322
ATMs

242
Business Correspondents

6,69,573
Debit Cards

2,08,513
FASTag issued



INTELLECTUAL CAPITAL

The knowledge and expertise embedded within our systems, processes and procedures, along with the Equitas brand, constitute our intellectual capital. We are improving operational efficiencies and customer experience by creating technology-led businesses and leveraging data analytics.

26
RPA Bots

21
API Libraries

1,71,861
Mobile Banking Users

19,096
Facial Recognition Users



NATURAL CAPITAL

Although banking by nature of operations is considered environment friendly, our operations do require direct and indirect utilisation of natural capital. We undertake a host of initiatives to minimise our impact on natural capital.

50,000
Saplings Distributed

96,758
Paperless Account Opening

Chairman's Insights

Taking confident strides into an inclusive future



”

IN FY20, ESFB SUSTAINED ITS GROWTH MOMENTUM, DESPITE A SET BACK TO DEPOSITOR CONFIDENCE DUE TO WORRYING EVENTS IN CERTAIN CO-OPERATIVE AND PRIVATE SECTOR BANKS AND A SLOWING ECONOMY.

Dear Stakeholders,

It gives me great pleasure to present to you the first Integrated Annual Report of Equitas Small Finance Bank (ESFB), which outlines our progress towards building a stable, scalable and sustainable Bank. We have mapped our accomplishments against our strategic objectives, which also incorporate a commitment to excellence through fair and transparent practices.

In FY20, ESFB sustained its growth momentum, despite a set back to depositor confidence due to worrying events in certain co-operative and private sector banks and a slowing economy. Before these shock waves could dissipate, the country was drawn into the struggle against a worldwide pandemic without parallel in terms of spread, speed and economic impact.

A CHALLENGING EXTERNAL ENVIRONMENT

India was undergoing a slowdown with muted private consumption and contraction of manufacturing and private investments. The Government announced a series of measures to revive the economy. The efforts on the fiscal sides were complemented by a series of measures by the Reserve Bank of India to lower the costs of borrowing, improve

liquidity, and stabilise asset quality. Despite these measures, India recorded its slowest growth in over a decade at 4.2% (Source: Central Statistics Office).

The Corona virus outbreak and consequent disruption to economic activities wilted the few green shoots of recovery. The Central Government in coordination with State Governments imposed a nationwide lockdown to break the chain of virus transmission. A cumulative stimulus package of ₹20 trillion was announced to soften the economic impact and provide an impetus to self-reliant revival.

Equitas has kept most branches open and ATMs operational from the onset of the lockdown phases to deliver timely and quality banking services to constituents, at the same time according great importance to the health and safety of its employees spread over 15 States. As a technology-driven new age Bank, ESFB has seamlessly adapted to the new normal of conducting business activities and by a mix of employees working from office and home has been serving customers without disruption.

MEASURING OUR PROGRESS

In FY20,

- Advances and deposits excluding CD grew at 31% and 26%, respectively, a reaffirmation of the untapped potential of the segments the Bank operates in
- Unsecured portfolio fell from 29% in FY19 to 25% as of FY20
- Tamil Nadu loan concentration reduced from 57% in FY19 to 54% in FY20
- Retail deposits grew by 133%; over 4.5 lakhs micro finance customers opened recurring deposits

Our strategy to create a long-term, granular retail liability franchise continues to work well. We saw retail deposits touch ₹3,811 crores with overall deposits including CD touching ₹10,788 crores. We also launched Equitas Elite, a priority banking and wealth management programme that comes with unmatched features and benefits. The initial response

has been quite encouraging with about 6,200 customers enlisting in a short span of time.

On the advances side, our primary focus is to diversify our product offerings while growing our secured loan portfolio. We plan to continue to develop and offer a comprehensive range of products anchored around the unserved and underserved customer segments, which while attracting new customers will deepen our relationship with the existing customer base. Small Business Loans such as Micro LAP (Loan Against Property), General LAP, and newer products like Secured Business loans registered strong growth during the year. Small Business loans grew by 37%, Micro Finance by 18%, Used Commercial Vehicles by 16% while younger portfolios like MSE Finance and New Commercial Vehicles grew by ₹489 crores and ₹443 crores, respectively.

DRIVING DIGITAL BANKING

We are leveraging our front-end technology platforms to further improve customer acquisition and transaction management. The objective is to make it easier for customers to manage their accounts, while facilitating significant cross-selling opportunities for a wider range of products, thus building on our existing relationship with our customers.

We also plan to develop digital platform-only products, specifically designed for the younger and technologically savvy customer base. Our endeavour is to empower customers to access various products and services on their own and raise our efficiency. We are in collaboration with some of the best technology companies to enrich our digital journey.

SOCIAL INITIATIVES

Our social initiatives continue to create a meaningful and significant impact. During the year, we continued to conduct free health camps, livelihood skills training and job placement initiatives for unemployed youth. Our Group has seven Equitas Gurukul schools with a student base of over 5,000 and staffed by very dedicated teachers continue to provide high quality

133%

Growth in retail deposits

affordable education to the poor. Gurukul students do make us proud by excelling in educational achievements and extracurricular pursuits at the District, State and National levels.

COVID-19 AND ITS AFTER EFFECTS

In the recent past, the COVID-19 pandemic has had a deep and lasting impact both on the global social and economic orders. The world seems still in the early stage of fighting this pandemic and any present assessment of its tectonic impact on various fronts would perhaps be premature. However, the Bank is committed to support its customers in these economically trying times, has, and will do whatever is possible to ensure safety and to sustain the morale of its employees. The final impact of this virus on the performance and financials of the Bank would be clearer as we go through the rest of the current year. You have my assurance that the Management and the Staff of the Bank are ready to walk beyond the last mile to ensure optimal delivery of expectations to our stakeholders.

LOOKING AHEAD

Every Year that passes affords learnings and every New Year that rolls in is often replete with opportunities to stretch our perception of excellence, to stoke our hopes to ascend higher, to extend our reach with empathy, responsibility, fairness and transparency. If this incessant journey of self-renewal has to lead to greater levels of service, competence and shared prosperity, the Bank would need to unstintingly support you all and in turn be strongly supported by you all. We move into the future with optimism and are fired with this conviction.

ARUN RAMANATHAN

Part-Time Chairman and Non-Executive Independent Director

MD & CEO Communiqué

Leveraging our robust fundamentals to deliver sustainable value



”
AS A MODERN, TECHNOLOGY-DRIVEN BANK, WE REMAIN STEADFAST IN OUR COMMITMENT TO FINANCE THE UNDERBANKED SEGMENT BY CHANNELLING DEPOSITS GENERATED FROM AFFLUENT AND MASS AFFLUENT SEGMENTS.

Dear Stakeholders,

We live in unprecedented times. The world is grappling with a crisis that lacks parallel in recent history and comes with significant ramifications on life as well as livelihood. The emerging new normal has the potential to alter the way we work, engage and socialise. Every major crisis, however, brings out the best in humanity, and this has been no different. Collaborative actions that transcend boundaries have strengthened our resolve to emerge stronger.

The nationwide lockdowns imposed to break the chain of coronavirus transmission rightly prioritised life over livelihood. The government also announced massive stimulus package to kickstart the economy with special focus on the bottom of the pyramid and MSMEs. The Reserve Bank of India (RBI) announced emergency rate cuts and various measures to improve liquidity and stabilise the system. These coordinated efforts would go a long way in building a 'self-reliant' India.

Since our inception, we have focused on financing self-employed individuals in

the informal economy. Today, as a modern, technology-driven bank, we remain steadfast in our commitment to finance the underbanked segment by channelling deposits generated from affluent and mass affluent segments. We are on track to achieve our vision of building a stable, scalable, and sustainable banking franchise.

OPERATING LEVERAGE PLAYING OUT

With the buildout phase now behind us, we now see operating leverage playing out. With the same branch network, we clocked a 31% growth in advances and 26% in deposits excluding CD, while our cost-to-income ratio improved by 390 basis points to 66.38% in FY20. Our Profit Before Tax (before provisions and write-offs) grew 40%. Asset quality remained steady through the year, with Gross Non-Performing Assets (GNPA) at 2.72%.

On the liabilities front, deposits excluding CDs grew 26% while retail Term Deposits (TD) grew 133%. Current Account & Savings Account (CASA) as a percentage of total deposits stood at 20%. Our digital banking products like Selfe Saving and Selfe Fixed Deposit (FD) played a significant role in driving deposit growth. With a 'digital first' approach, we are also working on several initiatives to further improve customer onboarding experience.

Net Interest Income (NII) grew by 30%, while Net Interest Margin (NIM) came in at 9.11% versus 8.55% in FY19. Profit After Tax (PAT) grew 16%. We remain well capitalised with total CRAR at 23.61% and Tier-I CRAR at 22.44% (as on March 31, 2020), well above the minimum regulatory requirements of 15% and 7.5%, respectively; Tier II CRAR was at 1.17%. Meanwhile, our liquidity coverage ratio (as on March 31, 2020) stood at 133.2%, significantly above the regulatory requirement of 90%.

RESPONDING TO PANDEMIC IMPACT

Our business has been impacted by the lockdown since the end of March 2020, with almost zero

collections. However, we have kept most of our branches open and ATMs operational during this period to assist customers. We encouraged our customers to opt for the moratorium for the months of March, April and May 2020 (allowed by the RBI) to tide over any liquidity issue during the lockdown, and subsequently kickstart their business as the lockdown eases. In fact, opting for moratorium for this period was rolled out in a default mode. For opting out, customers needed to contact the Bank.

From middle of May, across the country many businesses have started opening up albeit slowly. And we see an increasing trend of the economy coming back to full activity going forward. Accordingly, for the moratorium announced by the RBI for the months of June, July and August 2020, we are encouraging all customers, who have the liquidity to start paying their instalments to ease the burden of additional interest accruals. Moratorium for the second tranche is being allowed only to those customers who come back to the Bank with a request for the same and after they have fully understood the implications of additional interest due to postponing their instalment payments.

During the lockdown, our teams have been in touch with our customers. And there is a general sense of optimism about bouncing back to near-normal levels in a short time frame. As a larger part of our customer base deals with essential products and services, they are likely to be relatively less impacted. Further, rural and semi-urban borrowers also seem to be less impacted, as ~53% of our microfinance and 50% small business loans, and ~20% of our vehicle finance are located in semi-urban and rural locations.

LOOKING AHEAD

The unmet demand in the segments we deal with remains very high at over ₹12 lakh crores, according to various government estimates. However, we need to see how the markets open up and how life comes back to normal as the pandemic subsides and the economic engines are restarted. For our microfinance customers, we have launched

133.2%

Liquidity Coverage Ratio

Vishwas Loans, which will enable them to bridge any immediate requirements and revive their businesses. We are also looking at providing top-up loans to our small business loan customers.

Given the fact that majority of our customers are from the lower income households, our CSR teams engaged in skilled training, develop video-based learning modules to train small borrowers in making masks, hand wash, door mats, micro green products. These demo videos were sent on WhatsApp to all our women customers across India, both in Tamil and Hindi. They could either consume these products themselves or start selling as soon as the lockdown is lifted. In fact, many have started to generate supplemental income.

EMPLOYEES

We are blessed to have a large and committed team of over 15,000 employees. During the COVID crisis, we rolled out employee-friendly HR policies, especially for those staff who are at the lower rung of the organisation. We provided incentives to field-based people for the lockdown months of March, April and May 2020 based on the average of the incentives earned by them over the three preceding months. We also rolled out other pocket-friendly initiatives. Meanwhile, our people at the upper middle to senior management level took a voluntary cut in their compensation to help the Bank during this stress period.

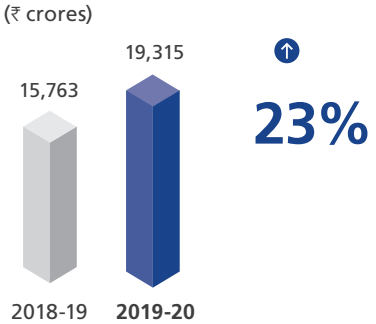
A large employee connect programme was launched, with me connecting directly with every employee in the Bank. This was followed by audio calls and Q&A sessions with me and has now been followed up with an ideas@equitas portal for all employees to give their ideas and suggestions to us. With the enthusiastic support of such a large team, we are confident of managing the situation as best, if not better, than anyone else.

P. N. VASUDEVAN
MD & CEO

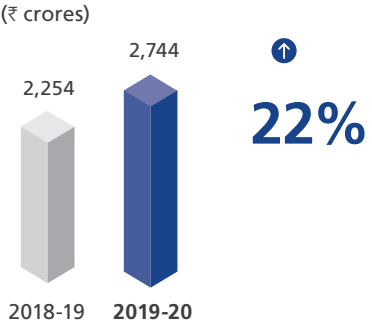
Key Performance Indicators

Reflecting our strong fundamentals

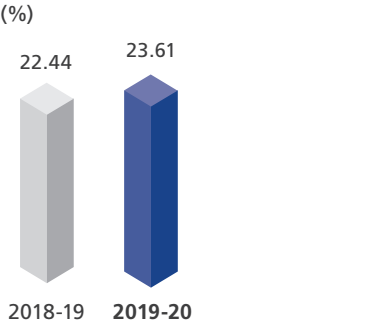
Balance Sheet Size



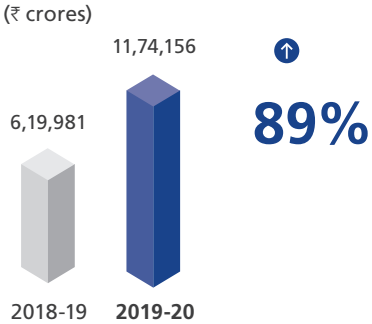
Networth*



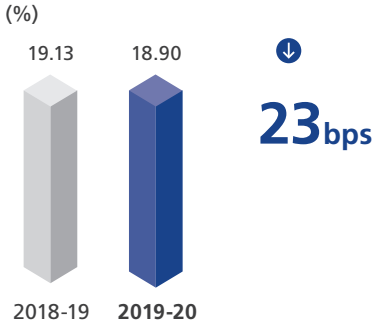
Capital Adequacy Ratio



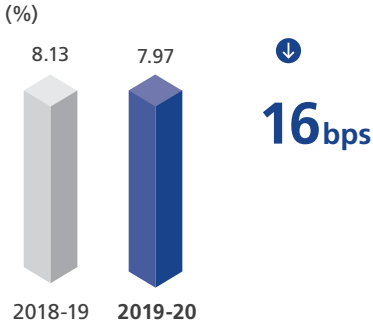
Deposit Accounts



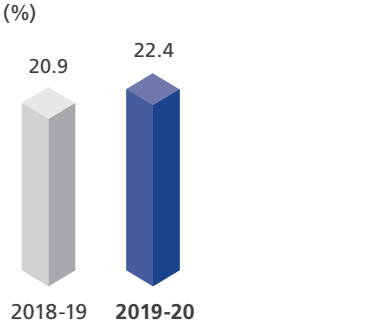
Yield on On-book Advances



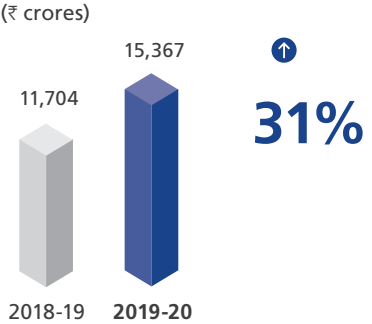
Cost of Funds



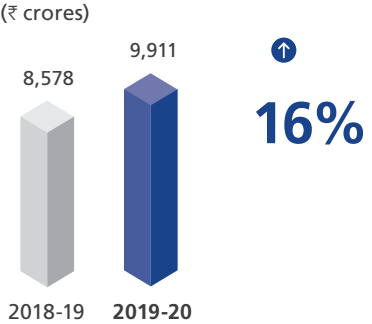
Capital Adequacy Ratio - Tier 1



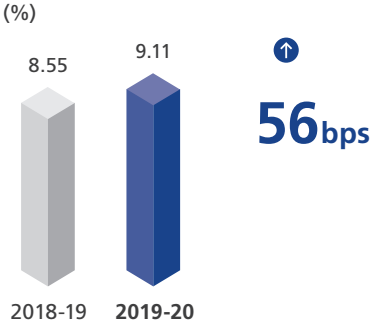
Loan Assets Under Management



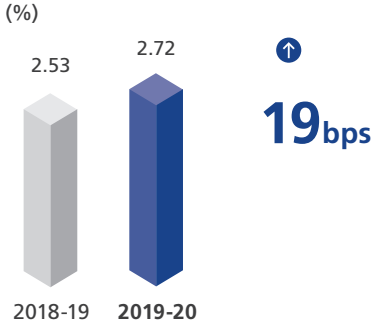
Disbursements



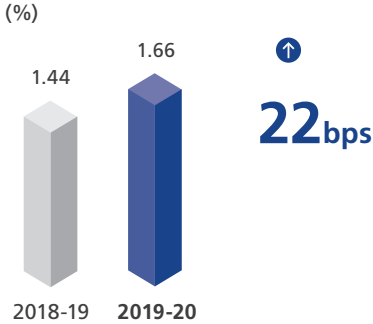
NIM on Interest Earning Assets



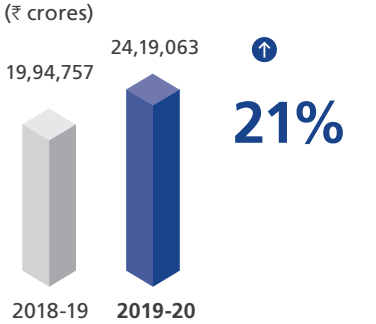
GNPA



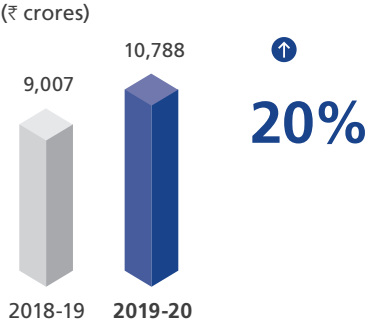
Net Non Performing Assets



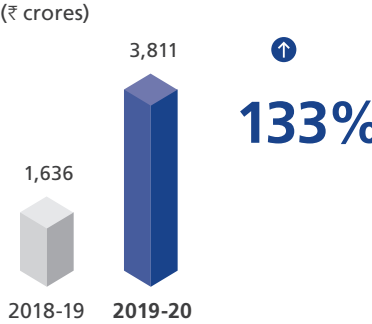
Active Loan Accounts



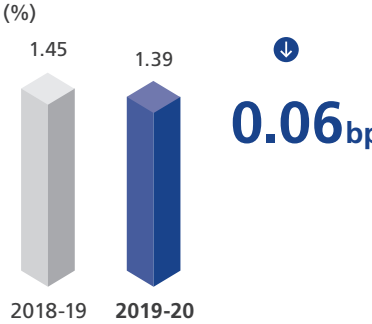
Total Deposits



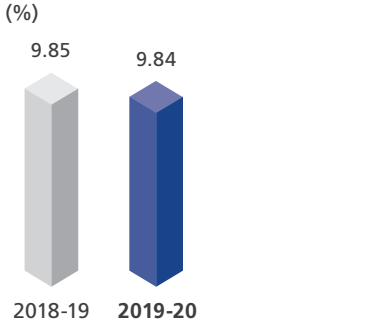
Retail Deposits



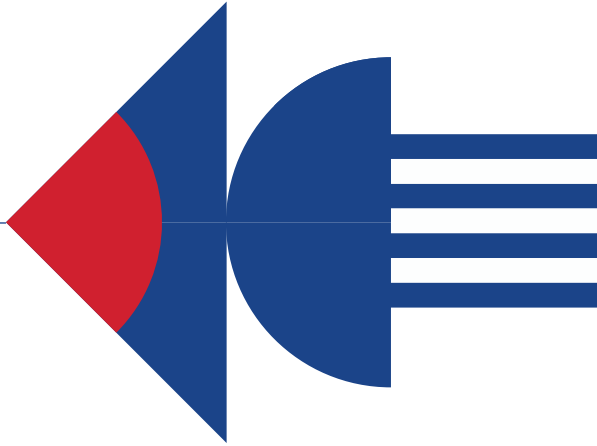
Return on Assets



Return on Equity



* Net Worth represents sum of capital and reserve and surplus



Expanding Reach

Enabling last mile access 'phygitaly'

Our efficient customer outreach has played a key role in being accessible anytime, anywhere across the segments of customers we operate in. Along with our Banking Outlets, ATMs and POS terminals, we carry out our operations through various digital channels, including internet banking, Tab-based assisted banking, phone banking, and mobile banking.

Banking Outlets

Our Banking Outlets comprises branches that primarily focus on garnering and servicing depositors and outlets that conduct lending operations for the underbanked and unbanked. Additionally, we have 854 Banking Outlets, which are operated by Business Correspondents to take banking into the hinterlands of the country. While our deposit-focused outlets service a catchment area of ~3-5 km, our asset focused outlets cater to a catchment area of 30-40 km, especially in semi-urban and rural locations.

854
Banking Outlets

ATMs and Debit Cards

We are focused towards facilitating ease and convenience for our customers to meet their financial requirements. We have deployed ATMs and cash recyclers at our Banking Outlets to save valuable time and make banking a pleasant experience.

94%
Equipped with Cash Recyclers to Provide Cash Deposit Service 24/7

As on March 31, 2020, we have deployed 322 ATMs. During 2019-20, average debit card spend was ₹331 crores. We provide our customers with the VISA Debit, MasterCard Debit, and RuPay Debit ATM-cum-debit cards to be used at the ATMs, POS terminals and for online transactions. Of our total debit card transactions, since commencement of our operations as an SFB and as on March 31,2020, 62.7% and 36.9% of the aggregate value of transactions were through VISA cards and RuPay cards, respectively.

We launched Contactless debit cards for customers in the Elite programme – a premier banking service for the mass affluent and affluent customers of the Bank.

5,659
Contactless Debit Cards Issued

Digital Channels

Our investment in multiple digital channels that use state-of-the-art technologies have helped us extend our geographic presence to remote areas, thereby significantly contributing to our growth. We have set up a digital banking team to focus on leveraging technology to develop products and services that will help acquire next-generation customers through providing mass personalisation. (Please refer to - Page 34 for more details on our technology-led initiatives)

Internet Banking

We have revamped our internet UI/UX and continuously focus on enhancements through customers insights and feedback surveys. In addition, we have extended Unified Payments Interface and bill payment services to aid digital transactions. During FY20, transactions carried out through retail internet banking amounted to ₹3,802 crores.

Mobile Application

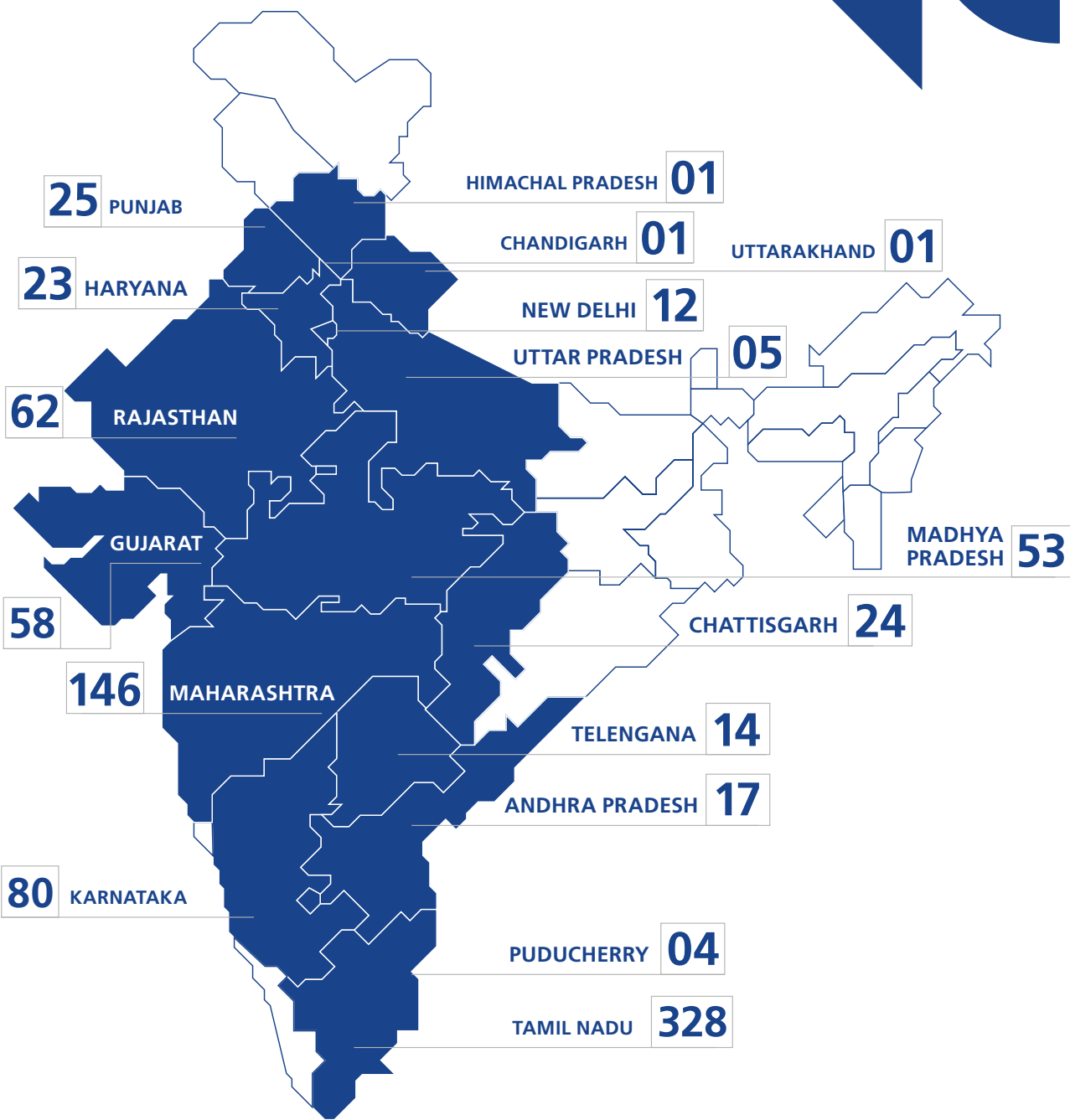
Available in both, Android and iOS operating systems, the Equitas Mobile Banking application is a preferred choice of our customers to carry out their banking needs. During 2019-20, transactions carried out through retail mobile banking amounted to ₹7,062 crores.

Phone Banking

Our phone banking facilities provide customers with access to services like resetting ATM pins as well as blocking debit and prepaid cards. Operated through a call centre with multi-lingual capabilities, our phone

banking services have helped improve our reach to customers throughout the country and have played a key role in achieving customer satisfaction. We also have facilities with added features for immediate access to our phone banking officers for our high-net-worth individual customers and senior citizens.

Our Banking Outlets



As on March 31, 2020
*Map not to scale
Map is only for representation purpose.

Comprehensive Offerings

Tailored to meet customers' evolving needs

We have developed a range of loan products to match every need of our customers as they build their businesses. As they scale up their tiny enterprises successfully, we provide access to a range of loan products that covers the entire spectrum of their growth journey.

LINES OF BUSINESS

Inclusive Banking

- Microfinance
- Agri Loan
- Small Business Loans
- Loan Against Property
- Affordable Housing Loan

Emerging Enterprise Banking

- Used Commercial Vehicle Finance
- New Commercial Vehicle Finance
- Used Passenger Cars

Micro and Small Enterprise and Corporate Banking

- Term Loans
- Working Capital Loans

Outreach Banking

- Business Correspondents
- Doorstep Services

Consumer Banking

- Retail Deposits and Third-party products
- Elite – Premium Banking Services
- NRI Services
- Wealth Management
- Gold Loans



SMALL BUSINESS LOANS (INCLUDING HOUSING FINANCE)



With improving adoption of the Goods and Services Tax (GST) and digital payments and confidence in our cash flow assessment framework, we looked at a wider canvas of small businesses. This also helped de-risk the portfolio.

- Raghavan H.K.N
(Senior President of Retail Assets and Outreach Banking)



The Small Business Loans segment has recorded a CAGR of 65% over the past 3 years. Initially our growth was driven by tapping and upgrading our existing microfinance customers. Over the years, the strong cash flow based credit assessment model has given us the confidence to cater to 'new to bank' customers who had a need for a higher loan but was largely neglected by the banking industry. This year we focused on leveraging our credit assessment skills, distribution network and strong community

presence to grow this segment of small business owners. As a result, from 55% loans above ₹5 lakhs in FY19 grew to 63% by FY20. With our unwavering focus on financial inclusion, we are well positioned to meaningfully contribute to the large unmet demand of these unbanked and underbanked entrepreneurs.

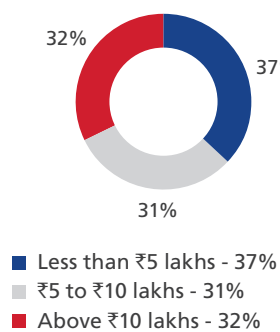
Housing Finance
Primarily targeted towards self-employed individuals with limited access to loans from banks and larger housing finance companies,

we provide loans for purchase of a plot or a house, construction of a house and home improvement/restoration/extension. Our focus has been on cross-selling this product to our existing customers, who run small enterprises or are involved in informal trade, where income is partially documented in most cases. We are currently focusing currently focused on partnering with small developers to grow our customer. We plan to scale housing finance into a full-fledged business vertical.

2019-20 Highlights

₹6,279.44 crores AUM	₹2,965.35 crores Disbursements	
₹5.11 lakhs ATS at Disbursement	₹3.50 lakhs ATS at Portfolio	100% Secured Portfolio
100% Bank Disbursements	18.80% Yield	2.73% GNPA

SBL Mix (%)



VEHICLE FINANCE

We provide Vehicle Loans to first-time 'formal financial channel' borrowers purchasing used commercial vehicles, with significant experience in hyperlocal logistics as well as small fleet operators. Our vehicle loan customers typically have limited access to bank loans for commercial vehicle financing and mostly have limited or no credit history. Alternatively, to fit into this category, they need to own assets such as a house or property or vehicle.

These customers start their journey as a small road transporter by taking a loan to buy a used commercial vehicle, mostly self-driven. Over the years, as this small transport service grows, they tend to buy a few more used commercial vehicles and hire help to drive those vehicles. This is when the customer graduates into a small fleet owner. As they grow more confident and steady their cash flows, they look at replacing their used vehicles with new ones. New Commercial Vehicle Loans help these customers purchase vehicles from India's leading manufacturers. We started New Vehicle Finance in FY19, and have grown to 23,153 customers.

In the new vehicle finance business, a strong dealer network is key to our business. We run this business

through our existing 200-300 Banking Outlets that source business through dealer network of vehicle manufacturers such as Tata Motors, Mahindra and Mahindra, etc. In our second year, we have become a preferred financier with vehicle manufacturers and enjoy a pan-India market share.

Our endeavour has been to partner with the dealers and help them grow by generating visibility through us by connecting with our existing customer base. Such a symbiotic relationship has helped us achieve profitable growth. Turnaround time (TAT) for sanctioning loans is critical to get business through dealers. To fast track this process, we have implemented a real-time SMS-based credit screening to provide an immediate feedback on loan eligibility. We are also revamping our Loan Origination and Management systems to help reduce TAT. Our business is largely insulated from macro-economic headwinds as our focus is on smaller tonnage vehicles and largely small ticket used vehicle customers. Further, our management's deep understanding of vehicle finance business has enabled us to take a cautious approach to growth in select tonnages.

“We focused on growing new commercial vehicle finance by leveraging the existing team and emphasised on Light Commercial Vehicles (LCVs) as we anticipated this segment to have limited impact due to the economic slowdown.”

- Raghavan H.K.N
(Senior President of Retail Assets and Outreach Banking)



2019-20 Highlights

₹3,759.97 crores AUM	₹2,552.30 crores Disbursements	
₹5.32 lakhs ATS at Disbursement	₹3.31 lakhs ATS at Portfolio	30.18% New LCV Portfolio
19.53% Yield	4.03% GNPA	

ATS represents average ticket size

MICRO FINANCE



“We are developing a banking relationship with our members by extending more savings and protection solutions apart from financing their dreams products that they require.”

- Raghavan H.K.N
(Senior President of Retail Assets and Outreach Banking)

Our Microfinance customers comprise farmers, dairy farmers, microentrepreneurs like vegetable-vendors, fruit and flower sellers, and others. We have built a holistic relationship with our microfinance customers and have become a key enabler to help them reach their aspirations. We also target our microfinance business towards microentrepreneurial women with limited access to formal financing sources. We provide group loans to women customers to encourage them to start their small businesses or other income generating

activities. The loans are offered for a tenure of two years, at interest rates between 23% and 24% per annum. Unsecured with no collateral, the loans are however secured through a peer-guarantee model to promote credit discipline through mutual support within the group, prudent financial conduct among the group, and prompt repayment of their loans. Repayments are collected in cash at centre meetings. Passbooks are issued to customers, and in order to minimise fraudulent activities, we use pre-printed stickers for

each microfinance loan account evidencing cash receipt.

We are focused on making them our inclusive banking customers. We offer savings accounts to these customers to facilitate direct benefit transfers under various government schemes. We also provide customers the option of starting a recurring deposit while availing loan. The monthly instalments are collected in cash during the regular centre meetings, making it very convenient for them to save.

2019-20 Highlights

₹3,616.16 crores AUM	₹3,169.28 crores Disbursements	1.16% GNPA
₹0.32 lakhs ATS at Disbursement	₹0.17 lakhs ATS at Portfolio	32.78% Non-Tamil Nadu AUM
100% Tab-sourced	4,52,681 Opened Recurring Deposit for Microfinance Customers	23% Yield

ATS represents average ticket size



MICRO AND SMALL ENTERPRISE (MSE) FINANCE

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The Bank licence gave us the opportunity to provide Working Capital Loans, apart from Term Loans to enterprises. We aspire to become the sole banker for these MSMEs and address their working capital needs backed by technology-driven services.

- Ramasubramanian Krishnamoorthy
(Executive Vice President, Corporate Banking & MSE Finance)



Our MSE products aim at facilitating the expansion and modernisation of businesses, including acquiring fixed assets and meeting working capital needs. Previously provided as part of our Small Business Loans product segment, MSE finance has subsequently differentiated their offerings based on the profile of the customer, with a strategic focus on diversifying our customer base. We target enterprises engaged in business activities that maintain formal records for credit evaluation, primarily in urban and semi-urban areas. Customers of this segment are typically involved in manufacturing and trading activities.

We offer working capital loans in the form of:

- Fund-based facilities, including cash credit limits, overdraft limits
- Non-fund-based facilities like bank guarantees and letters of credit

We also offer Term Loans for specific business purposes. These advances are predominantly secured by primary and collateral security in the form of stock, book debts, machinery, commercial or industrial premises and residential properties of promoters/proprietors. Our wide range of products and customised

services include overdraft facility and corporate internet banking to suit the specific requirements of our MSE customers.

We are focusing on serving the formal sector enterprises with an annual turnover of ₹10-15 crores. We also offer Term Loans for specific business purposes. These advances are predominantly secured by primary and collateral security in the form of stock, book debts, machinery, commercial or industrial premises and residential properties of promoters/proprietors.

Our wide range of products and customised services include overdraft facility and corporate internet banking to suit the specific requirements of our MSE customers. We implement technology to deliver superior banking services and are focused on building long-term relationships. We are leveraging our technology platform—virtual relationship manager—for funds and portfolio management

2019-20 Highlights

₹ 669.41 crores AUM	₹ 573.37 crores Disbursements	1.19% GNPA
₹ 75.54 lakhs ATS at Disbursement	₹ 22.12 lakhs ATS at Portfolio	35% Loans to Manufacturing Sector
40% Loans to Traders	19% Loans to Services Sector	11.68% Yield



CORPORATE AND NBFC FINANCE

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Having been an NBFC that focused on the informal segments for over 10 years, we have developed an understanding of this sector. Our mid-corporate and NBFC financing helps us leverage this insight and relationships built to better leverage our capital.

- Ramasubramanian Krishnamoorthy
(Executive Vice President, Corporate Banking & MSE Finance)



We provide Term Loans to NBFCs, which are further lent to retail customers in the form of microfinance, vehicle finance, housing finance and similar sectors, and to certain corporates. These entities need to fulfil the requirement of a BBB rating from a recognised credit rating agency. The average ticket size of these loans ranges from ₹15 crores to ₹50 crores.

During FY20, this business increased in size. We have a strong understanding of the NBFC segment, which is small, but well-capitalised. We had the window of opportunity when a large NBFC faced a liquidity crunch after mutual funds stopped refinancing the loans of NBFCs immediately after the IL&FS crisis. There was a ready

market and we have stepped in as a bank should do. We see this segment to deliver high profitability due to its high Return on Assets (ROA) as well as the strong relationship we have with businesses similar to ours.

2019-20 Highlights

₹ 818.12 crores AUM	₹ 611.84 crores Disbursements	00% GNPA
₹ 2,660 lakhs ATS at Disbursement	₹ 1,341.18 lakhs ATS at Portfolio	11.02% Yield
86% Exposure to NBFCs		



LIABILITIES



We are growing our retail deposit base through differentiated 'value for money' banking products and services. We have emerged as a strong alternative for customers banking with a traditional regional bank in their locality.

- Murali Vaidyanathan
(President and Country Head, Branch Banking, Liabilities, Product and Wealth)

We offer liability products in the form of deposits that we source from mass and mass-affluent customers located in urban and semi-urban areas. The sourced deposits contribute significantly towards meeting our funding requirements

Savings Account

We offer a range of savings accounts to suit the varied requirements of our customers. With these options, customers enjoy varied benefits and associated privileges.

- Wings Savings Account
- Value Plus Savings Account
- Regular Savings Account
- My Savings Account
- Basic and Small Savings Account
- EDGE
- NRE Rupee Savings Account
- NRO Rupee Savings Account
- ELITE
- Namma Savings Account

2019-20 Highlights

10 Products	5,39,139 Savings Account Holders	₹1,858.58 crores Savings Bank Deposits
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Current Account

Our current account options provide ease and convenience to our customers by enabling them to manage their business transactions with higher daily

transaction limits and access to funds at a wide network of Banking Outlets, ATMs and via net banking, mobile applications and SMS banking channels.

- Wings Current Account
- Business Account
- Business Prime Current Account
- Advance Current Account
- Trade-In Current Account
- My Business Account

2019-20 Highlights

6 Products	1,11,766 Current Account Holders	₹349.63 crores Demand Deposits
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Term Deposits

As on March 31, 2020, over 5,20,000 customers maintain term deposits with us.

- Fixed Deposits
- Recurring Deposits
- Selfe FD
- Institutional Products

2019-20 Highlights

4 Products	5,23,251 Term Deposit Holders	5,23,151 Retail Term Deposit Holders
₹8,580.19 crores Term Deposits	47.10% Retail Deposit to Term Deposit	₹3,811.29 crores Retail Term Deposits



THIRD-PARTY PRODUCTS

Customers enjoy a one-stop shop for all their investment and insurance needs with us.

We focus on "savers" who are predominantly conservative and prefer to park their wealth in traditional instruments like Term Deposits, Mutual Funds and Insurance schemes.

We enjoy an open architecture where we distribute schemes from multiple asset management companies and insurance companies. Through the distribution of these products, we also ensure to service the needs of our customers.

Over the years with the help of technology, we have been able to provide some of these products digitally and empower self-services by customers through our internet and mobile banking platforms.

We also actively cross-sell insurance to our borrowers as a protection to the family in case of any unforeseen circumstances.

Insurance

Our insurance products cover a wide spectrum of customer requirements such as property insurance for housing, endowment policy, term



insurance, unit linked plans, motor insurance and personal accident cover policies for customers across segments. We maintain bancassurance relationships with life insurance companies, general insurance companies and health insurance companies and distribute their insurance products. Under these agreements, we generate income in the form of commission and in the form of new business premium for such insurance companies.

FASTag

Conceived with a vision to reduce vehicular traffic at toll plazas, FASTag is a reloadable tag that enables automatic deduction of

toll charges and allows vehicles to pass through the toll plaza without stopping for cash transaction. Linked to a customer account, we issue a card for use at toll plazas. We actively engage with car dealers for issuing these cards.

Mutual Funds

Our customers prefer making prudent investment decisions and mutual funds are their preferred choice. We are empanelled with asset management companies to distribute their mutual fund products through our branch network. In return, we receive commissions from the asset management companies for selling their products to our customers.

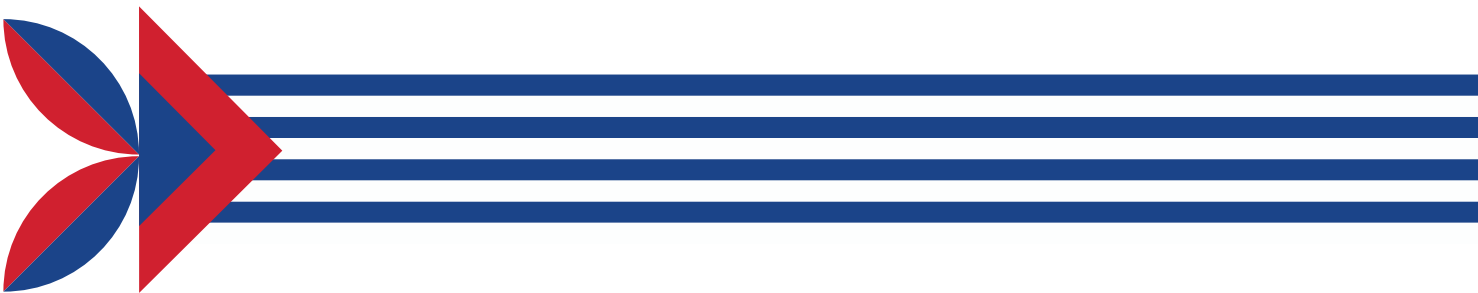
2019-20 Highlights

14,570 Mutual Fund Customers	₹101 crores Mutual Fund AUM	₹230 crores Insurance Premium
2,08,513 FASTag Issued	31,42,940 Insurance Policies Sold	

Strategic Focus

Building a robust banking franchise

In line with our mission of creating the most valuable bank for all our stakeholders, we are focusing on balancing growth and profitability while improving efficiency across all our channels. Over the past three years, we have made significant investments in our physical and digital infrastructure, which will enable us to further expand our customer base.



Deepen penetration and drive operational efficiency



We have made significant investments in expanding our network of Banking Outlets and associated support structures, including ATMs, technology infrastructure, and employee training activities. This has enabled us to gain visibility in certain key regions, establish a trained employee base, and expand our customer base. We plan to leverage this network to deepen our penetration among existing customers and add new customers.

Our primary objective is to improve productivity across all our channels. To attract mass and mass-affluent customers to strengthen our deposit mobilisation, we have introduced features such as instant account opening, customer service resources, mobile and banking applications with enhanced features and other value-added services.

Strengthen Liability Franchise to Further Improve Cost of Funds



We aim to grow our retail deposit base with a focus on improving the share of CASA deposits in the overall mix. This will provide us a stable and low-cost source of funding. We have identified the mass and mass-affluent customer segments as our primary sources of deposits, and have developed a range of saving accounts, current

accounts, and recurring deposits, along with services such as wealth management for facilitating mutual fund investments. Further, we plan to strategically expand our network of Banking Outlets and carry out focused marketing and brand building activities to attract our targeted customer segments.

Leverage Data for Analytics



Higher mobile penetration, improved connectivity, faster and cheaper data, supported by Aadhaar and bank account penetration have led India to shift from being a cash-dominated economy to a digital one. We continue to invest in technology as a means of improving our customers' banking experience. The data we continue to collect relating to cash flows, credit

and behaviours of our customer segments are analysed to derive a granular understanding of such customer segments. Further, as a large portion of our customers are first-time borrowers, relying solely on credit bureaus for credit decisions is inadequate. We are developing suitable underwriting models to pre-approve certain types of loans that we believe will appeal to customers in the underserved segments.

Continue to Focus on Digitalisation to Drive Growth



As a modern, technology-enabled bank, we continue to develop and update various digital offerings. We plan to leverage our front-end technology platforms to further improve customer acquisition and transaction management. This will also make it easier for customers to manage their accounts, while facilitating significant cross-selling opportunities for a wider range of

products on our digital platform, thereby building on our existing relationship with our customers. We are developing digital-only products, specifically designed for the younger and technologically savvy customer base. Our endeavour is to empower customers to access various products and services on their own, reduce our operating costs and increase efficiencies.

Diversify Offerings and Leverage Cross-selling Opportunities



We are focusing on diversifying our product offerings while growing our secured loan portfolio. In order to achieve this, we conduct qualitative and quantitative research to understand the changing requirements and expectations of our customers. Our long-standing relationships with small business owners as their primary financier as their sole banker provide us a competitive edge in cross-selling the wide gamut of

products and services offering by the Bank. This will further deepen our engagement with this customer base. We also plan to offer wholesale agriculture loans for funding capital expenditure as well as working capital requirements in the food- and agriculture-based industries. Our objective is to increase the proportion of secured to unsecured products to build a scalable, sustainable and stable portfolio.

Increase Share of Non-interest/Fee Income



Diversifying our fee and non-fund based revenues is key to improving our profitability. We are focusing on increasing the distribution of third-party products such as mutual funds and insurance to shore up our fee income base. Further, we plan to offer various payment solutions through our digital banking platforms. Bancassurance channels are key to achieving

this strategic objective. Further, we see significant opportunities in undertaking government banking business such as Aadhar enrolment, collection and disbursement of gratuity and provident fund, tax collection. On the liability side, we will continue to engage with our mass and mass-affluent customers and promote our wealth management services.

Investment Thesis

A proxy to ‘self-reliant’ India theme

With a well-diversified loan portfolio and an expanding deposit base, we have emerged as a play on India’s inclusive story with economic formalisation as the key driver. Our strong balance sheet, robust liquidity and capital adequacy make us resilient to macro challenges and enable us to chart our next leg of growth.

Vast Untapped Opportunity Landscape

India has a large economically active but unbanked and underbanked population segment. According to industry estimates, assets under management at Small Finance Banks (SFBs) are likely to grow at a CAGR of 25% over 2019-25 to ₹1,833 billion; deposits are likely to grow at a CAGR of 60-65% to ₹2,272-2,492 billion over the same period.

Source - CRISIL report

ESFB has the largest number of Banking Outlets among SFBs

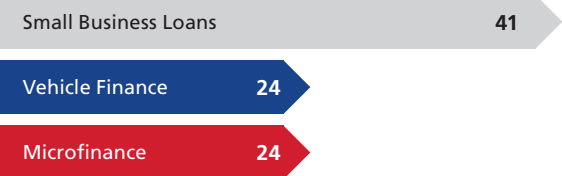
Source - CRISIL report

ESFB is the second largest SFB in terms of AUM and total deposits

Well-diversified Loan Book De-risks Growth

Over the years, we have strategically reduced our exposure to the microfinance segment and focused on secured lending with quality underlying collaterals. With the government’s clarion call for building a ‘self-reliant’ India, there will be renewed focus on strengthening micro, small and medium enterprises, which are considered the backbone of the economy.

Top 3 Segments by AUM (%)



Expanding Deposit Base – a Source of Stable Low-cost Funding

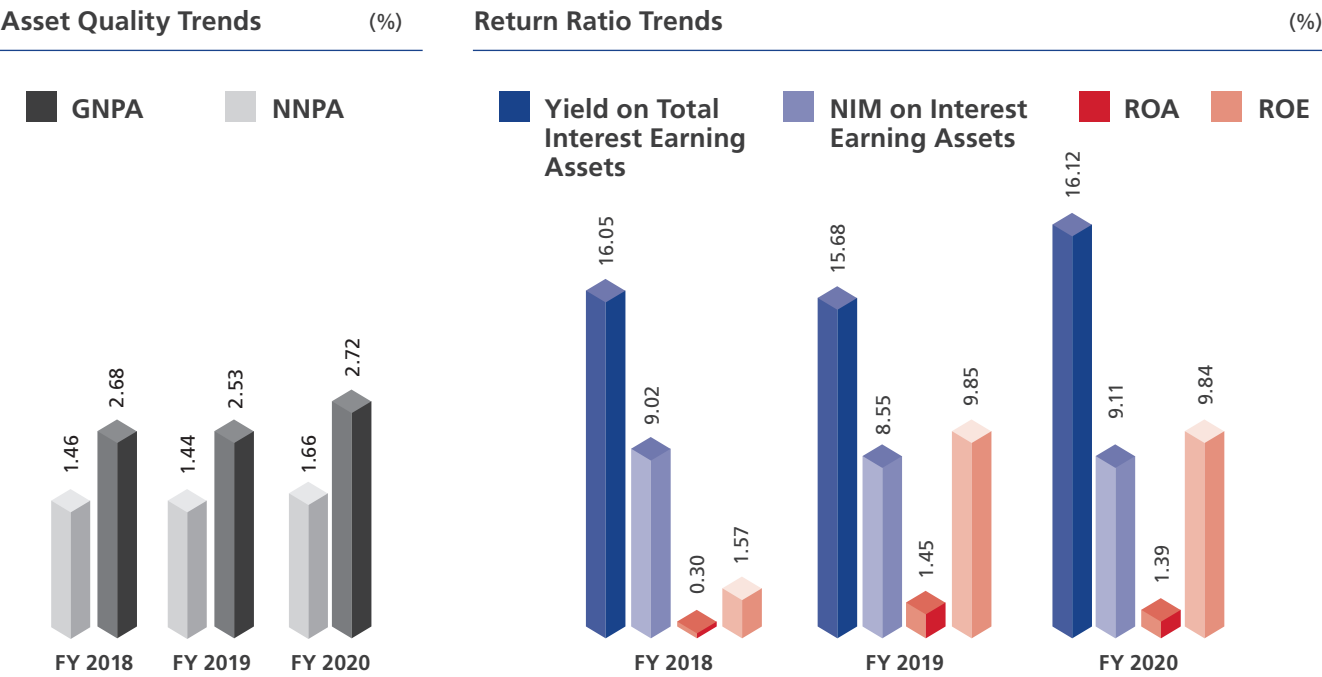
With our compressive suite of products targeted at mass and mass affluent segments, we have significantly increased our deposit. Further, we are driving inclusive banking by converting our microfinance and asset customers to account holders, which is further expanding our penetration and increasing customer stickiness.

Top 2 Funding Source (%)



Stable Asset Quality and Improving Return Ratios

Despite a challenging environment for the banking industry as a whole, we have been able to maintain our asset quality at comfortable levels and have steadily improved our return ratios.



Robust Capitalisation Provides Resilience to Economic Cycles

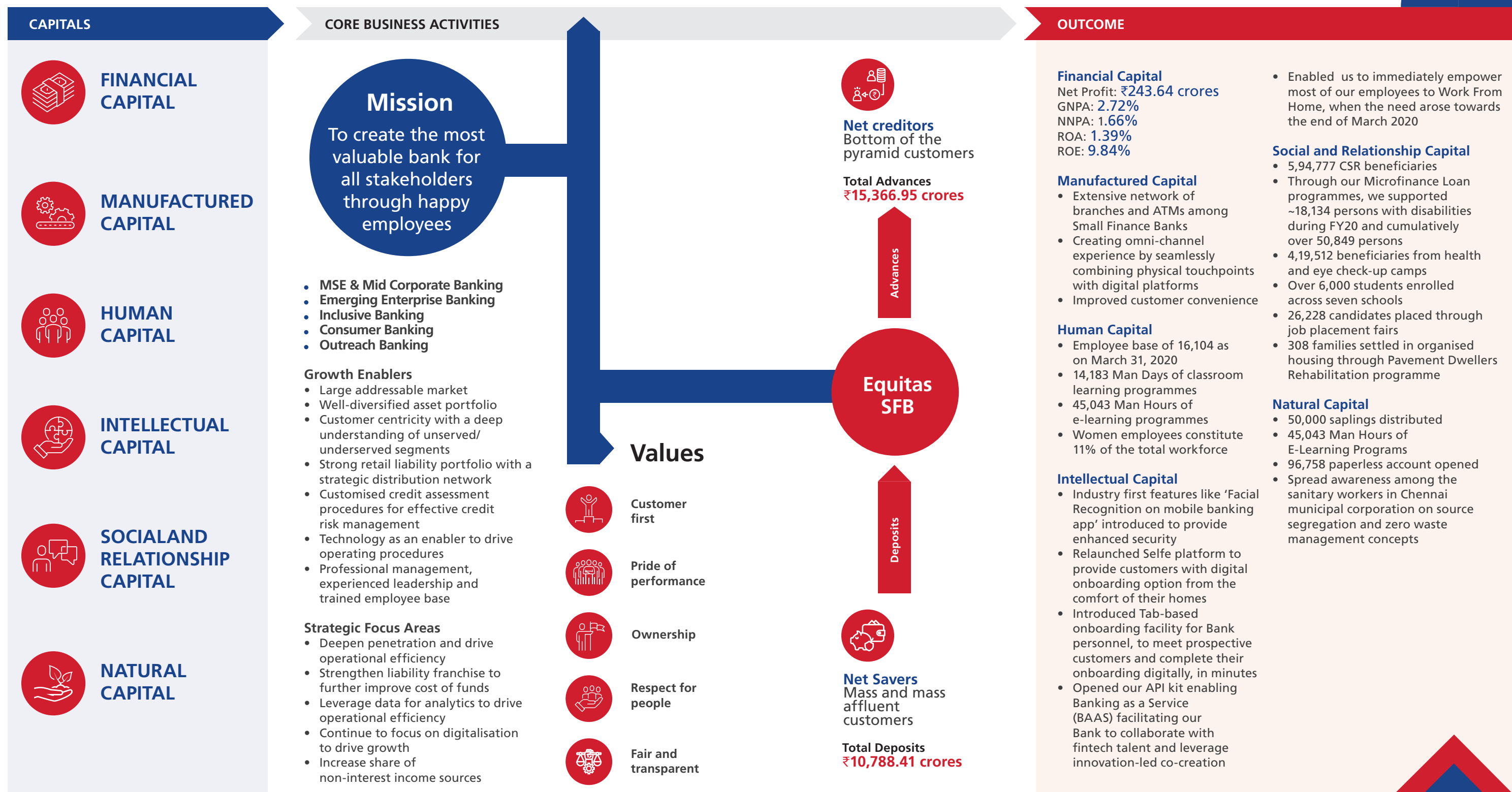
Our prudent approach to lending, innovative underwriting methods and focus on corporate governance have enabled us to build adequate capital buffer to withstand external shocks. Our Liquidity Coverage Ratio (LCR) at 133.2% also stands ahead of the minimum LCR requirement of 90%.

CAPITALISATION SNAPSHOT		
Capitalisation Ratios	ESFB	Minimum Requirement
CRAR	23.61%	15%
CRAR – Tier I	22.44%	7.5%
CRAR – Tier II	1.17%	-

Business Model

Designed to deliver quality growth

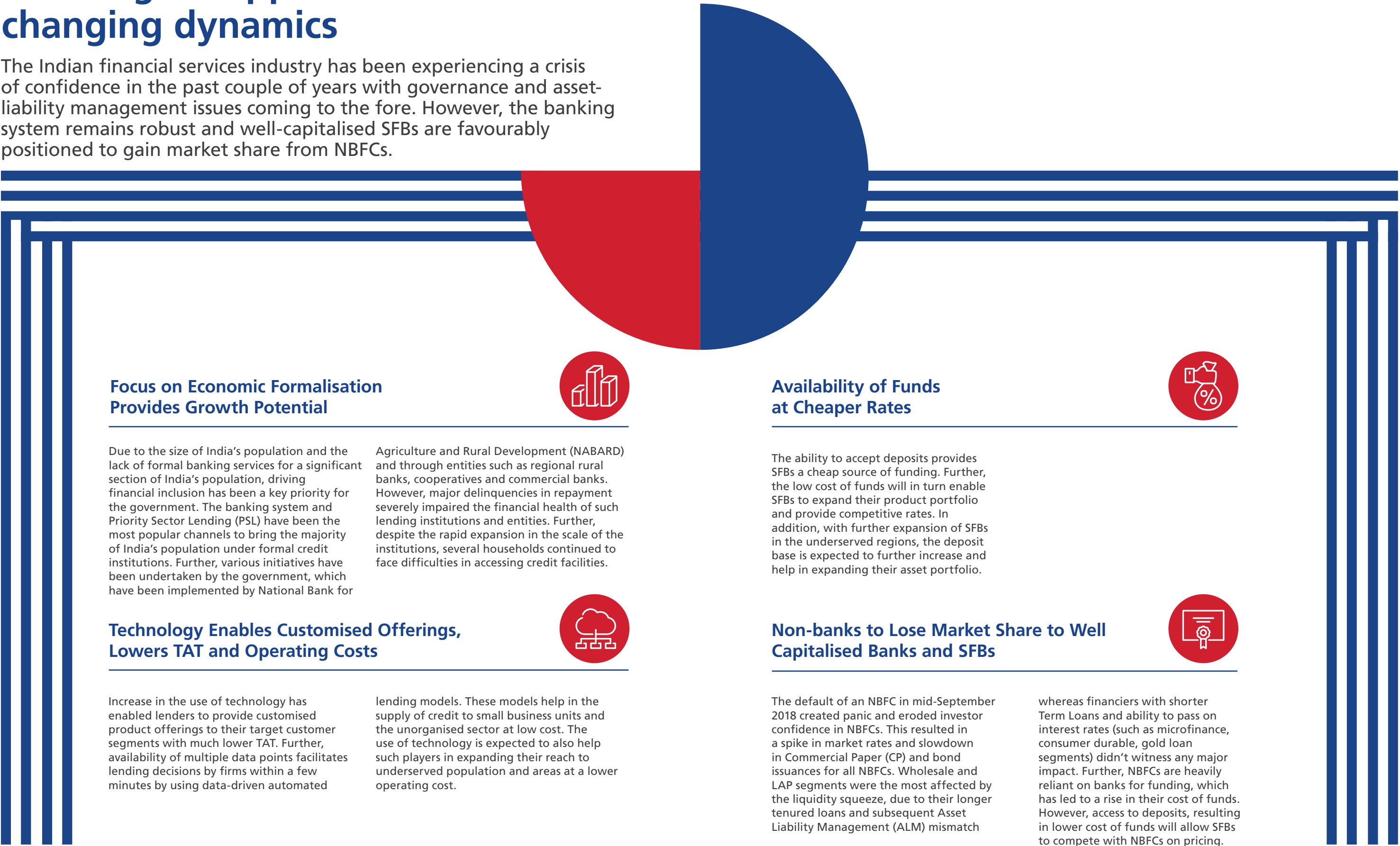
The segment we operate in is full of exciting opportunities for us to lead in energising communities. Capitalising on our strengths, we focus on creating value for our stakeholders.



Operating Environment

Focusing on opportunities amid changing dynamics

The Indian financial services industry has been experiencing a crisis of confidence in the past couple of years with governance and asset-liability management issues coming to the fore. However, the banking system remains robust and well-capitalised SFBs are favourably positioned to gain market share from NBFCs.



Focus on Economic Formalisation Provides Growth Potential

Due to the size of India’s population and the lack of formal banking services for a significant section of India’s population, driving financial inclusion has been a key priority for the government. The banking system and Priority Sector Lending (PSL) have been the most popular channels to bring the majority of India’s population under formal credit institutions. Further, various initiatives have been undertaken by the government, which have been implemented by National Bank for

Agriculture and Rural Development (NABARD) and through entities such as regional rural banks, cooperatives and commercial banks. However, major delinquencies in repayment severely impaired the financial health of such lending institutions and entities. Further, despite the rapid expansion in the scale of the institutions, several households continued to face difficulties in accessing credit facilities.

Technology Enables Customised Offerings, Lowers TAT and Operating Costs

Increase in the use of technology has enabled lenders to provide customised product offerings to their target customer segments with much lower TAT. Further, availability of multiple data points facilitates lending decisions by firms within a few minutes by using data-driven automated

lending models. These models help in the supply of credit to small business units and the unorganised sector at low cost. The use of technology is expected to also help such players in expanding their reach to underserved population and areas at a lower operating cost.

Availability of Funds at Cheaper Rates

The ability to accept deposits provides SFBs a cheap source of funding. Further, the low cost of funds will in turn enable SFBs to expand their product portfolio and provide competitive rates. In addition, with further expansion of SFBs in the underserved regions, the deposit base is expected to further increase and help in expanding their asset portfolio.

Non-banks to Lose Market Share to Well Capitalised Banks and SFBs

The default of an NBFC in mid-September 2018 created panic and eroded investor confidence in NBFCs. This resulted in a spike in market rates and slowdown in Commercial Paper (CP) and bond issuances for all NBFCs. Wholesale and LAP segments were the most affected by the liquidity squeeze, due to their longer tenured loans and subsequent Asset Liability Management (ALM) mismatch

whereas financiers with shorter Term Loans and ability to pass on interest rates (such as microfinance, consumer durable, gold loan segments) didn’t witness any major impact. Further, NBFCs are heavily reliant on banks for funding, which has led to a rise in their cost of funds. However, access to deposits, resulting in lower cost of funds will allow SFBs to compete with NBFCs on pricing.






Engaging with Stakeholders

Nurturing time-tested relationships

At ESFB, we value effective communications with our stakeholders. We are aware of the stakeholder groups that have an impact on and the ones that we affect in our ongoing business and treat them as partners in our journey of value creation.

To maximise long-term value and secure sustainable success in energising communities, we must engage closely and forge strong relationships with our key stakeholders. Our key stakeholders are listed below:

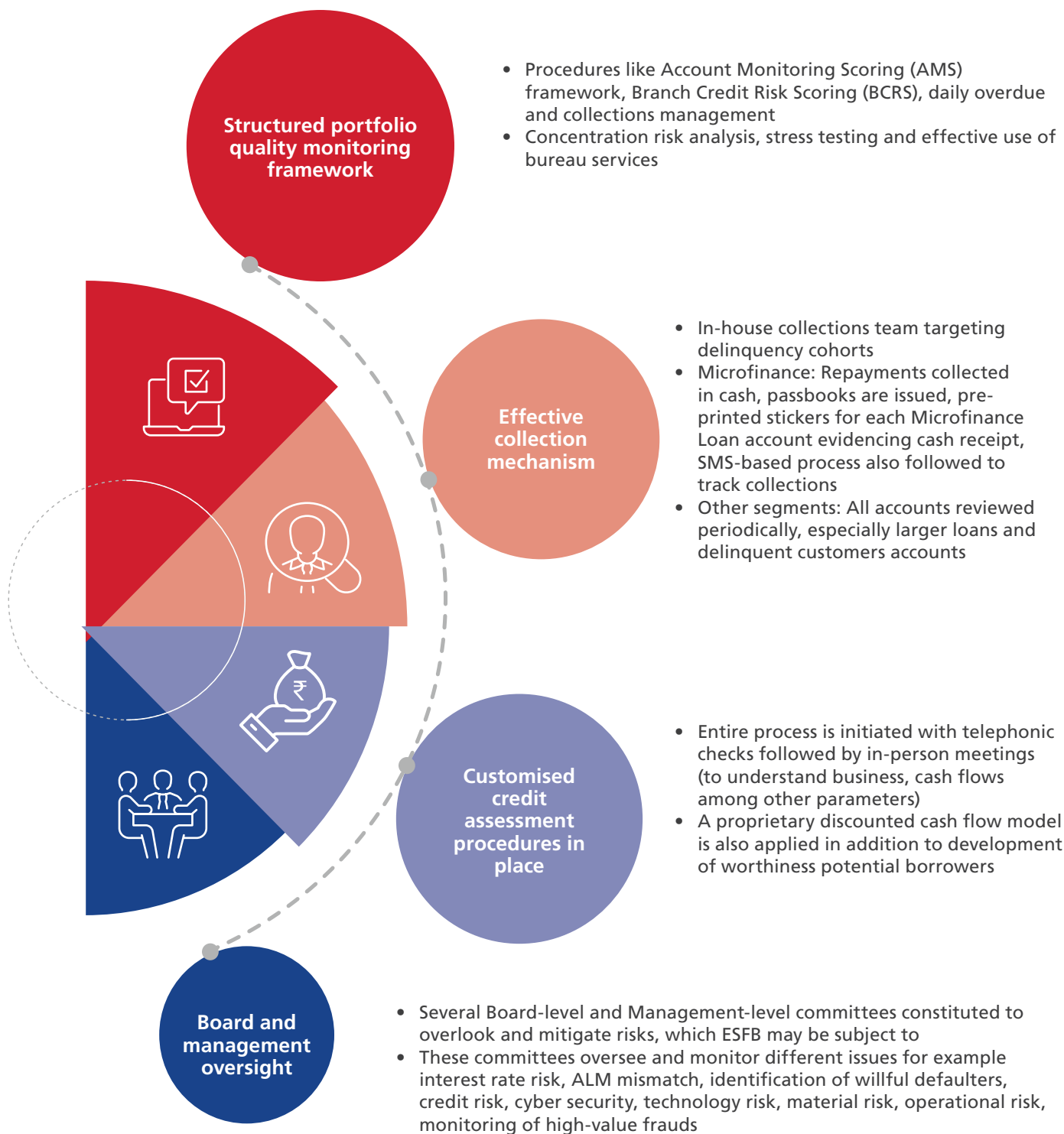


Our Stakeholders	How We Engage	What Matters to Them	How We Deliver
 Customers	<ul style="list-style-type: none">• Customer Relationship Manager• Regular engagement via social media, email, SMS, app, telephone calls, postal communication and call centre• Meets organised at branches• Surveys for seeking feedback• Offer personal support and advice	<ul style="list-style-type: none">• Knowledgeable and friendly staff• Availability of relevant products and services• Quick resolution of problems• Convenience of carrying out activities	<ul style="list-style-type: none">• Being fair to customers – Equitas stands for being Fair & Transparent; and we are guided by our core values, where Customer First is our first value• Dedicated customer service team focused on improving customer experience• Continuous upgrading and knowledge base of employees
 Shareholders/ Investors	<ul style="list-style-type: none">• Annual General Meeting• Annual Report• Investor presentations• Investor/analyst meets• Media releases• Conference/Video calls• Investor conferences	<ul style="list-style-type: none">• Timely communication of material information• Shareholder value creation through sustainable & consistent growth & profitability• Strong corporate governance and ethics• Clear and consistent business strategy• Disclosure of non-financial metrics• Compliance and transparency	<ul style="list-style-type: none">• Increased interaction with investors during the year• Communicating on business strategy during the quarterly results call and investor conferences• Non-financial disclosures included in the Annual Report by adopting the Integrated Reporting framework• Trusted by marquee domestic institutional investors
 Employees	<ul style="list-style-type: none">• Internal publications and circulars• Continuous engagement• Performance updates• Feedbacks and surveys• Learning and development initiatives	<ul style="list-style-type: none">• Career development opportunities• Responsive grievance handling process• Regular training to learn and develop new skills• Work-life balance	<ul style="list-style-type: none">• Care for employees through leave policies and work from home options• Conducted 97 culture workshops• 14,183 Man days of classroom learning programmes• 45,043 Man hours of e-learning programmes• Mobile-based learning app 'E-Clapp' was launched and its coverage and usage touched 91% of our people
 Regulators	<ul style="list-style-type: none">• Periodic meetings with regulatory bodies• Representation through various trade bodies and forums• Other forms of communication like emails, letters, etc.	<ul style="list-style-type: none">• Timely reporting, statutory and legal compliance• Fair treatment of customers• Effective and efficient management of regulatory change• Financial inclusion	<ul style="list-style-type: none">• A dedicated team for communicating with regulators and responding to them in a time-bound manner• Playing a proactive role in creating awareness about financial inclusion• 75% of loans PSL compliant
 Society & Community	<ul style="list-style-type: none">• Equitas Development Initiatives Trust (EDIT)• Focus on three core areas like health, education and employment• Corporate social responsibility projects• Supporting government initiatives	<ul style="list-style-type: none">• Community development• Addressing various social issues• Providing financial literacy	<ul style="list-style-type: none">• Improving the quality of life of people belonging to the Economically Weaker Sections (EWS) and Low-Income Groups (LIG).• Rehabilitation of pavement dwellers in Chennai• Skill training programmes and efforts at providing sustainable livelihood opportunities

Risk Management

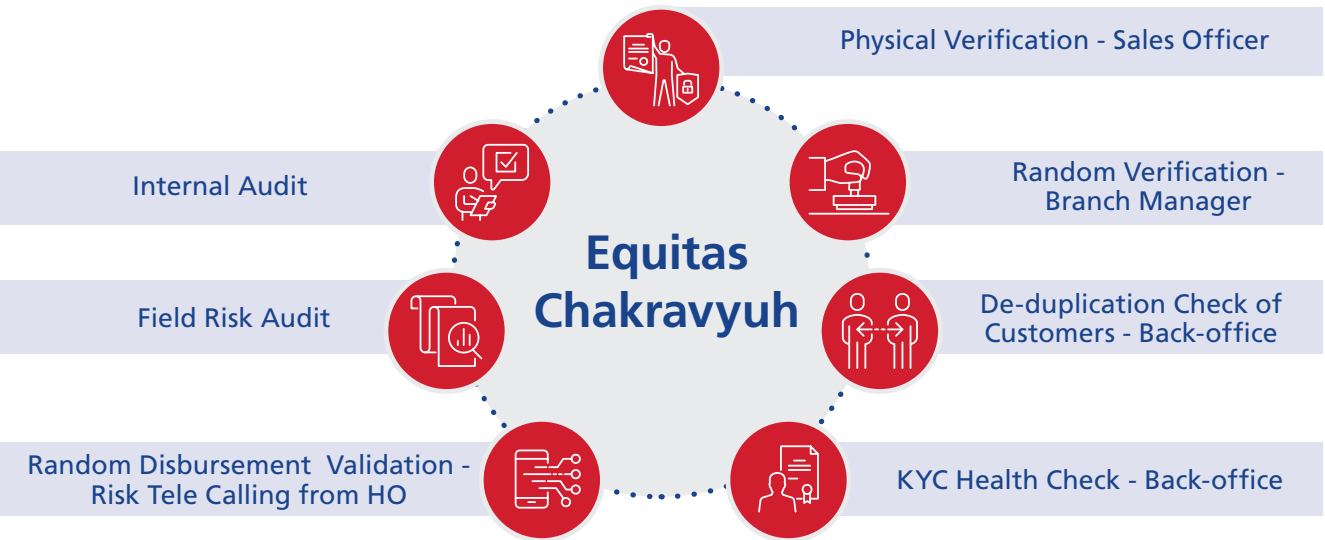
Maintaining stable asset quality

RISK MANAGEMENT FRAMEWORK



RISK MANAGEMENT SYSTEMS

Multiple Risk Filters



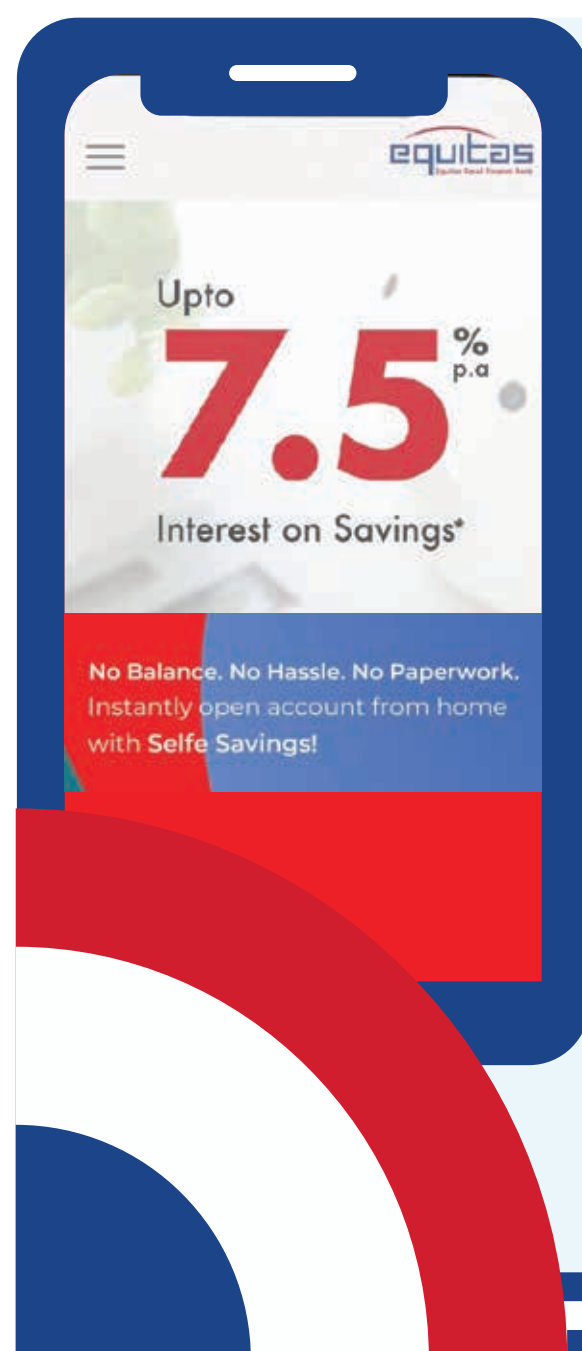
Small Business Loans – Assessment & Risk Control System



Technology Initiatives

Adopting a 'digital first' approach

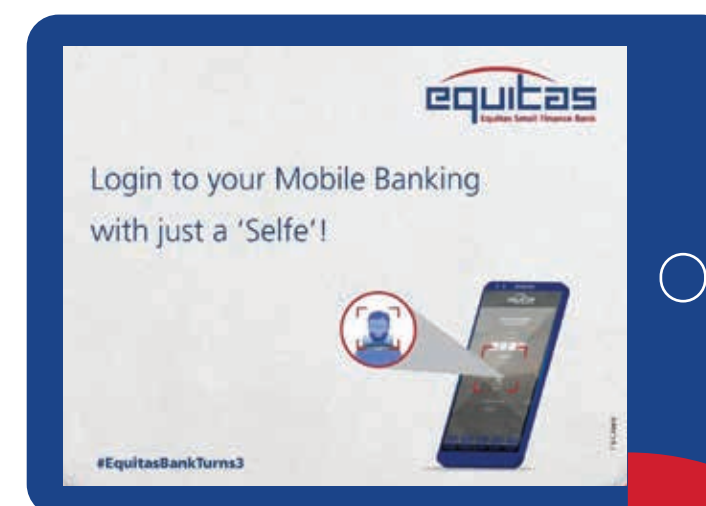
We have achieved significant scale over the past three years through prudent deployment of technology to provide superior experiences to our customers. Besides building efficiency through automation, digital technologies have widened our reach and helped us grow at a faster pace without increasing our operating costs.



In line with our 'digital first' approach, we relaunched the Selfe platform during the year under review to provide customers an even faster digital onboarding option from the comfort of their homes. A customer can now open a savings account or a fixed deposit account in under 5 minutes using their Aadhaar and PAN numbers. We also introduced a Tab-based onboarding facility for bank personnel, to meet prospective customers and complete their onboarding digitally, in minutes. Encouraged by the success of this initiative, we plan to further elevate delivery experience with customer lifecycle management featuring video-enabled KYC fulfilment and virtual relationship manager (RM) interactions.

We are live on various National Payments Corporation of India (NPCI) payment products, offering services like Micro ATM (AePS/Card+PIN enabled), and UPI/IMPS/eNACH, prepaid cards and ETC-enabled through API plugins for partners and clients to avail payment services through direct (host to host) integration, lending greater flexibility and scale of business. We set up our own Data Exchange Model (DEM) for Cheque Truncation System (CTS) with enhanced security, replacing the existing Clearing House Interface (CHI). We implemented a Data Mart for centralised MIS reporting and analytics.

Further, we implemented a host of customer-facing as well as business facing initiatives. On the customer side, we upgraded our Internet and Mobile Banking platforms with revamped UX and Chat bots. Other initiatives include facial authentication for login and transaction, Loyalty & Rewards engine; cash recycler machines with inter-bank operability, and self-service based savings account and fixed deposit creation, as well as FASTag registration and purchase.



On the business side, we built a fully redundant data centre and branch-network infrastructure. Further, we developed a CRM in-house. Other initiatives include Tab-assisted onboarding for liability and MF customers; collections for Assets and MF customers; Business Correspondent assisted onboarding and transactions; RPA for automating backend processes like AML monitoring (overall 25+ bots live); FRM for real-time transactions' fraud monitoring; and automated NPA identification. We have also set up a separate 'digital office' for driving innovation and adequately trained our people on technology-enabled agile delivery.

With an eye on driving innovation to co-create the future, we are opening up our API kit to enable Banking as a Service (BaaS) and facilitating partnership with emerging fintech companies. BankOpen became our first partner in this journey to drive new SMB (Small & Medium Business) customer acquisition. Under this arrangement, customers are provided a rich suite of products through the BankOpen portal (invoicing/GST payments/expense dashboard), combined with our API-based banking services.

We have also focused on technology to be future ready. This technology infrastructure readiness enabled us to deliver uninterrupted banking services to our customers while ensuring the safety of our people following the nationwide lockdown imposed on March 24, 2020 to combat the outbreak of the coronavirus pandemic.



Marketing Initiatives

Creating top of the mind recall

Our marketing strategy is focused on creating a strong community connect. We utilise multiple channels for digital communication with granular targeting to win customers across geographies.

We have launched several initiatives in recent years to build the brand of our Bank and increase recognition in the communities we serve. These initiatives include Equitas Gurubhyo Namah, Equitas Tour A Bank, Equitas Go Green, Equitas Banking Golu, and Doctor on Wheels; these initiatives have typically been centred around religious festivities and other occasions. In addition, we believe our ongoing social initiatives in certain communities have resulted in strong brand equity for the 'Equitas' brand. We have done on an average 1,600 activity on month on month basis in branch catchment.

We did a print camping on the occasion of completing three years of banking operations with a view to communicate to all the stakeholders about our presence, spread and size through placing front page advertisement in The Times Of India, Economic Times, The Hindu and Business Line. As brand awareness is the primary step for a building successful sales funnel. We are creating brand awareness in the branch locality using consistent brand building with specific medium at-least for tenure of 6 months to increase brand visibility and lead generation at select metro locations like Chennai, Coimbatore, Hyderabad, Delhi and Chandigarh.

As a digital savvy Bank, we make use of digital marketing as our customer acquisition strategy through SelfeSavings – Online Account Opening Feature and SelfeFD – standalone FDs that can be booked from any bank account online. Both these products were developed understanding the market necessity with a seamless experience.

Our social media channels help us reach and connect to millennials and working professionals. We are active on all social media platforms and create content that are relevant and build engagement. Our digital impressions and engagement have grown multifold for the last financial year. Our digital marketing efforts include Affiliate Marketing, Influencer Outreach, Search Engine Optimisation, Search Engine Marketing and social Media. The increased engagement on Social media has led to more people visiting our website, helping us see a growth of 60% new prospects, who are first-time visitors to our Bank's website.

We have also implemented marketing automation for customer onboarding/cross-sell through emailers, SMS and Push Notification. We have also initiated virtual bank concept to activate all dormant and inactive customer through D2C campaigns. This automation helps us identify products that are best suited for each individual basis their lifecycle, behaviour and relationship with the bank. For the current financial year, our strategy is to make best use of Digital to Go Local with focused efforts on branch locations.

We are also working on creating more vernacular communication, visuals and multimedia content to drive engagement to our social platforms. As a brand, we are also looking at creating videos establishing our core values and stories of people whom we have transformed over the years through creative story telling that can easily connect with viewers and build engagement to position our brand, its values and products.

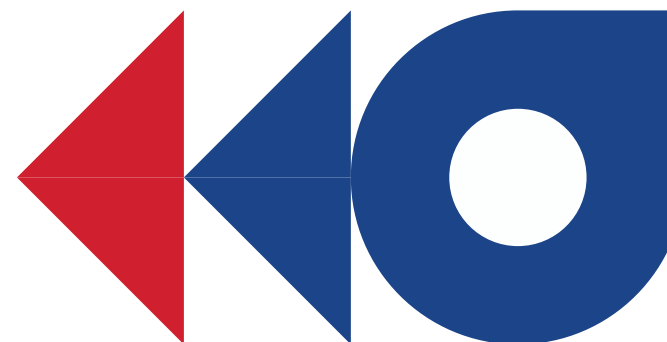


#Equitasbankturns3, wins the 'Marketing Campaign of the Year' award presented by World Marketing Congress

Environmental Initiatives

Towards a sustainable future

Although banking operations have limited negative impact on the environment, we constantly endeavour to adopt eco-friendly processes and create awareness on sustainable practices among our stakeholders. At every CSR event, we ask our guests to plant two saplings near the event premises; 5,182 saplings were planted in 2019-20.



Our liability team ran two campaigns:

- 1) 50,000 saplings were distributed for each new account opened
- 2) 25,000 tulasi plants were distributed



Spreading awareness on solid waste management in our Equitas Gurukul schools.



We optimise our energy consumption by keeping a close eye on Heating, Ventilation and Air Conditioning (HVAC) run-time, installing CFL and other low energy consuming office equipment, and limiting the use of printers and copiers.



We promote paperless banking practices like e-mail account statements, internet banking, mobile banking, e-Wallet, electronic toll payments, among others.



We are leveraging technology to reduce paper consumption in our operations. Tab-based loan processing in Microfinance, Selfe FD and Selfe savings account opening are among a host of initiatives undertaken for paperless banking. We have also introduced eco-friendly paper pads, pens and pencils in our Boardroom.

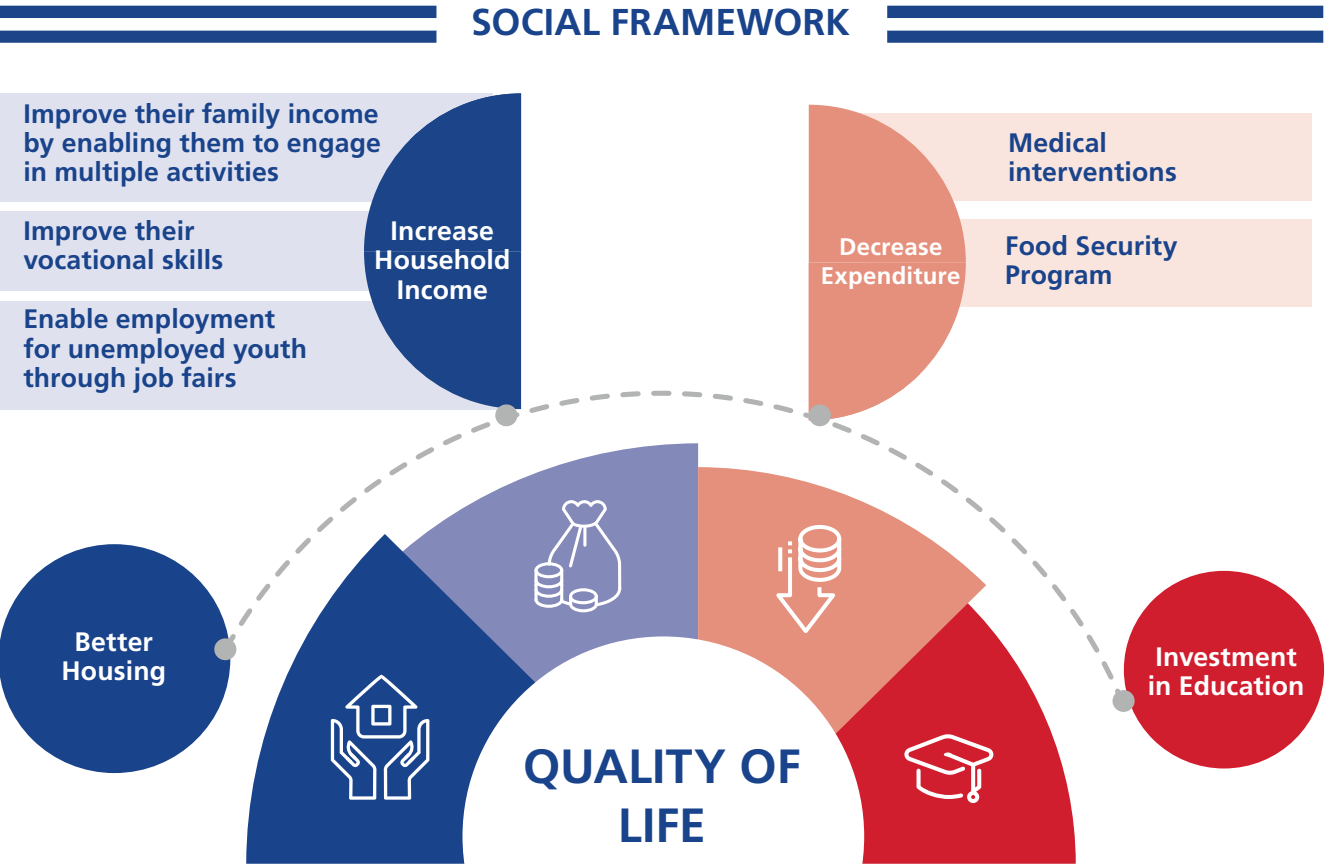


Conducted workshop on source segregation and zero waste management concepts for all sanitary workers of the Chennai municipal corporation.

Social Impact

Empowering through inclusion

We have developed a wide range of ecosystem initiatives towards improving the quality of life of people belonging to the Economically Weaker Sections (EWS) and Low Income Groups (LIG). These initiatives are carried out through Equitas Development Initiatives Trust (EDIT). At ESFB, we have identified three areas (Health, Education and Employment), which affect the society, and in turn may affect the business in the long term. In addition to carrying out direct CSR activities, we contribute up to 5% of our net profit every year to EDIT.



HEALTH



EDUCATION



EMPLOYMENT



Objective

To contribute to a healthy society

The quality of health has adverse impact on this segment as it can result in loss of income, especially for daily wage and small business earners. These shocks cause a severe deterioration of household income, pushing them into a vicious debt trap.

To provide holistic education at affordable cost

High-quality affordable education for a society that has high aspirations for their children is a crucial for their elevation from poverty. At Equitas, we realise this power of education and its strong link to improvement in household income and consumption.

To create income generation opportunities

Access to employment for the youth in rural and semi-urban geographies is hard to come by and families prefer the youth to take up employment in the formal sector as it provides stability to household income that is predominantly agrarian.

Activities

- Health education and health camps
- Sugam Clinics
- Equitas Gurukul Schools
- Centres of Academic Excellence
- Partner Schools
- Home-based skill training for women
- Job fairs for unemployed youth

Our social activities designed to support people from the low income and underprivileged communities continue to deliver value and improve the livelihood of the society that we operate in. We are confident that such initiatives over the long term will reduce business risks that arises from the inherent vulnerability of such societies among all participants in the ecosystem.

EDIT Impact Snapshot

2,12,738 Eye-camp Beneficiaries	8,289 Free pair of spectacles distributed	1,727 Cataract Operations Sponsored
2,06,774 People covered in other Medical camps	39,513 Participants in Skill Training Programs	26,228 Placements for Unemployed Youth
1,02,856 Swasth Mahila Health Education	308 Equitas Birds Nest [Pavement Dwellers Rehabilitation programme]	5,94,777 Total CSR beneficiaries



Educational Initiatives

Education is a key lever to enable upward social mobility for low-income Self-Help Group (SHG) members' children. Equitas has rolled out its Gurukul initiatives to 'empower children from low-income households, through high-quality education at affordable cost'. EDIT is currently running seven such schools at Trichy, Dindigul, Salem, Karur, Cuddalore, Coimbatore and Kumbakonam with more than 6,000 students. More such schools are being planned for the future. About 98% of Gurukul students are from Backward Class, Most Backward Class and Scheduled Caste categories and about 80% of Gurukul parents are from Economically Weaker Sections.



Skill Development

Equitas has imparted training to more than 5,49,953 SHG women members in skills such as tailoring and embroidery, agarbathi and candle making, detergent and phenyl manufacturing, and preparing processed foods such as pickles and jams.

These training programmes are structured as week-long programmes and have helped improve the income of the beneficiaries. Studies reveal that 52% of the trained members earn additional supplemental income in the range of ₹500 to ₹2,000 per month.

Equitas Birds Nest

This programme was started in 2010 for the rehabilitation of pavement dwellers in Chennai. Under this programme, the Trust pays the rent on their behalf for 6 months during which they are taught livelihood skills and linked to local markets. From the seventh month, they are required to make the rent payment by themselves. These families have attained self-sustenance status through this intervention. Many people have received Voter ID cards and have applied for ration cards for the first time in their lives.



Placement Cell

In another proactive step, Equitas facilitates conduct of job fairs for unemployed youth of low-income communities, with the help of recruiters and employers. Till date, gainful employment for over 1,87,087 youth has been arranged in companies and retail outlets like textile showrooms, malls, hospitals, BPOs etc.



Health care services

Equitas understands that access to affordable healthcare is of paramount importance.

Health Education for Healthy Living: A team of 500 women skill trainers have been trained with technical support from 'Freedom from Hunger' to impart health education to members which would help in early detection of non-communicable diseases. The training was imparted to over 2.68 lakhs women cumulatively.

Medical Camps: Through a tie up with about 900 hospitals spread across seven states, Equitas conducts nearly ~400 medical camps every month, benefiting ~50,000 people every month. Cumulatively ~6.10 million people have benefited so far under this programme.



Equitas Sugam Clinics

EDIT runs two evening clinics for the benefit of Economically Weaker Sections and other low-income households who seek medical help after they come back home in the evening after the day's work. Doctors offer quality consultation at a reasonable cost and health history of patients is tracked. The health educator follows up with a health education programme.



Healthcare

Primary Healthcare: We have conducted free primary healthcare medical camps, benefiting cumulatively 61,07,985 members so far.

Secondary: We also tied up with a large number of hospitals to help our clients get inpatient treatment for serious illnesses at a discount to normal cost. This initiative has benefited 32,056 members so far.



Governance Framework

Leading with prudence
and foresight

BOARD OF DIRECTORS

ARUN RAMANATHAN

Part-time Chairman and Non-executive Independent Director

- Master’s degree – Nuclear Physics; Master’s degree – Business Administration; M. Phil. – Economics & Politics of Development (University of Cambridge)
- Associate Cost and Works Accountant
- Over 34 years’ service in Indian Administrative Service

VASUDEVAN PATHANGI NARASIMHAN

MD & CEO

- Bachelor’s degree – Science (Physics); Company Secretary
- Former Executive Vice President & Head – Consumer Banking Group at Development Credit Bank
- About two decades at Chola mandalam Group as Vice President and Head – Vehicle Finance

NAGARAJAN SRINIVASAN

Non-executive Non-independent Director

- MA in Economics; PGDM in Business Administration
- Head – South Asia for CDC India Advisors Pvt. Ltd. and advises CDC Group on equity and debt financing transactions in South Asia

ARUN KUMAR VERMA

Non-executive Independent Director

- Law graduate; Chartered Accountant
- Former Chairman of East India Regional Council of Institute of Chartered Accountants of India

NARAYANASWAMY BALAKRISHNAN

Non-executive Independent Director

- Engineering degree – Electronics & Communications; Doctorate of Philosophy
- Has been a professor at Indian Institute of Science
- Padma Shri recipient – Science and Engineering category

LALITHA LAKSHMANAN

Non-executive Independent Director

- Master’s degree – Bank management
- Has been associated with Canara Bank as Chief General Manager

NAVIN AVINASHCHANDER PURI

Non-executive Independent Director

- Master’s degree – Business Administration
- Chartered Accountant
- Previously associated with HDFC Bank as part of the Senior Management team

SRIDHAR GANESH

Non-executive Independent Director

- PGDM – IIM Calcutta
- Previously associated as Director of Human Resources at Murugappa Group and worked with Cadbury India and Cadbury Schweppes

NARASIMHAN SRINIVASAN

Non-executive Independent Director

- Master’s Arts Degree - Economics, Associate of Indian Institute of Bankers
- Chief General Manager – NABARD
- Director – Belstar Microfinance, Sahayog Microfinance
- Authored – Micro Finance India – State of the Sector Report

TABASSUM ABDULLA INAMDAR

Non-executive Independent Director

- Chartered Accountant
- Previously associated with Goldman Sachs, UBS Securities, Kotak Securities
- Authored – ‘VimoSEWA’ – A guide for building a Micro Insurance business

VINOD KUMAR SHARMA

Non-executive Independent Director

- Master’s Degree – Science
- Former Executive Director of the Reserve Bank of India, chaired working group on interest rate future, common clearing for commodity exchange

COMMITTEE



Audit Committee



Nomination and Remuneration Committee



Stakeholder Relationship Committee



Corporate Social Responsibility Committee



Risk Management Committee



Listing Committee

Other committees of our Bank

In addition to the committees mentioned above, our Bank has constituted various other committees, such as, Business Committee, Customer Service Committee, Information Technology Strategy Committee, Credit Committee, Special Committee of Board for Monitoring High Value Frauds, Review Committee for Identification of Wilful Defaulters and Policy Formulation Committee to oversee and govern various internal functions and activities of the Bank.

Leadership team

	P. N. Vasudevan MD & CEO		Sridharan N CFO		Raghavan H.K.N Senior President of Retail Assets and Outreach Banking		Ramasubramanian Krishnamoorthy Executive Vice President, Corporate Banking & MSE Finance
	Murali Vaidyanathan President and Country Head, Branch Banking, Liabilities, Product and Wealth		Natarajan Muthusubramanian Executive Vice President and Head of Treasury		Alok Gupta Executive Vice President and Chief Risk Officer		Sharad Goklani Chief Technology Officer
	Dheeraj Mohan Senior Vice President and Head of Strategy, Investor Relations, BI and Analytics		Prabhakaran A Executive Vice President and Head of Centralised Processing Centre and Customer Service		Pallab Mukherji Chief People Officer		Srinivasan Purohit Chief Compliance Officer
	Sathyananda Prabhu Executive Vice President and Head of Internal Audit		S. Sethupathy President of Process and Quality Assurance		Sampathkumar K. Raghunathan Company Secretary and Compliance Officer		

Directors' Report

To,

The Members,

The Directors have pleasure in presenting the Fourth Annual Report together with the audited Accounts of the Bank for the financial year ended March 31, 2020 (FY 2019-20).

1. Financial Results

Particulars	(₹ in lakhs)		
	For the Year ended March 31, 2020	For the Year ended March 31, 2019	YoY %
Deposits & Other Borrowings	15,92,327.91	12,97,976.24	22.68%
Advances	13,74,724.15	11,59,500.45	18.56%
Total Income	2,92,779.55	2,39,483.20	22.25%
Operating Profits (Profits before Provision, Depreciation and Taxation)	69,403.33	51,792.16	34.00%
Less: Depreciation	9,645.45	9,177.67	5.10%
Less: Provision and contingencies	24,663.85	10,240.83	140.84%
Less: Provision for Taxation	10,730.49	11,317.06	-5.18%
Net Profit	24,363.54	21,056.61	15.70%
Add: Profit brought forward from previous year	46,800.88	32,115.18	45.73%
Total Profit Available for Appropriation	71,164.42	53,171.79	33.84%
Appropriations			
Transfer to Statutory Reserve	6,090.89	5,264.16	15.70%
Transfer to Special Reserve	483.39	263.75	83.28%
Transfer to/ (from) Investment Reserve	-	-	-
Transfer to/ (from) Investment Fluctuation Reserve	276.30	843.00	-67.22%
Proposed Dividend	-	-	-
Tax including Surcharge and Education cess on Dividend	-	-	-
Balance carried over to Balance Sheet	64,313.84	46,800.88	37.42%

2. Dividend

RBI vide its circular dated April 17, 2020 has directed the banks not to declare any dividend based on profits for the financial year 2019-20. Hence, the Directors do not recommend any dividend for the year to conserve capital for business requirements and to continue supporting the economy.

3. Transfer to Reserves

As per the requirement of RBI Regulations, the Bank has transferred the following amount to various reserves during FY 2019-20

Amount transferred to	₹ in lakhs
Statutory Reserve	6,090.89
Special Reserve	483.39
Investment Fluctuation Reserve	276.30

4. Deposits

Your Bank being a Banking Company receives and accepts deposits. The details of the deposits are enumerated in the financial statements for FY 2019-20.

5. Capital Adequacy

The capital adequacy ratio stood at 23.61% as on March 31, 2020 as against the minimum requirement

of 15% stipulated by RBI. The net worth of the Bank as on the said date was ₹ 2,74,414.89 lakhs.

6. Material changes after the Balance Sheet Date as at March 31, 2020

There have been no material changes and commitments between the end of FY 2019-20 and the date of this report, affecting the financial position of the Bank, except the impact of COVID-19 pandemic and enforced lockdown on the business of the Bank, details of which are covered under Management Discussion & Analysis, forming part of this Report.

7. Share Capital

During the year, the authorised share capital of the Bank was reduced from ₹2,500 crores comprising of 250 crores equity shares of ₹10 each to ₹1,700 crores comprising of 170 crores equity shares of ₹10 each by extinguishment of 80 crores unissued equity shares. The said reduction, approved by the shareholders on November 22, 2019, was to ensure compliance with the provisions of Section 12 of the Banking Regulation Act, 1949

During the year, the Bank issued and allotted 4,74,58,239 Equity Shares of ₹10/- each at a price

of ₹52.68 per equity share (including a premium of ₹42.68 per equity share) through private placement on December 11, 2019 to the following investors:

S. No.	Name of the Investor	No. of Equity Shares
1	IIFL Special Opportunities Fund	70,00,759
2	IIFL Special Opportunities Fund – Series 2	52,14,503
3	IIFL Special Opportunities Fund – Series 3	22,94,989
4	IIFL Special Opportunities Fund – Series 4	89,50,998
5	IIFL Special Opportunities Fund – Series 5	85,69,293
6	IIFL Special Opportunities Fund – Series 6	3,79,650
7	IIFL Special Opportunities Fund – Series 7	81,95,353
8	IIFL High Growth Companies Fund	56,94,760
9	High Conviction Fund Series 1	4,74,563
10	IIFL Focused Equity Strategies Fund	6,83,371
Total		4,74,58,239

Except for the above, there is no capital infusion and as on March 31, 2020, total paid up share capital stood at ₹1053,40,16,020 (One thousand and fifty-three crores forty lakhs sixteen thousand and twenty) comprising of 105,34,01,602 equity shares of ₹10 each.

8. Information about Financial Performance / Financial Position of the Subsidiaries, Associates and Joint Venture Companies

The Bank does not have any subsidiaries, associates and Joint Venture Companies.

9. Operational highlights

The details of operations and state of affairs are given in the Management Discussion and Analysis [MD&A] Report.

10. Management Discussion and Analysis, Report on Corporate Governance and Business Responsibility Report

The enclosed MD&A Report, Report on Corporate Governance and Business Responsibility Report form part of this Report.

11. Corporate Social Responsibility (CSR)

The Bank has laid down a Corporate Social Responsibility (CSR) Policy which is available on our website. A CSR Committee of the Board has been set up to recommend CSR contributions, monitor and review progress of CSR activities. In accordance with the Policy, the Bank contributes higher of 5% of its net profits or 2% of average net profits made during the preceding three financial years. Equitas Development Initiatives Trust (EDIT) and Equitas Healthcare Foundation, registered public charitable trusts are the implement schemes and projects

approved as per policy. A report on Corporate Social Responsibility activities is enclosed as Annexure I.

12. Listing of shares of the Bank

In accordance with the terms and conditions of the grant of Small Finance Bank (SFB) license, the Bank is required to list its shares within three years of commencement of business i.e., on or before September 4, 2019. Further, Equitas Holdings Limited (EHL), the promoter of the Bank is required to retain at least 40% of shareholding in the Bank till September 4, 2021.

In order to ensure compliance with the aforesaid licensing conditions, a Scheme of Arrangement was formulated between the Bank, EHL and its shareholders, proposing issue of shares of the Bank for no cash consideration to shareholders of EHL by capitalizing securities premium, free reserves and surplus in the profit and loss account. This Scheme was submitted to SEBI through Stock Exchanges for approval in February 2019. As this Scheme was returned by SEBI in September 2019. The Bank has initiated steps to list its shares through an Initial Public Offer (IPO).

The Bank filed Draft Red Herring Prospectus (DRHP) for the proposed IPO, with SEBI on December 16, 2019. The DRHP proposed primary issue of upto ₹550 crore and Offer For Sale by Equitas Holdings Limited, the promoter selling shareholder of upto 8,00,00,000 (Eight crore only) shares.

However, due to the COVID-19 global pandemic and consequent lockdowns across the country, the launching of the IPO and listing have been delayed. Management and the Board of Directors remain committed to completing the IPO of shares, once normalcy in business operations following the lockdown is restored.

13. Meetings of the Board

During FY 2019-20, our Board met twelve (12) times. The details of Meetings are given in the Report on Corporate Governance. The maximum interval between any two Meetings did not exceed 120 days, as prescribed in the Act.

14. Directors and Key Managerial Personnel

As on the date of this Report, the Bank has eleven Directors including nine Independent Directors of which two are Women Directors.

Change in Directors

- 14.1** Section 152 of the Act provides that two-thirds of the total number of Directors are liable to retire by rotation out of which one-third shall retire from office at every AGM. In terms of Section 149(13), the provisions of retirement of directors by rotation shall not be applicable to Independent Directors and an

independent director shall not be included in the total number of directors liable to retire by rotation.

The Bank has only two Directors viz., Mr. Vasudevan P N, MD & CEO and Mr. Nagarajan Srinivasan, the Non-Executive Non-Independent Director liable to retire by rotation. Mr. Nagarajan Srinivasan will retire in the ensuing AGM of the Bank and being eligible, offers himself for re-appointment. The Directors recommend his re-appointment and appropriate resolution for his re-appointment is being placed for approval of the shareholders at the ensuing Annual General Meeting.

14.2 The Board of Directors of the Bank at its Meeting held on August 1, 2019, had appointed Mr. Navin Puri as Additional Director (Independent) of the Bank w.e.f. close of business hours on August 01, 2019. Resolution for appointment of Mr. Navin Puri as Independent Director was approved by the shareholders at the Extraordinary General Meeting held on November 22, 2019.

14.3 Ms. Lalitha Lakshmanan was appointed as an independent Director on the Board of erstwhile Equitas Finance Limited (EFL) for a period of five years from March 28, 2015 to hold office upto March 27, 2020 and she continued as Independent Director upon conversion of EFL into Equitas Small Finance Bank Limited.

As her tenure of Directorship expires on March 27, 2020, the Board of Directors of the Bank at its Meeting held on January 29, 2020, had recommended for the approval of members, for the re-appointment of Ms. Lalitha Lakshmanan as Independent Director of the Bank from March 28, 2020 till August 31, 2024. The Resolution for appointment of Ms. Lalitha Lakshmanan as Director was placed before the shareholders for approval at the Extraordinary General Meeting held on February 24, 2020 and her appointment was approved by the Shareholders.

The Appointment of Independent Directors during the year were made with satisfaction of the Board after ascertaining the integrity, experience, expertise and proficiency of the director.

15. Declaration from Independent Directors

The Board has received declarations from the Independent Directors as required under Section 149(7) of the Act and the Board is satisfied that the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Act.

16. Evaluation of Board Performance

The performance of the Board, Committees of the Board, Chairman, Individual Directors, the Key Managerial Personnel and other Senior Management Personnel, were evaluated on the basis of criteria as approved by the Board. All the Directors were

provided the criteria for evaluation and forms, which were duly filled. The feedback from the Directors was collated. Feedback relating to the Directors were shared with the respective Directors and feedback relating to the Committees and the Board were discussed in the Board.

17. 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 Policy on selection of Directors and Remuneration Policy which are disclosed in our website, www.equitasbank.com.

18. 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, 2020, 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, 2020 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.

19. Key Managerial Personnel (KMP)

There were no changes in KMPs during the Financial Year 2019-20. As at March 31, 2020, the Bank had the following KMPs:

S. No.	Name of the Key Managerial Person	Designation
1	Mr. Vasudevan P N	MD & CEO
2	Mr. Sridharan N	Chief Financial Officer (CFO)
3	Mr. Sampathkumar K R	Company Secretary (CS)

20. Overall Remuneration:

Details of all elements of remuneration of all the Directors are given in the Corporate Governance Report. The Non-Executive Directors of the Bank are not entitled to stock options.

Details of remuneration as required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below.

(i) Ratio of Remuneration of Each Director with Median Employees Remuneration.	<p>The ratio of remuneration of each Director to median employee remuneration* is as below:</p> <table> <tr> <td>Chairman</td><td>4.90 : 1</td></tr> <tr> <td>Chairman, Audit Committee</td><td>3.67 : 1</td></tr> <tr> <td>MD & CEO</td><td>69.76 : 1</td></tr> <tr> <td>Mr. Navin Puri (who joined on August 1, 2019)</td><td>1.63 : 1</td></tr> <tr> <td>Other Directors except Mr. Nagarajan Srinivasan**</td><td>2.45 : 1</td></tr> </table> <p>* Does not include sitting fee paid to directors for attending the Meetings of Board and Committees</p> <p>** Mr. Nagarajan Srinivasan has waived his right receive remuneration payable to him as Director of the Bank</p>	Chairman	4.90 : 1	Chairman, Audit Committee	3.67 : 1	MD & CEO	69.76 : 1	Mr. Navin Puri (who joined on August 1, 2019)	1.63 : 1	Other Directors except Mr. Nagarajan Srinivasan**	2.45 : 1
Chairman	4.90 : 1										
Chairman, Audit Committee	3.67 : 1										
MD & CEO	69.76 : 1										
Mr. Navin Puri (who joined on August 1, 2019)	1.63 : 1										
Other Directors except Mr. Nagarajan Srinivasan**	2.45 : 1										
(ii) the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	<p>There has been no increase in remuneration of Independent Directors during FY 2019-20 as compared to FY 2018-19.</p> <p>The increase in remuneration of Key Managerial Personnel is provided below:</p> <p>Chief Executive Officer - 10%# Chief Financial Officer - 14 % Company Secretary - 8% #excluding the variable pay component as the separate application needs to be made to RBI every year seeking approval</p>										
(iii) the percentage increase in the median remuneration of employees in the financial year;	6%										
(iv) the number of permanent employees on the rolls of the Bank as on March 31, 2020	16,106										
(v) average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial	<p>There was 10% increase in the remuneration of managerial person viz, MD & CEO during FY 2019-20 as explained above.</p> <p>The average percentage increase in salaries of employees other than the managerial personnel in the last financial year was 6%.</p>										

remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial Remuneration.

(vi) affirmation that the remuneration is as per the remuneration policy of the Bank.	The remuneration is as per the Remuneration Policy of the Bank.
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In accordance with Section 136 of the Act, the report and accounts is being sent to the Members and others entitled thereto, excluding the statement prescribed under rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The aforesaid information is available for inspection at the registered office of the Bank during the business hours on working days of the Bank. If any member is interested in obtaining a copy, such member may write to the Company Secretary in this regard.

21. 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 thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Policy provides an opportunity to address concerns of employees & Directors relating to fraud, malpractice or any other activity or event which is against the interest of the Bank or society as a whole. The Policy is available in the Bank's website, <https://www.equitasbank.com/regulatory-disclosure.php>

During the year under review, the Bank did not receive any complaint under the Whistle Blower Policy of the Bank. The functioning of the Mechanism is reviewed by the Audit Committee from time to time. None of the Bank personnel have been denied access to the Audit Committee.

22. Ratings of Debt Instruments

(₹ in crores)			
Instrument	Rating	Rating Agency	Amount
Long Term Borrowings	CRISIL A+ Stable	CRISIL Limited	1,100.00
Non-Convertible Debentures/ Subordinated Debt	CRISIL A+ Stable	CRISIL Limited	
	IND A+ Stable / CARE A+ Stable	India Ratings & Research P Limited	320.00
Certificate of Deposit	CRISIL A1+	Research Limited	2,000.00
		CRISIL Limited	

23. Auditors

M/s S R Batliboi & Associates LLP (SRB), Chartered Accountants, who were appointed as Auditors of the Bank for 4 years till the conclusion of the 4th Annual General Meeting to be held in the year 2020, complete

their tenure with the Bank. In view of the same, pursuant to recommendation of the Audit Committee and subject to approval of RBI and the shareholders from time to time, the Board at its Meeting held on May 14, 2020, has recommended to shareholders for approval, appointment of M/s T R Chadha & Co LLP, Chartered Accountants, having Registration Number (Firm Registration No: 006711N/ N500028) as Statutory Auditors of the Bank for a period of four years i.e. from the conclusion of the Fourth AGM till the conclusion of the Eighth AGM. The said matter is being placed before the shareholders for their approval at the ensuing AGM.

The Bank has received the written consent(s) and certificate(s) of eligibility in accordance with Sections 139, 141 and other applicable provisions of the Act and Rules issued thereunder (including any statutory modification(s) or re-enactment(s) for the time being in force), from M/s. T R Chadha & Co LLP. Further, they have confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India (ICAI) as required under SEBI (LODR) Regulations.

24. Details of Employee Stock Options Scheme (ESOS)

The Bank, pursuant to the resolutions passed by the Board and the Shareholders of the Bank on January 31, 2019, adopted the ESFB Employee Stock Option Scheme (ESOS), 2019. The Bank has amended the ESFB ESOP Plan 2019 pursuant to the resolutions of the Board and Shareholders of our Bank dated November 7, 2019 and November 22, 2019, respectively. The Bank may grant an aggregate number of up to 110,000,000 employee stock options under ESOS. The objective is to enable the Bank to attract and retain the best available talent to contribute and share in the growth of the Bank.

The Scheme is administered by the Nomination and Remuneration Committee constituted by the Board of Directors of the Bank.

Information as required under Section 62 of the Act and Rule 12 of the Companies (Share Based Employee Benefits) Regulations, 2014 (SEBI SBEB Regulations)

Particulars	Total
Number of options granted during the year	4,14,08,728
Number of options forfeited / lapsed during the year	13,64,812
Number of options vested during the year	Nil
Number of options exercised during the year	Nil
Number of shares arising as a result of exercise of options	Nil
Money realized by exercise of options (INR), if scheme is implemented directly by the company	Nil
Loan repaid by the Trust during the year from exercise price received	Nil
Option Granted but not vested	4,00,43,916
Options Vested but not exercised	Nil
Options Available for Grant	6,99,56,084

Employee Wise details of the options granted to

A) Key Managerial Personnel

S. No	Name of Employee	Designation	No of options granted	Exercise Price	% of options granted
1	Sridharan N	CFO	4,02,000 39,680	₹ 27 ₹ 38	0.97% 0.10%
2	Sampathkumar K R	Company Secretary	12,252 7,360	₹ 27 ₹ 38	0.03% 0.02%

B) any other employee who receives a Grant of options in any one year, of options amounting to 5% or more of options granted during that year

S. No	Name of Employee	Designation	No of options granted	Exercise Price	% of options granted
1	Raghavan H K N	Sr. President – Retail Assets	22,14,300	₹ 27	5.35%

C) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of Grant

NIL

25. Secretarial Auditors

The Secretarial Audit Report of M/s B Ravi & Associates, Practising Company Secretaries (C.P. 3318) is enclosed as Annexure – II.

26. Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by Statutory Auditors or Secretarial Auditors

There are no qualifications, reservations, adverse remarks or disclaimers made either by the Statutory Auditors or Secretarial Auditors.

27. Information as per Section 134 (3) (q) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014

27.1 During FY 2019-20, the Bank had no activity relating to conservation of energy or technology absorption.

27.2 During FY 2019-20, the Bank and incurred foreign currency expenditure of ₹144.83 lakhs.

28. Particulars of contracts or arrangements with Related Parties

During the year, there are no transactions required to be reported under Section 188(1) of the Act in Form AOC-2.

29. Details in respect of frauds, if any, reported by Auditors:

There have been no frauds reported by Auditors during FY 2019-20.

30. Risk Management

The Bank has formulated and adopted a robust Risk Management framework. The Bank has also 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. Internal Financial Controls

The Bank has clear delegation of authority and standard operating procedures, which are reviewed periodically by the Audit Committee. These measures help in ensuring adequacy of internal financial controls commensurate with the nature and size of operations of the Bank. The Board also reviews the adequacy and effectiveness of the Bank's internal financial controls with reference to the financial statements. The procedures and internal controls relating to the latter provide reasonable assurance on the preparation of financial statements and the reliability of financial reporting. The Bank also ensures that the internal controls are operating effectively.

32. IND AS Implementation

The Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a Press Release was issued by MCA on January 18, 2016 outlining the roadmap for implementation of Indian Accounting Standards (IND AS) converged with International Financial Reporting Standards (IFRS) for banks. Banks in India were required to comply with the Indian Accounting Standards (IND AS) for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter.

On April 05, 2018, the RBI has announced deferment of implementation date by one year for scheduled commercial banks. Subsequently, on March 22, 2019, RBI has deferred implementation of Ind AS for banks until further notice, pending necessary legislative amendments to the Banking Regulation Act, 1949. The same is yet to be notified.

33. 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. The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of Banking Regulation Act, 1949.

34. 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 FY 2019-20, Seven complaints were received under the Policy, and all the complaints have been resolved.

35. The Annual Return as required under the Act is enclosed is available at the website of the Bank, www.equitasbank.com.

36. There have been no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the future operations of the Bank.

However, RBI vide its letter dated September 6, 2019 imposed the following regulatory action for non-compliance with SFB licensing guidelines with respect to listing of shares of the Bank within three years of the commencement of business:

- i) The Bank is not permitted to open new branches till further advice
- ii) The remuneration of MD & CEO of the Bank stands frozen, at the existing level, till further advice.

The Bank initiated immediate steps to list its shares through Initial Public Offer (IPO) of its shares, details of which are provided under Paragraph 12 above – Listing of shares.

Acknowledgement

The Directors are grateful to RBI, other government and regulatory authorities, other banks and financial institutions for their support and guidance. The Directors gratefully acknowledge the excellent relationship with the Board of the Holding Company and their continued guidance to the various activities of the Bank. The Directors also place on record their sincere thanks to its valued constituents for their support and patronage. The Board also expresses its deep sense of appreciation to all the employees of the Bank for their unstinted commitment to the growth of the Bank.

For and on behalf of Board of Directors

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Chennai,
Date : 14 May 2020

Corporate Social Responsibility (CSR) Report

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. A brief outline of the Bank's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:

CSR Policy of the Bank is available on our website, www.equitasbank.com. As per the CSR Policy, the Bank makes contribution upto the higher of 5% of its net profits of each financial year or 2% of average profits of the Bank for the past three years for undertaking such CSR projects or activities as approved by the CSR Committee from time to time. The oversight of Projects undertaken by Equitas Development Initiatives Trust (EDIT) through which the Company carries on CSR activities, is done by the CSR Committee and the Board. A brief note on various projects undertaken by the Bank is enclosed as annexure.

2. The Composition of the CSR Committee as at March 31, 2020 is as follows:

- Mr. Nagarajan Srinivasan, Non-Executive, Non-Independent Director
- Mr. Sridhar Ganesh, Independent Director
- Mr. Srinivasan N, Independent Director
- Ms. Tabassum Inamdar, Independent Director
- Mr. Navin Puri, Independent Director
- Mr. Vasudevan P N, Managing Director

Apart from approving the budget, the CSR committee reviews the progress of CSR projects and activities every quarter. Some of the Directors have visited the CSR projects to gain personal insights and assess the quality of outputs and outcomes.

3. Average net profit of the Bank for last three financial years

Particulars	₹ in Lakhs
Profit –2018-19	33,259.71
Profit –2017-18	4,639.80
Profit - 2016-17	17,232.70
Average PROFIT for CSR purpose	18,377.40
2% of average Profit for last three years	367.55

4. Details of CSR contribution made by the Bank during the Financial Year:

During the year, the Bank made CSR contribution of ₹1327 lakhs (₹1090 lakhs to Equitas Development Initiatives Trust (EDIT) and ₹237 lakhs to corpus fund of Equitas Healthcare Foundation, being trusts set up by Equitas Holdings Limited, the holding company) to carry out CSR activities on behalf of the Bank. The contribution so made is in excess of the statutory minimum contribution of 2% of average profits of the last three years and is in line with the CSR Policy of the Bank.

Details of utilization of the CSR Contribution

EDIT has reported having utilizing the Bank's CSR contribution (including opening balance of unutilized CSR contribution of ₹330.46 lakhs made by ESFBL) in the following manner:

Particulars	₹ in Lakhs
Educational Initiatives	1249.65
Health Initiatives – Sugam Clinic	4.00
TOTAL	1253.65

5. Manner in which the amount spent during the Financial Year

₹ in Lakhs							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub – heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period (FY 2019-20)	Amount spent: Direct or through implementing agency*
1	Providing support to Equitas Sugam Clinics and Equitas Birds Nest program	Healthcare	Chennai	Same as Column 2	4.00	4.00	Through implementing agency – EDIT, a Public Charitable trust - EDIT
	Providing support to 7 Matriculation schools set up by the Company, run for students from socially and economically weaker sections of the society, by Equitas Development Initiatives Trust (EDIT)	Education	Seven schools in Tamil Nadu located at Karur, Trichy, Salem, Coimbatore, Dindigul, Cuddalore and Kumbakonam		1,249.65	1,249.65	
TOTAL					1,253.65	1,253.65	

6. Responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Bank

We hereby confirm on behalf of the CSR Committee/ Board that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Bank.

Vasudevan P N
MD & CEO

Chennai,
Date : 14 May 2020

Tabassum Inamdar
Pro-tem Chairperson CSR Committee

Annexure to CSR Report – FY 2019-20

The mission of Equitas is “Empowering through Financial Inclusion”.

In line with this mission, besides providing finance at reasonable cost to those who are not effectively serviced by the mainstream financial institutions, Equitas has also developed a wide range of ecosystem initiatives towards improving the quality of life of people belonging to Economically Weaker Sections (EWS) and Low Income Groups (LIG). These initiatives are carried out through not-for-profit trusts named Equitas Development Initiatives Trust (EDIT) and Equitas Healthcare Foundation (EHF), registered public charitable trusts established by Equitas Holdings Limited.

As per the CSR Policy, the Bank, in addition to carrying out direct CSR activities, contributes upto 5% of its net profits every year to EDIT and EHF to carry on CSR initiatives on behalf of the Company.

CSR activities carried out by Equitas Development Initiatives Trust (EDIT) are detailed below:

A. Educational Initiatives

Education is a key lever to enable upward social mobility for low income Self Help Group members' children. Equitas has rolled out its Gurukul initiatives to “empower children from low income households, through high quality education at affordable cost”.

EDIT is currently running 7 such schools at Trichy, Dindigul, Salem, Karur, Cuddalore, Coimbatore and Kumbakonam with more than 6,000 students. More such schools are planned in the future.

About 98% of Gurukul students are from Backward Class, Most Backward Class and Scheduled Caste categories and about 80% of Gurukul parents are from Economically Weaker Sections.

B. Skill development

Equitas has imparted training to more than 549953 Self Help Group women members in skills such as tailoring & embroidery, agarbathi / candle making, detergent / phenyl manufacturing and preparing processed foods such as pickles & jams. These training programs are structured as week-long programs.

The skill development program has helped to improve the income of the beneficiaries. Studies reveal that 52% of the trained members earn additional supplemental income in the range of ₹ 500 to ₹ 2,000 per month using the newly acquired skills.

C. Pavement dwellers rehabilitation program (Equitas Birds Nest)

This programme was commenced in 2010 for “Rehabilitation of Pavement Dwellers” in Chennai. Under this program, the Trust pays the rent on their behalf for 6 months during which they are taught livelihood skills and linked to local markets. From the 7th month onwards, they are required to make

the rent payment by themselves. These families have attained self sustenance status through this intervention from Equitas. Many people have received Voter ID cards and have applied for ration cards for the first time in their lives. In 2019-20, 308 families have been moved into houses, taking the cumulative beneficiaries under the program to about 1,991 families.

Out of these rehabilitated families, under a graduation program, members were formed into a group. After inputs on financial literacy and counselling, following all the regular MF process, MFI loan was sanctioned. 100% collection was observed in those loans till date. Encouraged by this positive response, 5 more groups have been included in the program, thus mainstreaming them into the community and fulfilling their dream of economic empowerment.

D. Placement Cell:

In another proactive step, Equitas facilitates conduct of job fairs for unemployed youth of low income communities, with the help of recruiters and employers. Till date, gainful employment to over 1,87,087 youth has been arranged in companies and retail outlets like textile showrooms, malls, hospitals, BPOs etc.

E. Health care services

Equitas understands that access to affordable healthcare is of paramount importance.

1. Health Education for Healthy living: A team of 500 women skill trainers have been trained with Technical support from “Freedom from Hunger” to impart Health Education to Members which would help in early detection of non-communicable diseases. Cumulatively imparted to over 2.68 lakh women.
2. Medical Camps: Through a tie up with about 900 hospitals spread across 7 states, Equitas conducts nearly 400 medical camps every month, benefiting about 50,000 people every month. Cumulatively nearly 6.10 million people have benefited so far under this program.
3. Equitas Sugam Clinics: Based on popular demand another new service has been piloted, specifically to address the need among families belonging to Low Income Households (LIH) for doctors' consultation. Under this model at EDIT clinic a qualified doctor will be available from 10-1 pm. The patient's history is documented and medicines are prescribed as per the need. EDIT has opened 2 such clinics and proposes to scale up in the coming years.

EDIT runs two clinics specifically to address the need among families belonging to Low Income

Households (LIH) for doctors' consultation. Under this model at EDIT clinic a qualified doctor will be available from 10-1 pm. The patient's history is documented and medicines are prescribed as per the need.

F. Health care services done directly by the Bank

1. Primary Health Care: The Bank has conducted free primary health care medical camps benefiting cumulatively 61,07,985 members so far.
2. Secondary Health Care & Health Help line: The Bank has also tied up with a large number of hospitals to help our clients get inpatient treatment for serious illnesses at a discount to normal cost. This initiative has benefited nearly 32,056 members.

COMPOSITION OF BOARD OF TRUSTEES OF THE TRUSTS AS ON MARCH 31, 2020

Equitas Development Initiatives Trust (EDIT)	Equitas Healthcare Foundation (EHF)
1. Dr. C K Gariyali, IAS (Retd)	1. Dr. Shanta V, Chairperson, Adyar Cancer Institute
2. Mr. M B Nirmal, Founder, Exnora International	2. Mr. Rangachary N, Chairman, Equitas Holdings Limited
3. Ms. Jayshree Nambiar, Educationist	3. Dr. Gariyali C K, IAS (Retd)
4. Ms. Sabitha I.A.S (Retd.)	4. Mr. P N Vasudevan, MD& CEO, Equitas Small Finance Bank Limited
5. Mr. Anoop Jaiswal IPS (Retd)	
6. Mr. P N Vasudevan, MD& CEO, Equitas Small Finance Bank Limited	

The Members,
EQUITAS SMALL FINANCE BANK LIMITED
CIN: U65191TN1993PLC025280
4th Floor, Phase II, Spencer Plaza,
No.769, Mount Road, Anna Salai,
Chennai 600002.

Dear Members,

Sub: Our Report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.,
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place : Chennai
Date : 09.04.2020

S/d
Name of Company Secretary in practice: Dr. B Ravi
FCS No.: 1810 CP No.: 3318
MANAGING PARTNER
B RAVI & ASSOCIATES
Firm Registration Number: P2016TN052400

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31st March 2020

[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,
EQUITAS SMALL FINANCE BANK LIMITED
CIN: U65191TN1993PLC025280
4th Floor, Phase II, Spencer Plaza,
No.769, Mount Road,
Anna Salai, Chennai-600002.

Dear members,

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **EQUITAS SMALL FINANCE BANK LIMITED** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts /statutory compliances and expressing our opinion thereon.

Based on our verification of Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2020** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March, 2020** according to the provisions to the extent applicable of:

- (i) The Companies Act 2013 ("the Act") and the rules made there under issued by the Ministry of Corporate Affairs from time to time;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (was not applicable to the Company during the period under review);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of

India Act, 1992 ('SEBI Act') as amended to the extent applicable:-

- a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (was not applicable to the Company during the period under review)
- 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;
- d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (was not applicable to the Company during the period under review)
- g) The Securities and Exchange Board of India (Buyback of Securities), Regulations, 2018; (was not applicable to the Company during the period under review)
- h) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993; (was not applicable to the Company during the period under review)
- i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (vi) The Following Industry Specific Laws and the rules, regulations, directions, guidelines, circulars and instructions framed there under:
 - a) Reserve Bank of India Act (RBI), 1934, The Banking Regulation Act, 1949 read with the rules, regulations, directions, guidelines, licenses and circulars issued by RBI for compliance by Small Finance Bank;
 - b) Prevention of Money-Laundering Act (PMLA), 2002 and The Prevention of Money-Laundering (Maintenance of Records, etc) Rules, 2005;
 - c) Negotiable Instruments Act, 1881.

We further report that based on the information received, explanations given, process explained, records maintained, statutory compliance and statutory internal audit reports submitted to the Board on quarterly basis, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable labour laws, Goods and Service Tax laws and other applicable Laws, rules, regulations and guidelines including the returns to be filed with the Reserve Bank India framed by the statutory authorities from time to time. The Company is regular in making statutory payments and there have been no prosecution or notices issued to the Company or its officers.

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

- (i) Secretarial Standards 1 and 2 (including revised) issued by The Institute of Company Secretaries of India.
- (ii) The Debt Listing Agreement entered into by the Company with BSE Limited;

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

During the period under review, the authorised share capital of the bank was reduced from ₹ 2500 Crore to ₹ 1700 Crore by extinguishment of ₹ 80 Crore unissued equity shares of ₹ 10/- each. However, the applicable form SH 7 which is required to be filed for giving effect to the aforesaid change could not be filed due to technical reasons. The company vide letter dated 25.11.2019 to the Registrar of Companies has requested for Master Data Correction and as on the date of this report, it has not yet been given effect to.

The Board of Directors of the Company is duly constituted with proper balance of Executive Director(s), Non-Executive Directors and Independent Directors. 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 at least seven days in advance, 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 company had convened Board and Committee meetings at shorter notice by complying with the requirements of the Act.

All decisions were taken unanimously at the Board meeting, Annual General meeting and Extra-ordinary General Meeting.

We further report that during the audit period the Company:

1. As per RBI circular RBI/2006-2007/335 DBS. CO.PP. BC 6/11.01.005/2006-07 dated 20.04.2007 on appointment of Chief Compliance Officer for a fixed tenure, the Board in its meeting held on 09.05.2019 ratified the appointment of Mr Srinivasan Purohit as Chief Compliance Officer of the Bank for a period of 5 years with effect from 22.09.2017.
2. As per RBI circular RBI/2016-17/294 DBR.BP.BC. No.65/21.04.103/2016-17 dated 27.04.2017 on appointment of Chief Risk Officer for a fixed tenure, the Board in its meeting held on 09.05.2019 ratified the appointment of Mr Alok Gupta as Chief Risk Officer of the Bank for a period of 5 years with effect from 12.03.2018.
3. The Reserve Bank of India vide its letter dated 02.04.2019 and 21.05.2019 approved the bank's proposal for revision in remuneration for Mr. Vasudevan P N, MD & CEO w.e.f 01.04.2018 and has also communicated that the proposal for performance bonus 2018-19 shall be submitted after reviewing the financials for 2018-19. The grant of ESOP to Mr. Vasudevan P N, MD & CEO by the holding Company has been rejected.
4. The Reserve Bank of India vide its letter dated 31.05.2019 has conveyed its approval for the re-appointment of Mr. Vasudevan P N as MD & CEO of ESFB for a period of 3 years w.e.f 23.07.2019
5. in its 03rd Annual General Meeting held on 01.08.2019 accorded approval through special resolution for-
 - a. revision in remuneration payable to Mr. PN Vasudevan, MD & CEO with effect from 01.04.2018 till the end of his tenure on 22.07.2019
 - b. the re-appointment of Mr. PN Vasudevan, MD & CEO for a period of 3 years w.e.f 23.07.2019 to 22.07.2022
 - c. re-appointment of Mr. Vinod Kumar Sharma as Independent Director for 5 years w.e.f 01.09.2019
6. The Reserve Bank of India vide its letter dated 22.08.2019 approved the bank's proposal for revision in remuneration for Mr. Vasudevan P N, MD & CEO w.e.f 01.04.2019 and the payment of ₹ 43,20,000/- as performance bonus 2018-19.
7. The Reserve Bank of India vide its letter dated 29.08.2019 stated that the Company is in non-compliance of Section 12(1)(i) of the Banking Regulation Act, 1949. The Authorised Share

Capital of the Bank is ₹ 2500 Crore and the Issued, Subscribed and Paid up capital of the is ₹ 1006 Crore approx. which is not in compliance with the Banking Regulation Act 1949. The Company vide its reply dated 05.09.2019 stated that on the date of commencement of business, the Authorised Share Capital was ₹ 1155 Crore comprising of 115,50,00,000 equity shares of ₹ 10/- each and the issued, subscribed and paid up was ₹ 1005.94 Crore comprising of 100,59,43,363 equity shares of ₹ 10/- each which was in compliance with the Banking regulation Act. The Authorised Share Capital was increased from ₹ 1155 Crore to ₹ 2500 Crore to comply with the scheme and assured that once the scheme is completed, the requirement will be complied. The RBI vide its letter dated 30.09.2019 advised the company to be more careful in the future and have asked the Bank to comply with the provisions of the Banking Regulation Act and alter the Memorandum of Association so that is consistent with the RBI statutes.

8. The Reserve Bank of India vide its letter dated 06.09.2019 stated that the request for extension of timeline for listing of shares of the company cannot be acceded to and as the company was in violation of para 6 of the Guidelines for licensing of SFBs. The Reserve Bank of India placed regulatory actions stating that the company is not allowed to open branches till further advice and the remuneration of the MD & CEO shall stand frozen at the existing level till further advice. Subsequently the Company has made a plea to the Reserve Bank of India vide letter dated 09.09.2019 requesting to stay the restrictions imposed in the letter. The plea was however rejected by RBI vide their letter dated 18.09.2019. The Reserve Bank of India vide letter dated 31.12.2019 has permitted the Bank to open 240 banking outlets including conversion of 142 asset offices into banking outlets.
9. In its Extra- Ordinary General Meeting held on 22.11.2019 accorded approval through special resolution for-
 - a. Reduction in the Authorised Share Capital of the company from ₹ 2500 Crore to ₹ 1700 Crore by extinguishing unissued 80 Crore equity shares of ₹ 10/- each and consequent alteration of the Clause V of the Memorandum of Association
 - b. Amendment of the Articles of Association by substitution of the existing Articles of Association with a revised set of Articles of Association
 - c. Creation, issue, offer and allotment in the initial public offer such number of equity shares for cash either at par or premium such that the amount being raised pursuant to the offer aggregates up to ₹ 800 Crore
- d. Implementation of the "ESFB Employee Stock Option Scheme 2019" (ESOP 2019) and create, grant, offer, issue, vest and allot from time to time in one or more tranches to the eligible employees of the Bank and such number of options shall not exceed 11 Crore
- e. Grant, issue, offer and allot stock options from time to time in one or more tranches to the Holding Company of the Bank i.e. Equitas Holdings Limited
- f. Appointment of Mr. Navin Puri as an Independent Director for a period of 5 years w.e.f 01.08.2019
10. In its Extra- Ordinary General Meeting held on 06.12.2019 accorded approval through special resolution to create, offer, issue and allot upto 4,74,58,239 equity shares of ₹ 10/- each for a cash consideration at ₹ 52.68/- per equity share thereby raising an amount of ₹ 250,01,00,030.52 through private placement. The Listing Committee vide Circular resolution passed on 11.12.2019 have allotted the above mentioned shares.
11. In its Extra- Ordinary General Meeting held on 24.02.2020 accorded approval through special resolution to re-appoint Ms. Lalitha Lakshmanan as Independent Director from 28.03.2020 to 31.08.2024
12. Has granted 4,14,08,728 stock options to eligible employees
13. The Reserve Bank of India vide its e-mail dated 07.02.2020 has mentioned that they have received a proposal from ICICI Prudential Mutual Fund to acquire beyond 5% but upto 10% equity share capital through the proposed IPO. The application along with Form A dated 29.01.2020 has been submitted to the Reserve Bank of India by ICICI prudential mutual fund through its investment manager ICICI Prudential Asset Management Company Limited. The company post approval of no objection in Board Meeting held on 19.02.2020 vide letter dated 21.02.2020 conveyed their no-objection along with Form C.
14. Submitted the Draft Red Herring Prospectus (DRHP) of the Bank on 16.12.2019 with SEBI proposing to undertake an Initial Public Offering of equity shares of face value of ₹ 10/- each comprising of fresh issue of equity shares aggregating upto ₹ 550 Crore and an offer of sale upto 8,00,00,000 equity shares by the Bank's promoters, Equitas Holdings Limited. The offer includes a reservation of equity shares of the Bank upto ₹ 100 Crore for subscription by eligible EHL shareholders as defined in the DHRP and upto ₹ 5 Crore for eligible employees of the bank and the promoter company. The final observations from

SEBI were received vide letter dated February 28, 2020. The updated DRHP after incorporating the observations of SEBI was filed with SEBI on March 05, 2020 and SEBI took note of the same vide its letter dated 16.03.2020.

15. In its Board meeting held on 23.03.2020 approval was accorded

- a. to make loans upto ₹ 18000 Crore in the ordinary course of business for the Financial Year 2020-21
- b. that subject to the approval of the shareholders, to borrow money upto an aggregate sum of ₹ 27,000 Crore outstanding at any point in time
- c. to issue Certificate of Deposits from time to time in one or more tranches upto an amount not exceeding ₹ 3,000 Crore

16. The company vide letter dated 30.03.2020 has sought the permission of the Reserve Bank of India to provide further time to complete the listing process by the first week of November 2020 and RBI vide its mail dated April 3, 2020 has confirmed taking note of the same.

17. A communication has been received by Equitas Holdings Limited from the BSE Limited dated 13.09.2019, returning the draft scheme of

arrangement between Equitas Holdings Limited and the Company and advised to resubmit the same after complying with the provisions of clause III(A)(1)(a) of annexure I of the circular no CFD/DIL3/CIR/2017/21 dated 10.03.2017. The Company in its disclosure under Regulation 51 of SEBI LODR informed BSE Limited that the Bank will initiate necessary steps to list the shares of the Bank through Initial Public Offer (IPO), which is expected to be completed by March 2020 under normal circumstances.

18. In the beginning of the financial year, the Company was a wholly owned subsidiary of Equitas Holdings Limited which along with its nominees held 100,59,43,363 equity shares of ₹ 10/- each. However, post allotment of 474,58,239 equity shares through private placement to various other investors, the Company became a subsidiary of Equitas Holdings Limited as the shareholding reduced to 95.49%.

Place : Chennai
Date : 09.04.2020

S/d
Name of Company Secretary in
practice: Dr. B Ravi
FCS No.: 1810 CP No.: 3318
MANAGING PARTNER
B RAVI & ASSOCIATES
Firm Registration Number:
P2016TN052400
UDIN:F001810B000150640

**EXTRACT OF ANNUAL RETURN
AS ON THE FINANCIAL YEAR ENDED 31st MARCH 2020**

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies
(Management and Administration) Rules, 2014]

I. Registration and other Details

CIN	U65191TN1993PLC025280	Registration Date	21.06.1993
Category/Sub-Category of the Company	Banking Company		
Company name	EQUITAS SMALL FINANCE BANK LIMITED		
Registered Office Address	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600002		
Phone	+9144 4299 5000	Fax	+9144 4299 5050
Email	secretarial@equitas.in	Website	www.equitasbank.com
Whether listed Company Yes/No	Debenture Listed Company		
Name & Address of Registrar and Transfer Agent, if any	KFIN Technologies Private Limited Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032		
Phone	+91 40 67161604		
Email	mukharji.yenugu@karvy.com		
Contact Person	Mr Mukharji Yenugu		

II. Principal Business Activities of the Company

(All the business activities contributing 10 % or more of the total turnover of the Company shall be stated)

Sl. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the Company
1	Banking and Financial services	64191	100

III. Particulars of Holding, Subsidiary and Associate Companies

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of Shares Held	Applicable Section
1	Equitas Holdings Limited	L65100TN2007PLC064069	Holding	95.49	2(46)

IV. Share Holding Pattern

(Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of shareholders	No. of shares held at the year beginning				No. of shares held at the year end				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. PROMOTERS									
(1) Indian									
a) HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.	NIL	1005943363	1005943363	100	1005943363	NIL	1005943363	95.49	(4.5)
e) Banks / FI									
f) Any Other....									
Sub-total (A) (1):-	NIL	1005943363	1005943363	100	1005943363	NIL	1005943363	95.49	(4.5)
(2) Foreign	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	NIL	1005943363	1005943363	100	1005943363	NIL	1005943363	95.49	NIL
B. PUBLIC SHAREHOLDING									
1. Institutions									
a) Mutual Funds	-	-	-	-					
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									

Category of shareholders	No. of shares held at the year beginning				No. of shares held at the year end				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h) Foreign Venture Capital Funds									
i) Others Alternate Investment Funds					47458239	NIL	47458239	4.51	4.51
Sub-total(B)(1)	-	-	-	-	47458239	NIL	47458239	4.51	4.51
2. Non Institutions									
a) Bodies Corp.									
(i) Indian									
(ii) Overseas									
b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹ 1 lakh									
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (Specify)									
Sub-total(B)(2)	-	-	-	-	47458239	NIL	47458239	4.51	4.51
Total Public Shareholding	NIL	NIL	NIL	NIL	47458239	NIL	47458239	4.51	4.51
C. Shares Held by Custodian for Gdrs & Adrs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	NIL	1005943363	1005943363	100	1053401602	NIL	1053401602	100	NIL

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the Year			% Change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	Equitas Holdings Limited	1005943363	100	NIL	1005943363	95.49	NIL	NIL
	Total	1005943363	100	NIL	1005943363	95.49	NIL	NIL

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Date wise Increase /Decrease in Promoters shareholding during the year	Shareholding at the beginning of the year		Cumulative shareholding during the year		Reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company	
1	01.04.2019	1005943363	100%	1005943363	95.49%	
	31.03.2020			1005943363	95.49%	

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Name of Top 10 Shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	% of total Shares	No. of shares	% of total Shares
1.	IIFL Special Opportunities Fund - Series 4	December 11, 2019	Allotment through private placement	-	-	8950998	0.85
2	IIFL Special Opportunities Fund - Series 5	December 11, 2019	Allotment through private placement	-	-	8569293	0.81
3	IIFL Special Opportunities Fund - Series 7	December 11, 2019	Allotment through private placement	-	-	8195353	0.78
4	IIFL Special Opportunities Fund	December 11, 2019	Allotment through private placement	-	-	7000759	0.66
5	IIFL High Growth Companies Fund	December 11, 2019	Allotment through private placement	-	-	5694760	0.54

Sl. No.	Name of Top 10 Shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	% of total Shares	No. of shares	% of total Shares
6	IIFL Special Opportunities Fund - Series 2	December 11, 2019	Allotment through private placement	-	-	5214503	0.49
7	IIFL Special Opportunities Fund - Series 3	December 11, 2019	Allotment through private placement	-	-	2294989	0.21
8	IIFL Focused Equity Strategies Fund	December 11, 2019	Allotment through private placement	-	-	683371	0.06
9	High conviction fund - series 1	December 11, 2019	Allotment through private placement	-	-	474563	0.04
10	IIFL Special Opportunities Fund - Series 6	December 11, 2019	Allotment through private placement	-	-	379650	0.03
Total				-	-	47458239	4.51

(v) Shareholding of Directors and Key Managerial Personnel: Not Applicable

Sl. No.	Names of shareholders Who are also KMP/ Directors of the Company	Date wise Increase / Decrease in Promoters shareholding during the year	Shareholding at the beginning of the year		Cumulative shareholding during the year		Reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):
			No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	
1.		01.04.2019					
		31.03.2020			NIL		

V. Indebtedness

(Indebtedness of the Company including interest outstanding /accrued but not due for payment)

Particulars	(₹ in lakh)			
	Secured Loans Excluding deposits	Unsecured Loans (including ICDs)	Deposits**	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	15,047.61	382,255.00		397,302.61
ii) Interest due but not paid	Nil	Nil		Nil
iii) Interest accrued but not due	631.23	8,894.86		9,526.08
Total (i+ii+iii)	15,678.84	3,91,149.86		4,06,828.69
Change in Indebtedness during the financial year				
Addition	28,25,257.06	4,12,500.00		32,37,757.06
Reduction	28,13,395.31	3,08,177.00		31,21,572.31
Net Change	11,861.75	1,04,323.00		1,16,184.75
Indebtedness at the end of the financial year				
i) Principal Amount	26,909.36	4,86,578.00		5,13,487.36
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	2,555.99	725.52		3,281.51
Total (i+ii+iii)	29,465.35	4,87,303.52		5,16,768.87

**Section 73 (1) of the Companies Act, 2013, states that the provisions of the said Act relating to acceptance of deposits by companies do not apply to a Banking company as defined in the Reserve Bank of India Act, 1934. Accordingly, information relating to the Bank's deposits is not disclosed in the table above. As per the applicable provisions of the Banking Regulation Act, 1949, details of the Bank's deposits have been included under Schedule 3 - Deposits, in the preparation and presentation of the financial statements of the Bank.

VI. Remuneration of Directors and Key Managerial Personnel: Remuneration to Non-Executive Directors

(₹in lakh)					
Sl. No.	Name of Director	Fee for attending Board/ Committee Meetings	Commission	Others	Total
1	Mr. Arun Ramanathan (Chairman)	7,30,000	12,00,000	Nil	19,30,000
2	Mr. Arun Kumar Verma	19,55,000	9,00,000	Nil	28,55,000
3	Prof. Balakrishnan N	13,05,000	6,00,000	Nil	19,05,000
4	Ms. Lalitha Lakshmanan	23,90,000	6,00,000	Nil	29,90,000
5	Mr. Nagarajan Srinivasan%	-	-	Nil	Nil
6	Mr. Sridhar Ganesh	11,75,000	6,00,000	Nil	17,75,000
7	Mr. Srinivasan N	14,75,000	6,00,000	Nil	20,75,000
8	Ms. Tabassum Inamdar	16,45,000	6,00,000	Nil	22,45,000
9	Mr. Vinod Kumar Sharma	19,45,000	6,00,000	Nil	25,45,000
10	Mr. Navin Puri	6,50,000	4,00,000	Nil	10,50,000
Total (B)		1,32,70,000	61,00,000	Nil	1,93,70,000
Overall Ceiling for Remuneration as per the Act		1% of Profits for Financial Year 2019-20 computed u/s 197 of the Act			364.47
Commission payable to Directors as above (in lakhs)					61

%Mr Nagarajan Srinivasan has waived his right to receive remuneration/ commission/ sitting fee payable to him as Director of the Bank

Remuneration to Key Managerial Personnel

(₹ in lakh)					
Sl. No.	Particulars of Remuneration	MD &CEO	CFO	CS	Total
1	Gross salary	165.00	93.81	24.00	282.81
	(a) Salary as per provisions contained in sec.17(1) of the Income-tax Act, 1961	0.32	0.21	Nil	0.53
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961				
	(c) Profits in lieu of salary u/s. 17(3) of Income-tax Act, 1961	Nil	Nil	Nil	Nil
2	Stock Option	Nil	Nil	Nil	Nil
3	Sweat Equity	Nil	Nil	Nil	Nil
4	Commission	Nil	Nil	Nil	Nil
	- as % of profit				
	- others, specify				
5	Others, Contribution to Provident Fund	5.66	4.46	1.15	11.27
	Total (A)	170.98	98.48	25.15	294.61

VII. Penalties / Punishment/ Compounding of Offences: Nil

Type	Section of the Companies Act	Details of Penalty, Fees etc.	Authority imposing (RD/ NCLT/ Court)	Details of Appeal made, if any
Company/ Directors/ Other Officers in Default		NIL		

For and on behalf of **Board of Directors**

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Chennai,
14th May, 2020

Management Discussion & Analysis

Business Environment

Indian Economic Overview

The Indian economy underwent a slowdown in FY 2019-20, due to weak private consumption, lower gross fixed investments, sluggish manufacturing, and stress in the banking and NBFC sector. Although green-shoots of recovery were visible in the third quarter, the outbreak of the coronavirus pandemic globally and in India compelled the government to impose a nationwide lockdown, bringing economic activities to a halt.

During the first ten months, Index of Industrial Production (IIP) recorded 0.60% on average, down from 4.40% during the year-earlier period. A sharp decline was seen across the capital goods (-11.60%), consumer durables (-6.20%), and construction and infrastructure goods (-2.50%) sectors. Inflation as measured by the Consumer Price Index (CPI) remained within the RBI's median target of 4% until September 2019. However, post September 2019, it overshot for the next 5 straight months to hit a six-year high of 7.59% in January 2020 before moderating to 6% in February, primarily due to elevated food and vegetable prices.

The Indian government and the RBI announced several measures to revive the economy. Policy reforms such as the rationalisation in Goods and Services Tax (GST) rates, corporate tax rate cuts in September 2019 and boost rural and infrastructure spending were expected to show tangible results. Further, the transmission of policy rate cuts to bank lending rates was improving, with favourable implications for both consumption and investment demand.

The coronavirus outbreak has considerably altered this outlook. Although the magnitude of the impact has yet to be ascertained, the IMF predicts the "worst downturn since the Great Depression" in the 1930s, with the global economy likely to contract by 3% in 2020. India is forecast to grow at 1.90% in FY21, before recovering sharply on the back of expected fiscal and monetary stimulus.

Banking Sector overview

Bank credit growth decelerated to a five-decade low of 6.10% in FY20, against the backdrop of a slowing economy. In the week ended March 27, 2020, bank advances stood at ₹103.71 lakh crores as against ₹97.71 lakh crores as on March 29, 2019. Aggregate bank deposits grew by 7.90% to ₹135.71 lakh crores from ₹125.73 lakh crores in FY 2019-20. The overall credit-deposit (C-D) ratio was at 75.70% in December 2019.

Financial conditions have tightened, posing challenges for financial stability and depositor sentiment, especially in the wake of a private bank default and massive sell-offs by foreign portfolio investors in debt and equity markets. The coronavirus outbreak and subsequent disruptions to economic activity are likely to negatively impact asset quality.

In its monetary policy report in March 2020, the RBI predicted credit growth to remain modest, reflecting weak demand and risk aversion due to the disruptions caused by the coronavirus pandemic. The central bank announced several measures to inject large liquidity into the system, improve asset quality, facilitate and incentivise bank credit flows, and stabilise financial markets.

The measures include:

- Cut in reverse repo rate to 3.75%
- Targeted long-term repo operations (TLTRO-2) to the tune of ₹ 50,000 crores for investment grade bonds, commercial paper and non-convertible debentures of NBFCs with at least 50% of the total amount going to small and mid-sized NBFCs and Micro Finance Institutions (MFIs)
- Refinancing facility to NABARD, SIDBI, and NHB to the tune of ₹ 50,000 crores to enable them to meet their sectoral credit needs
- Ways and Means Advances (WMA) for states was raised by 60% above the level seen since March 31, 2020.
- Banks will need to hold 10% higher provision on certain accounts for which moratorium is granted
- Banks not to make any dividend pay-outs pertaining to FY 2019-20 until further instructions
- For all accounts, where three months moratorium is granted, the 90-day NPA classification norm will not be applicable
- Liquidity coverage ratio for banks brought down from 100% to 80% upto September 30, 2020

Small Finance Bank (SFB) Industry Overview

The RBI, with an aim to drive financial inclusion for the unbanked and underbanked sections of the economy, introduced Small Finance Banks (SFBs). In the three years of their existence, SFBs have made a remarkable impact and gained significant scale with a combined asset portfolio size of over ₹86,500 crores and a deposit base of over ₹57,645 crores, as on December, 2019.

Assets under management of SFBs grew at a CAGR of 26%, from FY16 to FY19. Overall deposit base of SFBs grew by 109% to around ₹555 billion in FY20.

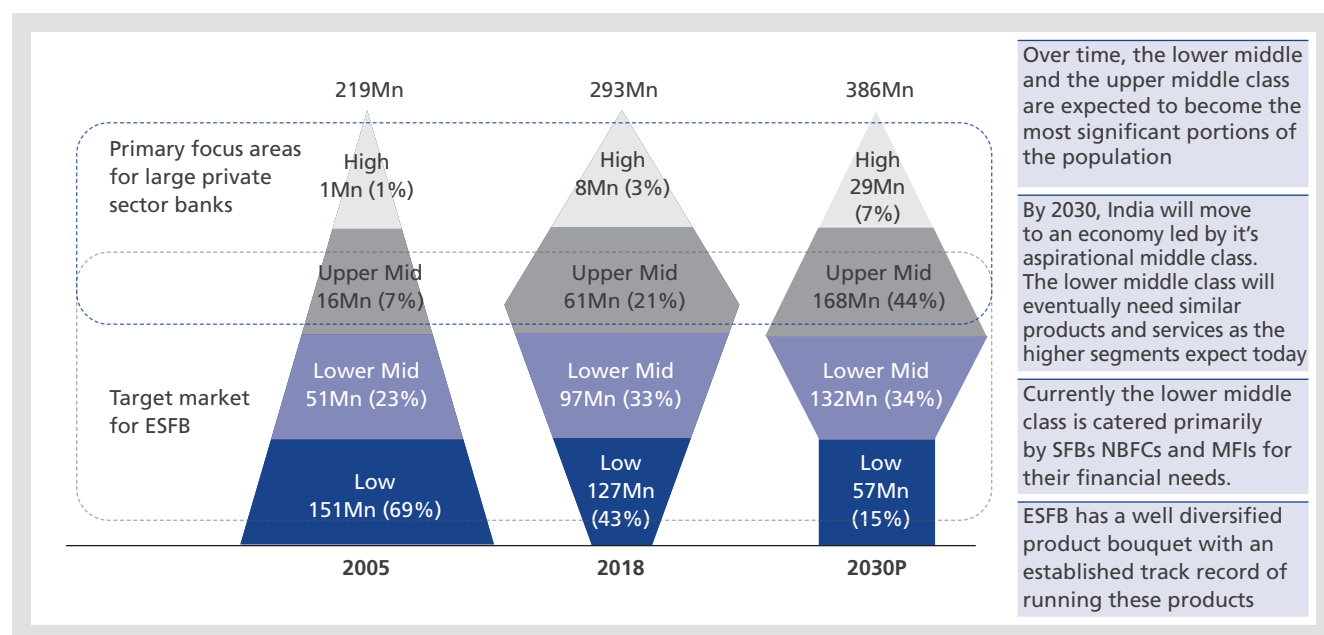
After reviewing the performance of the existing SFBs, the RBI announced 'on tap' licensing in September 2019. Most of the licensing guidelines remain unchanged, except for promoter exit. Under the new guidelines, promoters will have the option to fully exit from the bank gradually after completing the lock-in period of five years.

Factors driving growth for the SFB Industry:

- Lack of formal banking services for a significant section of India's population

- Shift from unorganised financing sector to organised banking
- Access to funds at cheaper cost enabling SFBs to compete better in the market
- Existing infrastructure provides deeper penetration into semi-urban and rural areas
- Supportive regulatory environment and government thrust towards financial inclusion

SFBs to gain from the expanding Middle Class



Key Growth Segments

Loan against Property (LAP)

A LAP is a secured loan availed by mortgaging a property (residential or commercial) with the lender, at interest rates lower than that of personal or business loans. LAP (banks and non-banks) grew at a CAGR of 16.40% between FY16 and FY19, driven by rising penetration of formal channels and higher comfort for lenders to lend. However, the growth slowed down in FY20 owing to the liquidity crisis and increasing asset quality concerns, and is expected to moderate to a CAGR of 14.40% until FY22 due to cautious lending approaches, a reduction in balance transfers and top-up loans, and a reduction in the share of high-ticket loans.

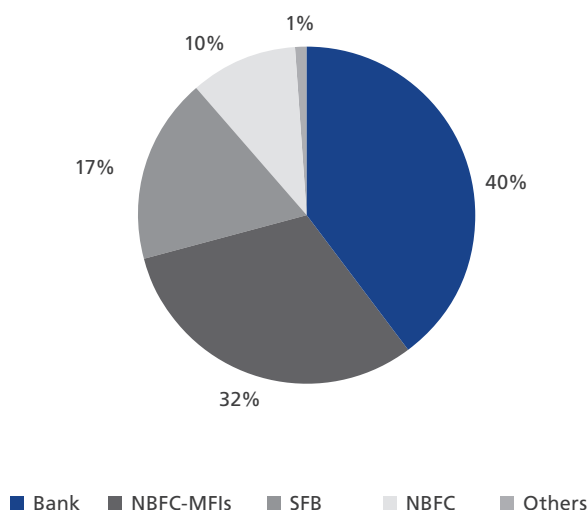
In the past few years, NBFCs have lost their share in LAP owing to efforts to contain asset quality deterioration and yield pressure. Non-banks (NBFCs and HFCs) grew at 12% in FY19, as against a CAGR of 19–20% till FY2018. The growth of non-banks is expected to slow down to 9–11% until FY22. SFBs are likely to gain market share from non-banks with their focus on low-ticket size loans, which are growing at faster clip than high-ticket size loans in this segment.

Microfinance

The microfinance industry has grown at a CAGR of 39% since FY07, despite adverse developments in the past decade such as the national farm loan waivers (2008), the Andhra Pradesh crisis (2010), Andhra Pradesh farm

loan waiver (2014), demonetisation (2016), and farm loan waiver across some states (in 2017 and 2018). The market share of SFBs in this segment increased from 15.10% to 17.60% on a YoY basis as on December 31, 2019.

Micro-credit loan outstanding across lenders as on 31 March 2020



Commercial Vehicle Finance

The commercial vehicle (CV) industry is undergoing a challenging period due to change in axle norms and is expected to stabilize only towards the second half of FY21. The return ratios were at a cyclical low, with the lowest margins witnessed so far. This downturn also affected the used CV industry, as not many vehicle owners are replacing their fleet with newer models.

Fleet utilisation of trucks has been impacted due to lower freight demand and revised axle norms increasing freight carrying capacity of bulk goods transporters. The Medium and Heavy Commercial vehicle (M&HCV) segment is the most affected as goods movement on long routes has slowed down due to negative growth in the manufacturing industry, infrastructure projects and movement of coal.

The Light Commercial Vehicle (LCV) segment, which is dependent on movement of goods, has corrected marginally, especially from market load operation due to poor private consumption and lower finance availability in the market. However, the impact is less compared with the M&HCV segment as LCV customers are engaged in the transportation of transport local goods like vegetables, fruits, milk, FMCG products and household items.

Particulars ('000 units)	FY18	FY19	YoY % change	FY20	YoY % change
Total domestic auto sales	24,337	25,566	5.00%	20,911	-18.20%
Commercial Vehicle	856	1,007	17.60%	718	-28.70%
Heavy	340	391	14.80%	225	-42.50%
Light	516	617	19.50%	493	-20.10%

There is huge potential in the commercial vehicle business, and the operational dynamics vary significantly in the target segment. Most of the borrowers are driver-cum-owners, saving cost of employing a driver and enjoying the freedom to operate the vehicle at their convenience. Borrowers in this segment are not dependent on fixed contracts, rather on market load operations.

MSE Finance

MSME financing includes secured non-LAP loans like working capital loans (cash credit, overdraft facility and bill discounting), other asset backed or hypothecated loans and unsecured MSME loans.

The MSME sector contributes to the country's socio-economic development by providing large employment opportunities in rural and backward areas, thereby reducing regional imbalances and assuring equitable distribution of wealth. With increased focus on easing the loan process for MSMEs and more focus on reporting transactions and reforms like GST, formal lending channels are expected to grow further. The MSME sector contributes ~30% to India's GDP and ~48% to the total exports of the country.

Period	Very Small < ₹10 lakhs	Micro 1 ₹10-50 lakhs	Micro 2 ₹50 lakhs - 1 crores	Small ₹1-15 crores	Medium ₹15-50 crores	Large >₹50 crores	Overall
December 2018	0.89	2.20	1.50	8.91	4.79	43.35	61.63
December 2019	0.93	2.15	1.44	8.74	4.68	46.10	64.04
YoY %	4.5%	-2.3%	-4.0%	-1.9%	-2.3%	6.3%	3.9%

On Balance-Sheet Commercial Credit Exposure (In Lakh Crores)

About our Bank

We are a leading SFB offering a range of banking products and services to customers with a focus on serving the financially unserved and underserved customer segments in India. Our strength lies in promoting financial inclusion within these segments.

Updates:

Listing of shares:

As a precondition to small finance bank licensing guidelines issued by the Reserve Bank of India, amongst other conditions, the Bank was required to be listed within 3 years from the date of commencement of operations (i.e. from 5th September 2016). In the absence of SEBI's approval to a proposed scheme of arrangement, which would have resulted in the listing of the Bank's shares, and the consequent non-compliance of the relevant listing condition, the Reserve Bank of India vide its letter dated September 06, 2019 has imposed regulatory action on the Bank, by way of restriction on opening of new branches and on the remuneration of the MD & CEO of the Bank, till further advice. (However, in December 2019, the Bank has subsequently obtained the specific approval of the RBI for opening 240 banking outlets). The Board of Directors of the Bank on September 10, 2019 has approved steps towards an initial public offer and listing of the equity shares on stock exchanges in India, to comply with the licensing guidelines. Subsequently, the Bank has filed a Draft Red Herring Prospectus with Securities Exchange Board of India ("SEBI") on December 16, 2019 and Stock Exchanges (National Stock Exchange of India Limited and BSE Limited). The Bank has received in principle approval from stock exchanges (National Stock Exchange of India Limited and BSE Limited), and observations from the SEBI on its DRHP. In March 2020, the Bank filed a revised DRHP after addressing the SEBI's comments, and was in the process of completing the IPO of shares. However, due to the COVID-19 global pandemic and consequent lockdowns across the country, the completion of the IPO of shares and listing process has been on hold. Management and the Board of Directors remain committed to completing the IPO of shares in due course, once normalcy in business operations following the lockdown is restored.

Private Placement of Shares:

The Bank, at its Meeting held on December 6, 2019 has approved issue of 4,74,58,239 equity shares of ₹ 10 each at a price of ₹ 52.68 per equity share (including a premium of ₹ 42.68 per equity share) aggregating to ₹ 250 crores, by private placement to IIFL AIF through its various funds (investors) for a stake of 4.51% in the post-issue paid-up share capital of the Bank.

Employee Stock Options Scheme (ESOS):

The Bank, pursuant to the resolutions passed by the Board and the Shareholders of the Bank on January 31, 2019, adopted the ESFB Employee Stock Option Scheme (ESOS), 2019. The Bank has amended the ESFB ESOP Plan 2019 pursuant to the resolutions of the Board and Shareholders of our Bank dated November 7, 2019 and November 22, 2019, respectively. The Bank may grant an aggregate number of up to 110,000,000 employee stock options under ESOS. The objective is to enable the Bank to attract and retain the best available talent to contribute and share in the growth of the Bank. The Scheme is administered by the Nomination and Remuneration Committee constituted by the Board of Directors of the Bank.

COVID 19 Impact:

COVID-19 virus, a global pandemic has affected the world economy including India leading to significant decline and volatility in financial markets and decline in economic activities. The Indian government announced a strict 40-day lockdown in India to contain the spread of the virus until May 3, 2020, which was further extended until May 17, 2020 with some relaxations in specific areas. This has led to significant disruptions and dislocations for individuals and businesses, affecting regular banking operations including lending, fund-mobilisation, and collection activities.

Impact of Moratorium granted:

In terms of the COVID-19 Regulatory Package of the RBI, vide guidelines dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers, in accordance with the Scheme approved by the Bank's Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning ("IRAC") norms). The Bank has made provision as on March 31, 2020 in respect of accounts in default but standard against the potential impact of COVID-19. Further, as permitted under the IRAC norms and based on management's assessment, the Bank has made a provision of ₹ 99.63 crores in the quarter ended March 31, 2020 (including ₹ 2.98 crores representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in paragraph 5 of the RBI's guidelines dated April 17, 2020), based on assessment of recoverability of advances after considering internal and external information and the norms prescribed by RBI. The provision held by the bank is in excess of the RBI prescribed norms.

As regards interest income during the moratorium period, the Bank continues to recognise interest on the loans outstanding as at February 29, 2020, on loans to borrowers to whom moratorium benefit has been extended in accordance with COVID-19 Regulatory Package issued by RBI, which are proposed to be collected based on revised repayment schedules.

Interest Subvention Scheme – MSME

Ministry of MSME announced an Interest Subvention Scheme for MSMEs vide circular No E.7(03)/2018-pt./653-56 dated 05-12-2018 and amended the same on December 13, 2019 vide circular no E.15(15)/2018-I. As per scheme all MSMEs having valid GST No / Udyog Aadhar number or PAN No. are eligible for 2% interest subvention on all incremental/fresh working capital/ Term loans extended from November 02, 2018. The scheme was operational for the period of two financial years FY 2019 and FY 2020. SIDBI acts as a Nodal Agency to implement the scheme.

During FY20, the Bank submitted two interest subvention claims:

1. For the period of November 02, 2018 to March 31, 2019 for 121 MSME customers amounting to ₹ 11.99 lakhs
2. For the period of April 01, 2019 to September 30, 2019 for 450 MSME customers amounting to ₹ 109.80 lakhs

Both the claims have been received and credited to customer accounts successfully.

Financial Highlights

Financial Performance:

The financial performance of the Bank during the year ended March 31, 2020, remained healthy with Net Interest Income rising by 29.80% to ₹ 1,495 crores from ₹ 1,152 crores in the previous year. Net Interest Income growth was due to acceleration in loan growth. Net Interest Margin of 9.11% was higher compared to 8.55% in the previous year. Non-Interest Income remained flat at ₹ 282 crores.

Operating expenses rose to ₹ 1,180 crores from ₹ 1,008 crores. During the year, the bank increased its employee strength in newer business like Used Car Finance, Affordable Housing, Agri Business and Liabilities, which resulted in increase in staff expense. The cost to income ratio improved to 66.38% from 70.30%. Total provisions and contingencies were ₹ 247 crores (including ₹ 99.63 crore in respect of accounts in default but standard against the potential impact of COVID-19) as compared to ₹ 102 crores the preceding year. The Provision Coverage Ratio was 45.22%.

The bank's Gross Non-Performing Assets (GNPA) were at 2.72%, as against 2.53% the preceding year. Net NPA ratio stood at 1.66%, as against 1.44% the preceding year.

Profit before tax grew by 8.40% to ₹ 351 crores. After providing for Income Tax of ₹ 107 crores, Net Profit increased by 15.70% to ₹ 244 crores from ₹ 211 crores. RoA was 1.39% and RoE was 14.15%.

As on March 31, 2020, the Bank's Total Balance Sheet stood at ₹ 19,315 crores, an increase of 22.53% over ₹ 15,763 crores on March 31, 2019. Total Deposits rose by 19.78% to ₹ 10,788 crores from ₹ 9,007 crores. CASA deposits stood at ₹ 2,208 crores, out of which Current Account Balances were ₹ 350 crores and Savings Account Balances were ₹ 1,859 crores. Term Deposits stood at ₹ 8,580 crores, representing an increase of 27.00%. Retail Term Deposits stood at ₹ 3,811 crores, representing an increase of 133%. Retail Term Deposits constitute 44.42% of Term Deposits. CASA deposits accounted for 20.47% of total deposits.

The Bank's advances grew by 31% to ₹ 15,367 Crores. The Bank's unsecured portfolio comprising of micro finance and unsecured business loans as a percentage of overall portfolio, continued to fall and stood at 22.54% as on March 31, 2020. The recently launched products such as New Vehicle Loans and Working Capital Loans continued to gain traction as the Bank expanded its distribution reach. As of March 2020, New Commercial Vehicle loans stood at ₹ 1,125 crores and Working capital loans stood at ₹ 669 crores.

Profit & Loss Summary:

₹ in crore		
Particulars	FY 2019-20	FY 2018-19
Net Interest Income	1,495.31	1,151.73
Non-Interest Income	282.35	282.90
Operating revenue	1,777.66	1,434.63
Operating expenses	1,180.08	1,008.48
Operating profit	597.58	426.14
Provisions and Contingencies, incl. Write-off on Advances	246.64	102.41
Profit before tax (PBT)	350.94	323.74
Provision for tax	107.30	113.17
Profit after tax (PAT)	243.64	210.57

Key Ratios:

(%)		
Particulars	FY 2019-20	FY 2018-19
Yield on Advances	18.90%	19.13%
Cost of funds	7.97%	8.13%
Spread	10.93%	11.00%
Net Interest Margin (NIM)	9.11%	8.55%
GNPA	2.72%	2.53%
Credit Cost	1.93%	1.07%
Provision Coverage	45.22%	43.38%
NNPA	1.66%	1.44%
RoA	1.39%	1.45%
RoE	14.15%	14.76%

Balance Sheet:

₹ in crore		
Particulars	FY 2019-20	FY 2018-19
Capital & Liabilities		
Capital	1,053.40	1,005.94
Reserves & Surplus	1,690.75	1,248.38
Deposits	10,788.41	9,006.74
Borrowings	5,134.87	3,973.03
Other Liabilities & Provisions	647.12	528.61
Total	19,314.55	15,762.69
Assets		
Cash & Balances with Reserve Bank of India	380.86	402.70
Balances with Banks and Money at Call & Short Notice	2,155.98	857.91
Investments	2,342.51	2,344.45
Advances	13,747.24	11,595.00
Fixed Assets	212.77	237.34
Other Assets	475.19	325.28
Total	19,314.55	15,762.69

Business Review:

Vertical wise performance:

Advances:

₹ in crore			
Particulars	FY 2019-20	FY 2018-19	YoY %
Small Business Loans (incl. Housing Finance)	6,279.49	4,577.12	37%
Vehicle Finance	3,759.98	2,951.20	27%
Micro Finance	3,616.16	3,069.60	18%
MSE Finance (Working Capital)	669.41	180.86	270%
Corporate Loans	818.06	455.97	79%
Others*	223.85	469.54	-52%
Total	15,366.95	11,704.29	31%

*Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.

Liabilities:

₹ in crore			
Particulars	FY 2019-20	FY 2018-19	YoY %
Demand Deposits	349.63	482.36	-28%
Savings Bank Deposits	1,858.58	1,791.91	4%
Term Deposits	8,580.20	6,732.47	27%
Retail Deposits	3,811.29	1,636.25	133%
Bulk Deposits	4,768.91	5,096.22	-6%
Total Deposits	10,788.41	9,006.74	20%

Other Functions – a brief overview

• Information Technology [IT]

ESFB continues to make significant investments in technology. In FY 2019-20 envisaging a Digital First approach, we re-launched Selfe platform to provide customers with an even faster digital on-boarding option from the comfort of their homes. On this platform, a customer can open a savings account or fixed deposit account in under 5 minutes with just Aadhaar and PAN. These digital products have been a phenomenal success in recent times. Plans are afoot to elevate the Customer experience with digitally enabled customer life cycle management featuring Video enabled KYC fulfilment and Virtual Relationship Manager interactions.

We also introduced a tab-based on-boarding facility for bank personnel, to meet prospective customers and complete their on boarding digitally, in minutes. In a world of possibilities, we have started opening up our Application Program Interface kit facilitating the Banking as a Service (BaaS) enabling Bank to collaborate with Fintech talent and leverage Innovation led Co creation. We have launched our first partnership with an emerging Fintech (BankOpen) to drive new SMB (Small & Medium Business) customer acquisition; customers are provided with a rich suite of products through the BankOpen portal (invoicing/ GST payments/ expense dashboard) combined with API based banking services powered by Equitas.

ESFB is also live on various NPCI Payment products, offering services like Micro ATM (AePS/ Card+PIN enabled), and UPI /IMPS/e NACH, Prepaid cards & ETC enabled through API plug ins for partners and clients to avail payment services through direct (host to host) integration, lending greater flexibility and scale of business. The Bank as a

part of transaction acquiring business of Payments is now live on Acquiring of POS and ETC enabled transactions.

We have successfully setup our very own DEM (Data Exchange Model) for Cheque Truncation System (CTS) with enhanced security, replacing the existing Clearing House Interface (CHI). We have implemented a Data Mart for centralized MIS Reporting and analytics. Lastly, our technology infrastructure readiness enabled us to immediately enable most of our staff to Work From Home, when the need arose towards the end of March 2020.

• Treasury Operations

The Bank's Treasury completed third full year of operations this year, based out of a well-equipped premises at the Head Office in Chennai. The Bank is a member of Fixed Income, Money Markets & Derivatives Association [FIMMDA] and holds an AD II category license for dealing in Forex.

Treasury focuses on real-time funds management, comprising of Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR) and Liquidity Coverage Ratio (LCR). The Bank's treasury manages liquidity risk and always maintains sufficient liquidity under the LCR framework set out by the Bank's ALCO. Government securities investments are maintained in line with regulatory norms governing SLR investments. Treasury is also active in SLR trading and investments, and generates revenue in addition to interest income earned from SLR investments with focus on optimising portfolio yields.

Treasury functions as the Bank's interface for market counterparts and has successfully leveraged excellent rapport built up with them, to aid in fund raising and other activities. Treasury also closely works with the liabilities team to aid deposit mobilisation, while optimising cost of funds and seeking to broad base our liabilities profile.

During the year, Treasury raised funds using a mix of instruments such as Certificates of Deposit [CDs], Term Money, Inter Bank Participatory Certificates [IBPCs] and Refinance from Financial institutions at optimal cost. The Bank has also participated in the primary market in equities, focusing on revenue generation and diversification.

• Risk Management

Managing risk is fundamental to financial services industry, in general and in particular, to banks. It is a basic key to ensure sustained profitability and stability. While risks are assumed after appropriate considerations, some risks may arise due to unintended consequences of internal actions or external events. The Bank views Risk Management as one of its core competencies and tries to ensure that risks are identified, assessed and managed in a timely manner. The Bank's Risk Management framework aligns risk and capital management to business strategies, aimed to protect its financial strength, reputation and ensures support to business activities for adding value to customers while creating sustainable shareholder value.

The Bank has an independent integrated risk management set up covering credit risk, market risk, assets liabilities management [ALM], operational risk and information

security risk functions. The risk function is headed by Chief Risk Officer [CRO], who reports to the MD & CEO of the Bank. The Risk Management Committee [RMC] of the Board is responsible for overall governance framework for the risk management of the Bank. The RMC of the Board is supported by various management level committees – Executive Risk Management Committee, Asset Liability Committee, Credit Risk Management Committee, Operational Risk Management Committee and Information Security & Cyber Risk Committee.

• Compliance

The Bank is committed to adhering to the highest standards of regulatory compliance, governance and ethics. The Compliance Department, headed by the Chief Compliance Officer [CCO], functions as an independent unit to assist the Management team in identifying compliance risks across the Bank and mitigating them by framing appropriate policies, procedures, and oversight. The Compliance Department also provides advisory support by reviewing products and processes rolled out by the Bank and has in place the required framework for transaction monitoring and testing the implementation of regulations, ensuring right Governance structures and handling regulatory relationships, including proactively engaging with the regulators for industry-level initiatives.

• Internal Audit

The Bank's Internal Audit function provides independent assurance to the Board of Directors on an ongoing basis on the quality and effectiveness of its internal controls, risk management, governance systems and processes. Internal Audit Department undertakes various Audits like Risk Based Internal Audit [RBIA] of the branches, Credit Audit, Revenue Audit, Information System Audit, Thematic Audits and Management Audit of the Head Office Departments. Concurrent Audit is being carried out for various areas like Treasury operations, KYC compliance, Payroll, Operations of central processing units, other expenditure etc., based on the risk assessment and regulatory requirements.

• Human Resources

Our mission is to "Create the most valuable bank for all stakeholders through happy employees. The Bank ended the year with a manpower strength of 16,106 employees up from 14,608 last year. Newer business like Used Car Finance, Affordable Housing, Agri Business and Liabilities have seen employee strength increasing. Women employees constitute 11% of the total workforce of the bank. There was an average of more than 60% increase in per employee disbursement productivity in the Retail Assets division (*February 2020 vs March 2019 figures) contributed largely by Emerging business. The Bank has made concerted efforts to ensure that the employees' capabilities are developed by providing continual learning experiences on products and processes. A total of 14,183 Man Days of Classroom Learning Programs and 45,043 Man Hours of E-Learning Programs covering 11,450 employees were done during the year as part of digital learning initiatives 19 Virtual Training Sessions were conducted for close to 300 employees in Liabilities division for the launch of Elite Savings Account. Managerial and Senior Managerial employees form the foundation of the Bank. Over the last couple of years, we have expanded this segment as they anchor critical functions. An exclusive Management Development Program was designed

and rolled out for over 260 Managers across the Bank. Mobile based Learning App “E-Clapp” was launched and the coverage and usage of which has touched 91% of the employees. The HR structure was redrawn into a Centre of Excellence and Business Partnership model to strengthen On-boarding, Performance Management, Competency Building and Employee Engagement. High Achievers Club – a Bank level special recognition program to retain consistent performers was also launched. Equitas is strongly committed to a robust cultural composition, in alignment with its values and mission statements to be effective in ensuring the enduring success of the Bank. The internalization of the core values and demonstration of anchor behaviours across the team will create awareness, enhance alignment and bring in a sense of togetherness cutting across division/departmental boundaries. The Culture Workshop was thus framed and the values were propagated. During the year, 97 workshops covering more than 1700 employees were conducted. Human Resources team will continue to play a pivotal role in ensuring that we have a high-performing and engaged workforce equipped to deliver results.

• Corporate Social Responsibility

The Mission of Equitas Group is ‘Empowering through Financial Inclusion’. In line with this Mission, besides providing finance at reasonable cost to those who are not effectively serviced by the mainstream financial institutions, Equitas has developed a wide range of initiatives towards improving the quality of life of its low-income constituents. These initiatives are carried out through ‘not-for-profit’ Trusts - Equitas Development Initiatives Trust [EDIT] and Equitas Healthcare Foundation [EHF] established by EHL, the Holding Company.

As per the CSR Policy, contributions up to 5% of net profit in each financial year, subject to minimum contribution stipulated under the Companies Act, 2013 are made to EDIT to carry out CSR initiatives.

The various CSR activities undertaken include: i) running eight schools (seven owned schools and one school belonging to VSKD Trust, is managed by us). Our student’s strength for 2019-20 academic year stands, around 5,700 ii) skill development of women through training in tailoring & embroidery, doll making, artificial jewellery making, candle making etc., iii) pavement dwellers rehabilitation programs [Equitas Birds Nest], iv) placement coordination for unemployed youth of low income communities by networking with employers through job fairs and v) conducting primary health camps through tie-ups with hospitals.

Nature of Activity	FY 2019-20	Cumulative
No. of eye-camp participants [A]	2,12,738	24,99,592
No. of spectacles [free of cost]	8,289	1,16,564
No. of cataract operations [free of cost]	1,727	32,520
People covered in other Medical camps [B]	2,06,774	36,08,339
Total [Eye camps + Med. Camps] [A]+[B]	4,19,512	61,07,985
Participants in skill training programs	39,513	5,49,953
No. of people accessing Health Helpline	6,360	32,056

Nature of Activity	FY 2019-20	Cumulative
Placements for Unemployed youth	26,228	1,87,087
Swasth Mahila Health Education	1,02,856	2,68,220
Equitas Birds Nest [Pavement Dwellers Rehabilitation program]	308	1,991

In addition, the Bank through its Micro Finance loan programs supported about 18,134 persons with disabilities during FY 2019-20 and cumulatively over 50,849 persons. Of these, around 2,275 visually challenged persons were supported during the year and cumulatively 7,815. Encouraged by this inclusive model we have mainstreamed 193 Transgender in women’s group.

Outlook and challenges

The COVID-19 pandemic has brought up an unprecedented set of challenges for both, the economy and the population. In 2020-21, we foresee an impact on the Bank’s growth primarily led by extended lockdowns, social distancing norms enforced across the country and the general economic slowdown that may prevail post the pandemic.

However, the Bank primarily focuses on the micro and small enterprises that belong to the underbanked and unbanked segment of the society. These tiny enterprises mostly engage in the non-discretionary consumption sectors that have shown resilience to economic cycles in the past. As these enterprises reopen and generate cash flows, we are optimistic that the Bank will be able to grow, maintain its asset quality and continue its progress towards financial inclusion.

On a positive note, the pandemic has helped the bank introspect its processes, disaster and business continuity readiness, merits of “Work-From-Home”, technology infrastructure and reaffirm its focus on digital led initiatives.

Cautionary Statement

Statements made in this MD&A describing the Group’s objectives, projections, estimates, general market trends, expectations etc., may constitute ‘forward looking statements’ within the ambit of applicable laws and regulations. These ‘forward looking statements’ involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the ‘forward looking statements’. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategies, future levels of non-performing advances, our growth and expansion, the adequacy of our allowance for credit losses, our provisioning policies, technological changes, regulatory changes, investment income, cash flow projections, our exposure to market risks or other risks.

For and on behalf of Board of Directors

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Chennai,
Date : 14 May 2020

Report on Corporate Governance

Corporate Governance Philosophy

The philosophy of Equitas 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. Equitas deals with borrowers who are mostly from the economically weaker sections of the society with poor 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.

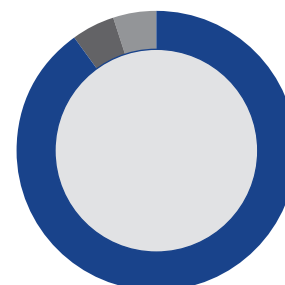
Recognition for Corporate Governance

Equitas Group has always been recognized for its adherence to the highest standards of corporate governance. Equitas Holdings Limited, the Holding Company has also been rated by Institutional Investor Advisory Services, a proxy advisory firm as among the Top 5 companies on the Indian Corporate Governance Scorecard, out of the 50 companies that listed on BSE between April 2015 and March 2017.

Board Composition

The Board of Directors ("Board") currently comprises of eleven (11) Directors drawn from diverse fields/professions,

out of which there were nine (9) Independent Directors including two (2) women directors. The composition of the Board is in conformity with the provisions of Companies Act, 2013 and Banking Regulation Act, 1949.



■ Independent Directors	9
■ Managing Director	1
■ Non Independent Director	1

During the year 2019-20, the Board met 12 times viz, May 09, 2019, June 21, 2019, August 01, 2019, September 10, 2019, September 25, 2019, November 07, 2019, November 22, 2019, December 06, 2019, December 20, 2019, January 29, 2020, February 19, 2020 and March 23, 2020 the gap between any two Meetings has been less than 120 days.

The names and categories of Directors on the Board, their attendance at Board Meetings and at the last AGM and the number of Directorships are given below:

Name	Nature of Directorship	Other Directorships*	No. of Board Meetings during FY 2019-20		Attendance at last AGM
			Held	Attended	
Mr. Arun Ramanathan (Chairman)	Independent Director	2	12	12	Yes
Mr. Arun Kumar Verma	Independent Director	-	12	12	Yes
Prof. Balakrishnan N	Independent Director	3	12	11	Yes
Ms. Lalitha Lakshmanan	Independent Director	1	12	11	Yes
Mr. Nagarajan Srinivasan	Non-Executive Non-Independent Director	8	12	6	No
Mr. Navin Puri*	Independent Director	3	9	9	N.A.
Mr. Sridhar Ganesh	Independent Director	1	12	11	Yes
Mr. Srinivasan N	Independent Director	2	12	10	Yes
Ms. Tabassum Inamdar	Independent Director	1	12	11	No
Mr. Vinod Kumar Sharma	Independent Director	-	12	12	Yes
Mr. Vasudevan P N	Managing Director and Chief Executive Officer	-	12	12	Yes

*Mr. Navin Puri was appointed as Director w.e.f close of office hours of August 01, 2019. Hence, he is entitled to attend the meeting post his appointment.

*Excluding Alternate Directorships and Directorships of Foreign Companies / Bodies, wherever applicable.

There is no relationship between Directors inter-se.

Separate meeting of the Independent Directors

During FY 2019-20, the Independent Directors had a separate meeting on May 09, 2019 without the presence of the Management team and the Non-Independent Directors of the Bank. At the said Meeting, Independent Directors reviewed the performance of Chairman, Non-Independent Directors and Board as a whole and assessed the quality, quantity and timeliness of flow of information between the Management and the Board.

Training of Board Members

All Independent Directors inducted into the Board are given an orientation at the commencement of Directorship. The Bank also facilitates the continuing education requirements of the Directors by arranging interactive sessions with industry experts.

Skills/ Expertise/ Competencies of the Board

The Bank has identified above skills/expertise/competencies as required to be possessed by its Board as

mentioned in the policy, in the context of its businesses and the sectors, for it to function effectively. The details of skills/expertise/competencies available with the Bank and the names of the Directors possessing such skills/expertise/competencies, are detailed as under:

S. No.	Name of Director	Special Knowledge / Practical Experience
1.	Mr. Arun Ramanathan	Business and Public administration/ Economics/ Cost Accounting/ Finance
2.	Mr. Arun Kumar Verma	Accounting/Taxation/Economics
3.	Prof. Balakrishnan N	Information Technology/ Risk management
4.	Ms. Lalitha Lakshmanan	Banking/Risk management
5.	Mr. Nagarajan Srinivasan	Economics/Business administration/Finance
6.	Mr. Navin Puri	Business administration/Banking
7.	Mr. Sridhar Ganesh	Business administration/Human Resource management
8.	Mr. Srinivasan N	Economics/Banking/ Agriculture/ Rural Economy
9.	Ms. Tabassum Inamdar	Accounting/Investment Banking/ Insurance
10.	Mr. Vinod Kumar Sharma	Banking/Risk management/ Rural Economy
11.	Mr. Vasudevan P N	Banking/Finance/Business administration

Committees of the Board

The Board at present has Thirteen (13) Committees of the Board, constituted in accordance with the provisions of Companies Act, 2013 and RBI Guidelines and Directions issued to banks from time to time viz.,

1. Audit Committee,
2. Risk Management Committee,
3. Nomination & Remuneration Committee,
4. Corporate Social Responsibility Committee,
5. Stakeholders Relationship Committee,
6. Customer Service Committee,
7. Special Committee for Monitoring High Value Frauds,
8. Business Committee,
9. Review Committee for identification of Wilful Defaulters,
10. IT Strategy Committee
11. Credit Committee
12. Policy Formulation Committee and
13. Listing Committee

The Board fixes the terms of reference of Committees and also delegates powers from time to time. The Minutes of the Meetings of the Committees are placed before the Board for its information.

Audit Committee

Composition

As on March 31, 2020, the Audit Committee comprised of four (4) Independent Directors.

1. Mr. Arun Kumar Verma, Chairman

2. Ms. Lalitha Lakshmanan
3. Ms. Tabassum Inamdar
4. Mr. Vinod Kumar Sharma

Meetings & Attendance

The Committee held Fifteen (15) Meetings during the year on April 30, 2019, May 08, 2019, June 20, 2019, June 21, 2019, July 30, 2019, July 31, 2019, September 25, 2019, November 05, 2019, November 06, 2019, November 22, 2019, December 19, 2019, January 09, 2020, January 28, 2020, February 19, 2020 and March 23, 2020:

Name	No. of Meetings	
	Held	Attended
Mr. Arun Kumar Verma, Chairman	15	15
Ms. Lalitha Lakshmanan	15	15
Ms. Tabassum Inamdar	15	13
Mr. Vinod Kumar Sharma	15	13

Terms of Reference

The terms of reference of the Audit Committee include:

- 1) Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- 2) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor, the remuneration and terms of appointment of auditors of the Bank;
- 3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- 4) 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 of clause (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.
- 5) Reviewing, with the Management, the quarterly financial statements before submission to the board for approval;
- 6) Reviewing, with the Management, the statement of uses / application of funds raised through an issue

- (preferential issue, rights issue, etc), the statement of funds utilized for purposes other than those stated in the offer document / notice and making appropriate recommendations to the Board to take up steps in this matter;
- 7) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
 - 8) Approval or any subsequent modification of transactions of the Bank with related parties;
 - 9) Scrutiny of inter-corporate loans and investments;
 - 10) Valuation of undertakings or assets of the Bank, wherever it is necessary;
 - 11) Evaluation of internal financial controls and risk management systems;
 - 12) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 - 13) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
 - 14) Discussion with internal auditors on any significant findings and follow up there on.
 - 15) 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.
 - 16) 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.
 - 17) 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;
 - 18) To review the functioning of the Whistle Blower mechanism;
 - 19) Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc of the candidate;
 - 20) Review on quarterly basis, the securitization / bilateral assignment transactions and investment activities of the Bank.
 - 21) Review on quarterly basis complaints under Policy on Prevention of Sexual Harassment of Women at Workplace.
 - 22) 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.
 - 23) To discuss and follow up on the observations relating to Inspection Report/ Risk Assessment Report of the RBI
 - 24) To obtain and review quarterly/ half-yearly reports of the Compliance Officer appointed by the Bank, in terms of RBI instructions
 - 25) To review compliance with KYC/ AML Guidelines including periodic review of audit reports on adherence to KYC/AML guidelines at branches
 - 26) To review penalties imposed/ penal action taken against Bank under various laws and statutes and corrective action taken
 - 27) To review IT Governance & Infrastructure and Information Security Risk related aspects of the Bank.
 - 28) 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.
- The Audit Committee shall mandatorily review the following information:
- 1) Management discussion and analysis of financial condition and results of operations;
 - 2) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - 3) Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - 4) Internal audit reports relating to internal control weaknesses;
 - 5) The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Risk Management Committee Composition

As on March 31, 2020, the Risk Management Committee of the Board comprised of four (4) Independent Directors and the MD & CEO.

1. Mr. Vinod Kumar Sharma, Chairman
2. Mr. Arun Kumar Verma
3. Prof. Balakrishnan N
4. Ms. Lalitha Lakshmanan
5. Mr. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held Six (6) Meetings during the year on April 30, 2019, May 08, 2019, June 21, 2019, July 31, 2019, November 07, 2019 and January 29, 2020:

Name	No. of Meetings	
	Held	Attended
Mr Vinod Kumar Sharma, Chairman	6	6
Mr. Arun Kumar Verma	6	6
Prof. Balakrishnan N	6	6
Ms. Lalitha Lakshmanan	6	6
Mr. Vasudevan P N, MD & CEO	6	6

Terms of Reference

The terms of reference of the Risk Management Committee include

- 1) Laying down and review of procedures relating to risk assessment & risk minimization to ensure that executive management controls risk through means of a properly defined framework.
- 2) Apprising the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy.
- 3) To decide the policy and strategy for integrated risk management containing various risk exposures including credit, market, liquidity, operational and reputational risk.
- 4) To obtain regular risk management reports to enable the Committee to assess risks involved in Bank business and give clear focus to current and forward looking aspects of risk exposure.
- 5) To review the Asset Liability Management (ALM) of the Bank on a regular basis.
- 6) To review risk return profile of the Bank, capital adequacy based on risk profile of Bank balance sheet, business continuity plan, disaster recovery plan, key risk indicators and significant risk exposures.
- 7) To carry out prudent risk diversification ensuring that credit exposure to any group or industry does not exceed the internal limits.

Nomination & Remuneration Committee

Composition

As on March 31, 2020, the Nomination & Remuneration Committee comprised of five (5) Independent Directors and one (1) Non-Executive Non-Independent Director:

1. Mr. Sridhar Ganesh, Chairman
2. Prof. Balakrishnan N
3. Mr. Nagarajan Srinivasan
4. Mr. Srinivasan N
5. Mr. Vinod Kumar Sharma
6. Mr. Navin Puri

Meetings & Attendance

The Committee held Six (6) Meetings during the year on May 08, 2019, July 31, 2019, November 07, 2019, November 22, 2019, January 29, 2020 and March 24, 2020:

Name	No. of Meetings	
	Held	Attended
Mr. Sridhar Ganesh, Chairman	6	6
Prof. Balakrishnan N	6	6
Mr. Nagarajan Srinivasan	6	1
Mr. Srinivasan N	6	6
Mr. Vinod Kumar Sharma	6	6
Mr. Navin Puri**	3	3

**Inducted into the Committee in the Board Meeting held on November 7, 2019

Terms of reference

The terms of reference of the Nomination and Remuneration Committee include

- 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 employees;
- 2) To undertake a process of due diligence to determine the suitability of any person for appointment/continuing to hold appointment 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 Independent Directors and the Board;
- 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 to complement the Bank's corporate strategy;
- 7) To assess the independence of Independent Non-Executive Directors;
- 8) To review the results of the Board performance evaluation process that relate to the composition of the Board;
- 9) Annual appraisal of the performance of the Managing Director and fixing his/her terms of remuneration.
- 10) Annual appraisal of the Senior Management team reporting to the Managing Director.
- 11) Annual Performance Review of the staff

- 12) Framing guidelines for the Employee Stock Option Scheme (ESOS) and decide on the grant of stock options to the employees and Whole Time Directors of the Bank and its subsidiaries.

Corporate Social Responsibility Committee

Composition

As on March 31, 2020, the Corporate Social Responsibility Committee comprised of four(4) Independent Directors, one (1) Non-Executive Director and the MD & CEO:

1. Mr. Nagarajan Srinivasan, Chairman
2. Mr. Navin Puri
3. Mr. Sridhar Ganesh
4. Mr. Srinivasan N
5. Ms. Tabassum Inamdar
6. Mr. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held two (2) Meetings during the year on May 09, 2019 and November 06, 2019:

Name	No. of Meetings	
	Held	Attended
Mr Nagarajan Srinivasan, Chairman	2	0
Mr Navin Puri**	NA	NA
Mr. Sridhar Ganesh	2	2
Mr. Srinivasan N	2	2
Ms. Tabassum Inamdar	2	1
Mr. Vasudevan P N, MD & CEO	2	2

**Inducted into the Committee in the Board Meeting held on November 7, 2019

Terms of reference

The terms of reference of the Corporate Social Responsibility Committee include:

- 1) Review the Mission of the Organisation from time to time and ensure it stays aligned to changing contexts of the Organisation.
- 2) Ensure alignment of the Business goals and objectives of the Bank in line with the Mission of the Organisation.
- 3) Bring specific focus on certain excluded segments of client community and set benchmarks for the same.
- 4) Review all the social activities of the Bank and suggest to the Board of Trustees suitable measures for enhancing the efficacy of these activities.
- 5) Deploy such tools of measurement as may be relevant and available from time to time to study the impact of the Social Performance activities of the Bank and benchmark the same with other organisations in India and around the world.
- 6) Disseminate information related to the Social Performance of the Organisation in such manner as deemed appropriate.
- 7) To review the amount spent on social activities and to advise the Board and the Trustees on its efficacies.

Stakeholders Relationship Committee

Composition

As on March 31, 2020, the Stakeholders Relationship Committee comprised of four (4) Independent Directors:

1. Mr. Navin Puri, Chairman
2. Mr. Arun Kumar Verma
3. Ms. Lalitha Lakshmanan and
4. Mr. Vinod Kumar Sharma

Meetings & Attendance

The Committee did not hold any Meeting during the year.

Terms of reference

- 1) To resolve the grievances of the security holders of the Bank including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/ duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;
- 2) To review of measures taken for effective exercise of voting rights by shareholders;
- 3) To review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent;
- 4) To review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Bank;
- 5) Issue of duplicate certificates and new certificates on split / consolidation / renewal;
- 6) To allot shares on exercise of options granted to employees of the Bank under the ESFB ESOP Plan 2019 or any such other scheme formulated by the Bank from time to time;
- 7) Carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act or the SEBI Listing Regulations or by any other regulatory authority.

Customer Service Committee

Composition

As on March 31, 2020, the Customer Service Committee comprised of four (4) Independent Directors and the MD & CEO:

1. Ms. Lalitha Lakshmanan, Chairperson
2. Prof. Balakrishnan N
3. Mr. Sridhar Ganesh
4. Ms. Tabassum Inamdar
5. Mr. Navin Puri
6. Mr. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held 4 (four) Meetings during the year on June 20, 2019, September 24, 2019, December 19, 2019 and March 23, 2020:

Name	No. of Meetings	
	Held	Attended
Ms. Lalitha Lakshmanan, Chairperson	4	4
Prof. Balakrishnan N	4	4
Mr. Sridhar Ganesh	4	4
Mr. Navin Puri**	2	1
Ms. Tabassum Inamdar	4	4
Mr. Vasudevan P N, MD & CEO	4	4

**Inducted into the Committee in the Board Meeting held on November 7, 2019

Terms of reference

The terms of reference of the Customer Service Committee include:

- 1) To review the level of customer service in the Bank including customer complaints and the nature of their resolution,
- 2) To provide guidance in improving the level of customer service,
- 3) To ensure that the Bank provides and continues to provide best-in-class services across all its categories of customers to help the Bank in protecting and growing its brand equity,
- 4) To formulate a comprehensive Deposit Policy incorporating issues such as claims, nomination and/or operations in such accounts due to death of a depositor, annual survey of depositor satisfaction, product approval process and triennial audit of customer services,
- 5) To oversee the functioning of the internal committee for customer service,
- 6) To evolve innovative measures for enhancing the quality of customer service and improving the overall satisfaction level of customers,
- 7) To ensure implementation of directives received from RBI with respect to rendering of services to Bank customers.

Special Committee for Monitoring High Value Frauds Composition

As on March 31, 2020, the Committee comprised of three (3) Independent Directors, one (1) Non-Executive Director and the Managing Director & CEO:

1. Mr. Srinivasan N, Chairman
2. Mr. Arun Kumar Verma
3. Mr. Nagarajan Srinivasan
4. Ms Tabassum Inamdar
5. Mr. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee did not hold any Meeting during the year as there was no fraud of ₹1 crore and above detected during the year.

Terms of reference

The Committee monitors and reviews all frauds of ₹1 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, in reporting to the 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) To put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

Business Committee

Composition

As on March 31, 2020, the Business Committee comprised of five (5) Independent Directors, one (1) Non-Executive Director and the MD & CEO:

1. Mr. Srinivasan N, Chairman
2. Ms. Lalitha Lakshmanan
3. Mr. Nagarajan Srinivasan
4. Mr. Sridhar Ganesh
5. Ms. Tabassum Inamdar
6. Mr. Navin Puri
7. Mr. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held Five (5) Meetings during the year on May 09, 2019, August 01, 2019, November 06, 2019, January 28, 2020 and February 24, 2020:

Name	No. of Meetings	
	Held	Attended
Mr. Srinivasan N, Chairman	5	5
Ms. Lalitha Lakshmanan	5	4
Mr. Nagarajan Srinivasan	5	1
Mr. Sridhar Ganesh	5	5
Mr. Navin Puri**	2	2
Ms. Tabassum Inamdar	5	4
Mr. Vasudevan P N, MD & CEO	5	5

**Inducted into the Committee in the Board Meeting held on November 7, 2019

Terms of reference

The Committee reviews and submits its recommendations to the Board on the following matters:

1. Formulation of Annual Business Plans
2. Review of business performance vs the approved business plan
3. Mid-year review and revision of business plan, if warranted by the circumstances
4. New Business Initiatives proposed to be undertaken by the Bank

Review Committee for Identification of Wilful Defaulters

Composition

As on March 31, 2020, the Review Committee for Identification of Wilful Defaulters comprised of three (3) Independent Directors and MD & CEO:

1. Mr. Vasudevan P N, MD & CEO, Chairman
2. Mr. Arun Kumar Verma
3. Prof. Balakrishnan N
4. Mr. Vinod Kumar Sharma

Meetings & Attendance

The Committee did not hold any Meeting during FY 2019-20.

Terms of reference

The Committee would review the decisions of the Executive Committee for identification of Wilful defaulters/ non-cooperative borrowers and finalise the same.

IT Strategy Committee**Composition**

As on March 31, 2020, The IT Strategy Committee comprised of two (2) Independent Directors and the MD & CEO:

1. Prof. Balakrishnan N, Chairman
2. Ms. Lalitha Lakshmanan
3. Mr. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held Five (5) Meetings during the year on April 30, 2019, June 20, 2019, September 24, 2019, December 20, 2019 and March 23, 2020:

Name	No. of Meetings	
	Held	Attended
Prof. Balakrishnan N, Chairperson	5	5
Ms. Lalitha Lakshmanan	5	5
Mr. Vasudevan P N, MD & CEO	5	5

Terms of reference

1. To approve IT strategy and policy documents.
2. To ensure that management has an effective strategic planning process.
3. To ensure that IT strategy is aligned with business strategy.

4. To ensure that investments in Information Technology represent a balance of risks and benefits for sustaining Bank's growth and within the acceptable budget.
5. To monitor IT resources required to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
6. To oversee implementation of processes and practices and ensuring that maximum value is delivered to business.
7. To ensure that all critical projects have a component for 'project risk management' from IT perspective (by defining project success measures and following up progress on IT projects).
8. To define and ensure effective implementation of standards of IT Governance, Business Continuity and Data Governance.
9. To ensure that there is an appropriate framework of information security risk assessment within the Bank.
10. To assess exposure to IT Risks and its controls, and evaluating effectiveness of management's monitoring of IT risks.
11. To provide direction to IT architecture design and ensure that the IT architecture reflects the need for legislative and regulatory compliance, the ethical use of information and business continuity.
12. To approve capital and revenue expenditure in respect of IT Procurements.

Credit Committee**Composition**

As on March 31, 2020, the Credit Committee comprised of three (3) Independent Directors:

1. Ms. Lalitha Lakshmanan, Chairperson
2. Mr. Srinivasan N
3. Ms. Tabassum Inamdar

Meetings & Attendance

The Committee held Four (4) Meetings during the period on May 08, 2019, July 31, 2019, November 06, 2019 and January 28, 2020.

Name	No. of Meetings	
	Held	Attended
Ms. Lalitha Lakshmanan, Chairperson	4	4
Mr. Srinivasan N	4	4
Ms. Tabassum Inamdar	4	3

Terms of reference

The Committee considers and approve loans exceeding ₹50 crore.

Policy Formulation Committee

Composition

As on March 31, 2020, the Policy Formulation Committee is chaired by an Independent Director and comprises of four (4) Independent Directors:

1. Mr. Vinod Kumar Sharma, Chairman
2. Mr. Arun Kumar Verma
3. Ms. Lalitha Lakshmanan
4. Mr. Srinivasan N

Meetings & Attendance

The Committee held Nine (9) Meetings during the year on April 30, 2019, June 21, 2019, August 01, 2019, September 25, 2019, November 07, 2019, November 22, 2019, December 19, 2019, January 29, 2020 and March 23, 2020.

Name	No. of Meetings	
	Held	Attended
Mr. Vinod Kumar Sharma, Chairman	9	9
Mr. Arun Kumar Verma	9	9
Ms. Lalitha Lakshmanan	9	9
Mr. Srinivasan N	9	7

Terms of reference

The Committee would make suitable recommendations to the Board on formulation, review and amendment of the Policies of the Bank as it deems fit and in line with the regulations of RBI and other applicable laws.

Listing Committee

Composition

As on March 31, 2020, the Listing Committee is chaired by an Independent Director and comprises of four (4) Independent Directors and the MD & CEO:

1. Mr. Srinivasan N, Chairman
2. Mr. Arun Kumar Verma
3. Ms. Lalitha Lakshmanan
4. Ms. Tabassum Inamdar
5. Mr. Vasudevan P N, MD & CEO.

Meetings & Attendance

The Committee held Four (4) Meetings during the year on September 20, 2019, September 25, 2019, November 22, 2019 and November 30, 2019

Name	No. of Meetings	
	Held	Attended
Mr. Srinivasan N, Chairman	4	4
Mr. Arun Kumar Verma	4	4
Ms. Lalitha Lakshmanan	4	3
Ms. Tabassum Inamdar	4	3
Mr. Vasudevan P N, MD & CEO	4	4

Terms of reference

- (a) To decide on the timing and subject to the applicable provisions of the Articles of Association of the Company the pricing and all the terms and conditions of the issue of the Equity Shares for the Issue, including the number of the Equity Shares to be issued in the Issue, price and any discount as

allowed under Applicable Laws that may be fixed and determined in accordance with the applicable law, and to accept any amendments, modifications, variations or alterations thereto;

- (b) To ascertain and determine, subject to the applicable provisions of the Articles of Association of the Company, the quantum of shares to be offered for sale (OFS) by the existing shareholders of the Company which will form part of the Issue, decide on the size, timing, pricing and any discount as allowed under applicable laws that may be fixed and determined in accordance with the applicable law, and to accept any amendments, modifications, variations or alterations thereto;
- (c) To approve appointment and arrangement with the book running lead managers ("BRLMs"), underwriters to the Issue, syndicate members to the Issue, brokers to the Issue, escrow collection bankers to the Issue, refund bankers to the Issue, registrar(s), legal advisors, advertising agency(ies) and any other agencies or persons or intermediaries to the Issue and authorize one or more officers of the Company to negotiate, finalise and amend the terms of their appointment, including but not limited to execution of the mandate letter with the BRLMs, negotiation, finalisation and execution and if required, amendment of the issue agreement with the BRLMs, etc.;
- (d) To approve and authorize one or more officers of the Company to negotiate, finalise, settle, execute and deliver or arrange the delivery of the syndicate agreement, underwriting agreement, escrow agreement, agreements with the registrar to the Issue and the advertising agency(ies) and all other documents, deeds, agreements, memorandum of understanding or any amendments thereto and other instruments whatsoever with the registrar to the Issue, legal advisors, auditors, stock exchange(s), BRLMs and any other agencies/ intermediaries in connection with the Issue;
- (e) To approve and adopt the DRHP, the RHP, the Prospectus, the Bid-cum-Application Form, the preliminary and final international wrap for the issue of Equity Shares and authorize one or more officers of the Company to take all such actions as may be necessary for filing of these documents including incorporating such alterations/ corrections/ modifications as may be required by SEBI, RoC, or any other relevant governmental and statutory authorities;
- (f) To approve making of applications, if necessary, to the Reserve Bank of India, the Foreign Investment Promotion Board or to any other statutory or governmental authorities in connection with the Issue and to authorize one or more officers of the Company to take all such actions as may be necessary for filing of these applications;
- (g) To approve any corporate governance requirements that may be considered necessary by the Board or

the IPO Committee or as may be required under the Applicable Laws or the listing agreement to be entered into by the Company with the relevant stock exchanges;

- (h) To authorize one or more officers of the Company to seek, if required, the consent of the lenders to the Company, parties with whom the Company has entered into various commercial and other agreements, and any other consents that may be required in relation to the Issue;
- (i) To authorize one or more officers of the Company to open and operate bank account(s) of the Company in terms of the escrow agreement for handling of refunds for the Issue and to execute all documents/deeds as may be necessary in this regard;
- (j) To authorize one or more officers of the Company to open and operate bank accounts of the Company in terms of Section 40(3) of the Companies Act, 2013, as amended, and to execute all documents/deeds as may be necessary in this regard;
- (k) To determine and finalise, subject to the Articles of Association of the Company, the bid opening and bid closing dates (including bid opening and bid closing dates for anchor investors), the floor price/price band for the Issue (including issue price for anchor investors), approve the basis of allotment and confirm allocation/allotment of the equity shares to various categories of persons as disclosed in the DRHP, the RHP and the Prospectus, in consultation with the BRLMs and the selling shareholders (to the extent applicable) and do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Issue including any alteration, addition or making any variation in relation to the Issue;
- (l) To approve issue receipts/allotment letters/confirmations of allotment notes either in physical or electronic mode representing the underlying equity shares in the capital of the Company with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s) and authorize one or more officers of the Company to sign all or any of the afore stated documents; agencies, as may be required in this connection and to negotiate, finalize, settle, execute and deliver all or any of the afore-stated documents;
- (m) To authorize one or more officers of the Company to finalize applications for listing of the shares in one or more recognised stock exchange(s) for listing of the equity shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s);
- (n) To authorize one or more officers of the Company to do all such deeds and acts as may be required to dematerialise the equity shares of the Company and to sign and/or modify, as the case may be,

agreements and/or such other documents as may be required with National Securities Depository Limited, Central Depository Services (India) Limited, registrar & transfer agents and such other agencies, as may be required in this connection and to negotiate, finalize, settle, execute and deliver all or any of the afore-stated documents;

- (o) To approve and authorize one or more officers of the Company to finalize the incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Issue;
- (p) To authorize and approve notices, advertisements in relation to the Issue in consultation with the relevant intermediaries appointed for the Issue;
- (q) To authorize withdrawing of the DRHP, RHP and the Issue at any stage, if deemed necessary;
- (r) To settle any question, difficulty or doubt that may arise in connection with the Issue including the issue and allotment of the Equity Shares as aforesaid and to further delegate the powers conferred hereunder subject to such restrictions and limitations as it may deem fit and in the interest of the Company and to the extent allowed under applicable laws and to do all such acts and deeds in connection therewith and incidental thereto, as the Committee may in its absolute discretion deem fit;
- (s) To authorize one or more officers of the Company to negotiate, finalize, settle, execute and deliver any and all other documents, certificates, confirmations, letters or instruments and doing or causing to be done any and all acts or things as the IPO Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of the foregoing or in connection with the Issue and any documents or instruments so executed and delivered or acts and things done or caused to be done by the IPO Committee shall be conclusive evidence of the authority of the IPO Committee in so doing.

Remuneration of Directors

All Directors except Executive Directors are paid following Sitting Fee for attending Meetings of Board and Committees,

Sl. No.	Nature of Meetings	Sitting Fees (₹)
1	Board	50,000
2	Audit Committee and Business Committee	40,000
3	Other Committees of the Board*	30,000

*Independent Directors are paid Sitting Fee of 30,000- for attending the Separate Meeting of the Independent Directors.

Chairperson of the Board and Committees are being paid an additional sitting fees of INR 10,000 and INR 5,000 for every Board/ Committee chaired by him/her.

Details of Remuneration Sitting Fees paid to Directors for the period ended March 31, 2020 along with their shareholding in the /Bank are as under:

Name	Remuneration (₹)	Sitting Fees (₹)		No. of equity shares held as on March 31, 2020
		Board	Committee	
Mr Arun Ramanathan (Chairman)	12,00,000	7,00,000	30,000	Nil
Mr. Arun Kumar Verma	9,00,000	6,00,000	13,55,000	Nil
Prof. Balakrishnan N	6,00,000	5,50,000	7,55,000	Nil
Ms. Lalitha Lakshmanan	6,00,000	5,50,000	18,40,000	Nil
Mr. Nagarajan Srinivasan%	-	-	-	Nil
Mr. Navin Puri*	4,00,000	4,50,000	2,00,000	Nil
Mr. Sridhar Ganesh	6,00,000	5,50,000	6,25,000	Nil
Mr. Srinivasan N	6,00,000	5,10,000	9,65,000	Nil
Ms. Tabassum Inamdar	6,00,000	5,50,000	10,95,000	Nil
Mr. Vinod Kumar Sharma	6,00,000	6,10,000	13,35,000	Nil

% Mr Nagarajan Srinivasan has waived his right to receive remuneration/ commission/ sitting fee payable to him as Director of the Bank

*Mr Navin Puri joined the Bank from the closing hours of August 1, 2019 and hence the remuneration to Mr Navin Puri is pro-rated accordingly.

There are no performance linked incentives, service contracts, notice period or severance fees. The Non-Executive Directors are not eligible for Stock Options.

Remuneration to Managing Director

Details of the remuneration of the Managing Director for the year ended March 31, 2020 are as follows:

Sl. No.	Nature of Payment	Amount (₹ in lakh)
1	Salary	165.00
2	Perquisite value of car	0.32
3	Others-Employer's contribution to Provident Fund	5.66
Total		170.98

Annual General Meetings

Details relating to last three Annual General Meetings:

Year	Date	Time	Location	No. of Special Resolution [s] passed
2019	August 1, 2019	05.30 PM	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Three
2018	July 26, 2018	05.30 PM	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Nil
2017	June 23, 2017	05:00 PM	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	One

All the proposed resolutions, including Special Resolutions, were passed by the shareholders as set out in the respective Notices.

No Resolution has been passed through Postal ballot during the year.

Disclosures in relation to The Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013:

The particulars of complaints received during the year under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

a. Number of complaints filed during the financial year	7
b. Number of complaints disposed of during the financial year	7
c. Number of complaints pending as on end of the financial year.	Nil

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 and displayed at all Branches of the Bank.

MD &CEO/CFO Certification

MD & CEO and CFO certificate to the Board as per Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been obtained.

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 FY 2019-20. The Declaration to this effect signed by MD& CEO has been annexed with this Report.

Whistle Blower Policy

The Bank has formulated a Whistle Blower Policy pursuant to which Directors, employees and vendors of the Bank can report their concerns on unethical and improper behavior, 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. Details of complaints received and the actions taken are reviewed by the Audit Committee. None of the personnel has been denied access to the Audit Committee.

Regular Updates

The Bank keeps the Board and stakeholders updated on the happenings of the Bank and all events and happenings of importance in the sector.

Disclosures

The particulars of transactions between the Bank and its Related Parties, as defined under Section 2(76) of the Companies Act, 2013 and in Accounting Standard 18, are set out in the financial statements.

The Bank has a record of unqualified financial statements since inception.

In their Secretarial Audit Report for FY 2019-20, the Secretarial Auditors have also certified the adequacy of Board-processes and compliance mechanism in place.

The Bank is in compliance with the requirements stipulated under Regulations 17 to 27 and Clauses (b) to (i) of sub-regulation (2) of Regulation 46 of SEBI Listing Regulations and amendments thereto, as applicable, with regard to Corporate Governance.

General Shareholder Information

Annual General Meeting: Date : July 28, 2020

Time : 5.30 PM

Mode : Video Conferencing

Financial year : April 1 to March 31

Shareholding pattern as on March 31, 2020

Category	No of shares*	%
Equitas Holdings Limited	1,00,59,43,348	95.49
Mr. S Bhaskar, nominee of Equitas Holdings Limited	10	0
Mr. Mohanan B, nominee of Equitas Holdings Limited	1	0
Mr. Sridharan N, nominee of Equitas Holdings Limited	1	0
Mr. Arcot Sravanakumar, nominee of Equitas Holdings Limited	1	0
Mr. John Alex, nominee of Equitas Holdings Limited	1	0
Mr. Raghavan H K N, nominee of Equitas Holdings Limited	1	0
IIFL Special Opportunities Fund	70,00,759	0.66
IIFL Special Opportunities Fund - Series 2	52,14,503	0.49
IIFL Special Opportunities Fund - Series 3	22,94,989	0.21
IIFL Special Opportunities Fund - Series 4	89,50,998	0.85
IIFL Special Opportunities Fund - Series 5	85,69,293	0.81
IIFL Special Opportunities Fund - Series 6	3,79,650	0.03
IIFL Special Opportunities Fund - Series 7	81,95,353	0.78
IIFL High Growth Companies Fund	56,94,760	0.54
High conviction fund - series 1	4,74,563	0.04
IIFL Focused Equity Strategies Fund	6,83,371	0.06
Total	105,34,01,602	100%

*All the shares are held in dematerialized form.

The Non-Convertible Debentures (NCDs) of the Bank have been issued in dematerialized form and all outstanding NCDs have been listed in the Bombay Stock Exchange (BSE). The details of ISIN Nos. and Stock Code of such listed NCDs which are currently outstanding are as follows:

Sl. No.	Nature of NCDs	Issue Size [₹]	Outstanding as on March 31, 2020 [₹]	ISIN No	Scrip Code
1	14.95% - Unsecured	40,00,00,000	40,00,00,000	INE063P08013	951930
2	16.00% - Unsecured	30,00,00,000	30,00,00,000	INE186N08025	951924
3	13.80% - Unsecured	30,00,00,000	30,00,00,000	INE186N08033	952815
4	14.05% - Unsecured	1,20,00,00,000	1,20,00,00,000	INE186N08041	952812

Transfer Agents : Kfin Technologies Private Limited
Karvy Selenium Tower B,
Plot No 31 & 32
Gachibowli, Financial District,
Nanakramguda, Serilingampally
Hyderabad – 500 032
Phone: +91 40 67161604

Debenture Trustees :

Ms. Anjalee Athalye IDBI Trusteeship Services Ltd Asian Building, Ground Floor, 17 R Kamani Marg, Ballard Estate, Fort, Mumbai – 400001	Ms. Deesha Trivedi Catalyst Trusteeship Limited Windsor, 6th Floor, Office No – 604, C.S.T. Road, Kalina, Santacruz (East) Mumbai – 400098
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Name and Address : Mr. K.R. Sampath Kumar
of Compliance Company Secretary
officer for Equitas Small Finance Bank Limited
correspondence 4th Floor, Phase-II, Spencer Plaza,
No.769, Mount Road,
Anna Salai, Chennai – 600 002
Phone: +91 44 42995000;
Fax: +9144 42995050
Email: secretarial@equitas.in

For and on behalf of **Board of Directors**

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Chennai,
Date : 14 May 2020

MD &CEO / CFO Certificate

The Board of Directors

Equitas Small Finance Bank Limited

This is to certify that:

1. We have reviewed the Financial Statements and the Cash Flow Statement for the Financial Year ended March 31, 2020 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent or illegal or violative of Bank's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting. We have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and the same were found to be adequate.
4. We have indicated to the Auditors and the Audit Committee:
 - a. Significant changes in internal control over financial reporting during the year; 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

Vasudevan P N
MD & CEO

Sridharan N
Chief Financial officer

Chennai,
Date : 14 May 2020

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, 2020 received a declaration in writing from all Members of the Board and Senior Management team of the Bank affirming their adherence to the Code of Conduct adopted by the Bank.

Vasudevan P N
Managing Director and Chief Executive Officer

Chennai,
14 May 2020

Business Responsibility Report

(Pursuant to Regulation 34 (2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"))

Introduction

Equitas Small Finance Bank Limited ("The Bank") has adopted a Stakeholder Centric Sustainability Framework to strategically drive its sustainability initiatives. The disclosures in this report are aligned to the Principles of Business Responsibility as prescribed under the National

Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG-SEE) released by Ministry of Corporate Affairs, Government of India. This report provides transparent and relevant information on the Bank's efforts and its performance against the nine principles of Business Responsibility.

Section A	General information about the company	
1	Corporate Identity Number (CIN) of the Company	U65191TN1993PLC025280
2	Name of the Company	Equitas Small Finance Bank Limited
3	Registered address	4th Floor, Phase II, Spencer Plaza No.769, Mount Road, Anna Salai Chennai TN 600002
4	Website	www.equitasbank.com
5	Email id	secretarial@equitas.in
6	Financial year reported	2019-20
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	National Industrial Classification 2008 Section K : Financial and Insurance Activities Code : 64191
8	Three key products/services of the Company (as in balance sheet)	<u>Assets Products</u> Micro Loan against Property Commercial Vehicle Finance lending Micro Finance lending <u>Liabilities Products</u> Demand Deposits Time Deposits Fee Based Products viz., distribution of insurance and mutual fund products, providing of locker facility, etc.
10	Number of National locations	The Bank operates from more than 853 locations across 15 States/Union Territories (including National Capital Territory) of the country.
11	Markets served by the Company – Local/State/National/International	National

Section B	Financial details of the company	
S.No.	Particulars	Details
1.	Paid up capital (₹ in lakhs)	1,05,340.16
2	Total turnover (₹ in lakhs)	2,92,779.55
3	Total profit after taxes (₹ in lakhs)	24,363.54
4	Total spending on Corporate Social Responsibility (CSR) as a percentage of Profit After Tax (%)	5.45
5	List of activities in which expenditure in 4 above has been incurred	<p>The Bank undertakes various CSR activities in accordance with its 'Policy on Corporate Social Responsibility', which includes:</p> <ol style="list-style-type: none"> 1. Educational Initiatives – Running schools in 7 locations across Tamil Nadu 2. Imparting of skill training to Joint Liability Group (JLG) women members to improve their income levels 3. Health care initiatives – Health care and medical camps, Equitas Sugam Clinics for the underprivileged 4. Holding job fairs for placement of unemployed youth in suitable jobs 5. Equitas Birds Nest Project: Rehabilitation of Homeless Pavement Dwellers by providing stable house and handholding for 6 months till they attain self-sustenance status <p>Additional information on the Bank's CSR initiatives is discussed under MD&A Report forming part of the Annual Report</p>

Section C	Other Details
1	Does the Company have any Subsidiary Company/ Companies? No
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such Subsidiary Company(s) Not applicable
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] No

Section D	BR Information
1	Details of Director(s) responsible for BR
	(a) Details of the Director responsible for implementation of the BR policy(ies)
	1. DIN 01550885
	2. Name Mr. Vasudevan P N
	3. Designation MD & CEO
	(b) Details of the BR head
	1. DIN (if applicable) Not applicable
	2. Name Mr. Raghavan H K N
	3. Designation Senior President – Retail Assets
	4. Telephone number + 91 44 4299 5000
	5. e-mail id corporate@equitas.in

2. Principle-wise (as per National Voluntary Guidelines) BR Policy(ies)

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	Do you have a policy(ies) for....	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3	Does the policy conform to any national / international Standards? If yes, specify? (50 words)*	Y	Y	Y	Y	Y	Y	-	Y	Y
4	Has the policy been approved by the Board?	Y	Y	Y	Y	Y	Y	-	Y	Y
5	Does the Company have a specified Committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6	Indicate the link for the policy to be viewed online	All Policies which are statutorily required to be displayed on our website www.equitasbank.com								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Communication on policies covering all internal and external stakeholders is an on-going process.								
8	Does the Company have in-house structure to implement the policy(ies)	Y	Y	Y	Y	Y	Y	-	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy(ies) to address stakeholders' grievances related to the policy(ies)	Y	Y	Y	Y	Y	Y	-	Y	Y
10	Has the Company carried out independent audit / evaluation of the working of these policies by an internal or external agency?	The Heads of Departments are responsible for effective implementation of the Policies. The Compliance Department of ESFBL monitors the adherence to implementation of policies mandated by RBI.								

*All Policies have been formulated after detailed deliberations on best practices adopted by banks and financial institutions and customized as per our requirements.

P1	Code of Conduct adopted for employees, Directors and senior management and Whistle Blower Policy ensure conducting of business with Ethics, Transparency and Accountability.
P2	Fair Practices Code promote responsible lending and banking practices. It ensures guard against over-leveraging to ensure sustainability, throughout the life cycle of the customer.
P3	Policy on Prevention of Sexual Harassment and Whistle Blower Policy, endeavors to maintain an organization wide environment of care, concern, nurturing and to provide an opportunity to women employees to accomplish their professional aspirations. This Policy can be viewed online at www.equitasbank.com .
P4	The interests of the marginalised and vulnerable stakeholders are addressed through Priority Sector Lending and Financial Inclusion. The Fair Practices Code protects the interests of customers who are primarily from the vulnerable sections of the society. Corporate Social Responsibility [CSR] Policy seeks to engage with client communities through community development initiatives and improve their life and life style on a holistic basis. This Policy can be viewed online at www.equitasbank.com .
P5	Code of Conduct for employees lays down acceptable employee behavior while dealing with clients on various aspects, including human rights.
P6	Policy on Environmental and Social Safeguards framework for Micro & Small Enterprises ensures integration of environmental and social safeguards into the appraisal process of loan applications for micro & small enterprises.
P7	While there is no specific policy outlined in respect of this Principle, Equitas Group, through various trade bodies and associations, puts forth a number of suggestions with respect to the financial services sector.
P8	The very idea behind differentiated licensing of Small Finance Banks is to further the agenda of financial inclusion and bring about equitable development. Hence, the entire operations of the Bank are aligned towards this commitment. Further, in accordance with the Corporate Social Responsibility Policy, the Bank carries out various social initiatives to promote equitable development amongst its client communities.
P9	The Bank has undertaken wide range of social initiatives under Corporate Social Responsibility Policy to improve the quality of life of its client communities. Details of the same are given in the MD&A Report, which forms part of the Annual Report. ESFBL has a Board approved Customer Grievance Redressal Policy for expeditious redressal of customer grievances.

Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assesses the BR performance of the Company (Within 3 months, 3-6 months, Annually, More than 1 year).	The performance on aspects of BR is reviewed by CEO on a periodic basis i.e., at least once a year.
(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Business Responsibility Report forms part of the Annual Report. The same can be viewed at https://www.equitas.in/annual-reports.php

Section E	Principle-Wise Performance
Principle 1	Businesses should conduct and govern themselves with ethics, transparency and accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/NGOs/Others?

The Bank has put in place a Code of Conduct which covers all its employees. The Code articulates the ethical principles and acceptable behavior that the employees are expected to demonstrate throughout their tenure as employees of the organization. It also guides all employees to uphold the values of the Bank . The Code covers aspects related but not

limited to ethics, accountability, conflict of interest, bribery and corruption. The Bank has also adopted Code of Conduct for Directors & Senior Management to provide a framework to the Board members and Senior Management in ensuring adoption of highest ethical standards in managing the affairs of the Bank. The Bank's commitment to ethics and accountability is emphasised upon in all interaction with the stakeholders, right from the time of association with the Bank.

How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? if so, provide details thereof, in about 50 words or so.

The Bank has established various channels of communication, including grievance redressal mechanisms, for stakeholders to communicate their expectations and concerns. The details of the stakeholder complaints are as below:

Particulars	Complaints received during 2019-20	% of complaints resolved
Customer complaints	1,979	97.3%*
Investor complaints	Nil	Nil

*Complaints pending resolution as on March 31, 2020 have subsequently been resolved within the stipulated timelines

Principle 2

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

The Bank believes that it has a critical role to carry out in furthering financial inclusion in the nation to accomplish inclusive growth and equitable development. Towards this end, the Bank caters to those who do not have access to formal financial system by offering loan products such as Micro Finance, Commercial Vehicle Finance, Housing Finance, Loan against Property, Agri Loans, Gold Loans, Business Loans etc. Along these lines, we are actively involved in financial inclusion. The Bank principally deals with financially vulnerable sections of the society and hence it is even more critical to be mindful and responsible in lending to guard the borrowers from getting over leveraged. The Bank carries out due diligence to ascertain the repayment capacity of the borrowers before lending.

Micro Finance: Micro lending is targeted at women who belong to the economically weaker sections of the society (with household income less than ₹ 1.6 lakhs per annum). Most of these loans are for income generation purposes, which provide assistance to our customers to increase their household income, develop financial independence over time and for most of our customers, an opportunity to become part of the formal financial system. All of our customers are included in the Credit Bureau database thereby ensuring their inclusion into the formal economy.

Vehicle Finance: These loans are provided predominantly to first time entrepreneurs in the commercial logistics service industry, who have the expertise but lack capital to own a commercial vehicle of their own. This loan provides them with the opportunity to own their business and improve or develop their socio-economic standing.

MSE and Financial Intermediaries: The Bank provides capital in the form of term loans to enterprises which are small and have turnover in the range of ₹ 1 – 10 crores. The loan sizes typically vary between ₹ 10 – 100 lakhs.

Housing Finance: The Bank supports the aspiration of owning a house for a large segment of low-

income families by focusing on affordable housing. The Bank also offers the benefits accruing under Pradhan Mantri Awas Yojana to deserving beneficiaries from economically weaker sections and low-income groups.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

(a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The Bank consciously endeavors to reduce the use of paper. Towards this end, tab-based loan processing is being used in micro finance lending. Similarly, opening Selfe FD and Selfe savings account through digital platforms, initiatives are also being implemented in other segments as well. We have also introduced eco-friendly paper pads, pens & pencils at our boardroom.

The account holders of the Bank are advised to embrace paper-free banking practices like e-mail account statements, internet banking, mobile banking, e-Wallet, Electronic Toll Collection and other such activities.

We pursue other sustainable practices to reduce our impact on the environment and promote efficient consumption of resources viz. Heating, Ventilation and Air Conditioning (HVAC) run time observing, installation of CFL and other low energy consuming office gear, limited printer and copier utilization.

3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? also, provide details thereof, in about 50 words or so.

As a responsible corporate citizen, the Bank endeavors to reduce the environmental impact of its operations. The Bank has made conscious efforts to reduce the usage of paper through various digital initiatives, some of which have been outlined elsewhere in this document.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? if yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The business of the Bank is service oriented and not material resource intensive. The human resource and other services required for our day to day activities are by and large sourced within the neighborhood to the extent feasible.

A significant number of the financial products offered by the Bank are utilized for empowering business enterprise, innovation and capacity building among the financially vulnerable segments of the society. It empowers them to scale up business activities. In the long-run, this prompts better financial prospects for local businesses, which are clients of the Bank. The improved business environment indirectly benefits other local businesses, which are not clients.

The Bank has set up Business Correspondents (BCs) channel of banking, which aims to empower local business owners, usually micro-businesses, to act as centers of banking.

5. Does the company have a mechanism to recycle products and waste? if yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). also, provide details thereof, in about 50 words or so.

Our operational practices are engaged to constantly reduce utilization of paper and dynamic measures are being implemented across different processes (Refer to Principle 2: Question 2) to facilitate the same. Our digital banking and other related activities additionally endeavor to meet sustainability objectives of waste reduction and more efficient resource utilisation. On this front, we have accomplished 56% customer digital penetration, which significantly reduces consumption of paper and other unsustainable resources.

Principle 3

Businesses should promote the well-being of all employees

1	Total number of Employees	16,106
2	Total number of employees hired on contractual basis	28
3	Number of permanent women employees	1,734
4	Number of permanent employees with disabilities	86
5	Is there an employee association that is recognized by management	The Bank engages with employees through various fora to obtain constructive feedback. Regular Audio bridges are conducted offering an opportunity for all employees to directly express their views, ideas and feedback to the top management.
6	Percentage of your permanent employees who are members of this recognized employee association	While there is a structured employee grievance redressal mechanism in place, employees are also encouraged to directly approach CEO and Audit Committee in case of serious grievances or unethical practices.

7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No.	Category	No. of complaints filed during the financial year	No. of complaints pending as at the end of financial year
1	Child labour/ forced labour/ involuntary labour	Nil	Nil
2	Sexual Harassment	7	Nil
3	Discriminatory Employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

All employees are given periodical training on precautions and procedures to be followed in cases of emergencies such as fire, earthquake and other natural calamities.

In respect of skill training, the Bank has institutionalized learning and development process to create right competencies across various levels and help in career progression of employees. The

key focus during the year has been on imparting functional and technical training to the employees. Virtual Training Sessions were conducted for employees in Branch Banking for the launch of Elite Savings Account. Leadership Development Programs for Managers were designed and conducted completely in-house. Special recognition program "High Achievers Club" for consistent top performers of Equitas was launched. Extensive training was imparted through the e-learning platform and learning days allocated for the same every month.

The details of employees who underwent skill up-gradation training during FY 2019-20 are as follows:

Permanent Employees	11,450
Permanent Women Employees	1,645
Contractual Employees	Nil
Employees with Disabilities	Nil

Principle 4

Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. Has the company mapped its internal and external stakeholders?

The Bank engages with multiple stakeholders through formal and informal channels of communication. The key stakeholder groups are identified as follows:

- i) Customers
- ii) Employees
- iii) Investors
- iv) Vendors / Service Providers
- v) Regulators
- vi) Community

The Bank constantly strives to keep the channels of communication open and transparent with all its stakeholders, with a view to maximizing stakeholder satisfaction and value creation.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?

The Bank engages with vulnerable and marginalised sections of society through its loan products, employment practices, community engagement initiatives and technology-enabled services. Through the Rural and Inclusive banking activities, the Bank engages with economically excluded sections of the society to create financial literacy and further the agenda of financial inclusion through specialised products.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders? if so, provide details thereof, in about 50 words or so.

The Bank directly or through its implementing agency, Equitas Development Initiatives Trust (EDIT) engages with stakeholders such as women, people with disabilities, unemployed youth and pavement dwellers to create a positive impact through community development initiatives.

EDIT runs seven schools primarily for socially and economically weaker sections of society. These schools provide affordable schooling to students belonging to economically weak backgrounds, with an emphasis on the quality of the education imparted. Around 5,700 students have benefitted from these schools.

EDIT has empowered around half a million women by imparting training in easily learnable vocational skills such as tailoring, doll making and artificial jewellery making Enabling them to earn additional income

EDIT actively conducts job fairs across India for unemployed youth of low income communities, thereby providing gainful employment to over 1,80,000 unemployed youth from lower income segment. The recruitment and employment practices of Equitas Group are also attuned towards talent spotting and acquisition from among marginalized sections of the society.

EDIT also provides access to affordable healthcare through various medical initiatives and medical camps which has benefitted over 6 million people cumulatively.

Principle 5

Businesses should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/ Suppliers/Contractors/NGOs/ others?

The Bank is committed to upholding the dignity of every individual engaged or associated with the Bank. A strong commitment to human rights is embedded in the Fair Practices Code as well as Employee Code of Conduct which lays down acceptable behaviour on various aspects including human rights. All employees who have direct interface to customers including collection staff are trained to be polite and courteous to customers under all circumstances. This code is applicable for all employees, associates, business partners and Group companies with utmost importance placed on fairness and transparency.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

Kindly refer to response to Principle 1 – Question 2.

Principle 6

Business should respect, protect and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the group/Joint Ventures/ Suppliers/ Contractors/NGOs/Others

The Bank recognizes the need to respect, protect and make efforts to restore the environment in all its activities. Some of the initiatives taken in this regard have been outlined under Principle 2 – Question 2.

The Bank endeavors to promote sound environmental, social and governance standards (ESG). The Bank has a Policy on Environmental and Social Safeguards framework for Micro & Small Enterprises, integrating environmental and social safeguards into the appraisal process of loan applications for micro & small enterprises.

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? If yes, please give hyperlink for webpage etc.

In regard of its activities, the Bank focuses on decreasing the utilization of paper to lessen the

carbon footprint. Towards this end, the Bank has embarked its digital footprint over its products offerings and has been a consistent leader across Small Finance Banks. Our focus is to empower clients with ease of access and to transact efficiently and effectively using our variety of Digital offerings, along these lines lessening the dependence on paper-based banking activities. A number of new activities and products are through digital channels.

We have made extensive progress in this strategy by accomplishing about 56% digital penetration among our clients. We give an assortment of digital offerings - Internet and Mobile banking, Electronic toll collection, Digital Savings account opening, Virtual Debit card, Digital fund transfers etc.

Our efficient operational practices, digital banking and environment management practices help us reduce our environmental footprint and help us achieve environmentally sustainable business practices.

3. Does the company identify and assess potential environmental risks?

The Bank is aware of the potential environmental risks. We have also integrated environmental and social safeguards into the loan appraisal process.

4. Does the company have any project related to clean development Mechanism?

If so, provide details thereof, in about 50 words or so. Also, whether any environmental compliance report is filed?

As detailed under Points 1-3 above, the Bank, through its initiatives, is aware of the importance of safeguarding the environment. As on date, the Bank did not carry out any project related to the Clean Development Mechanism.

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy etc. If yes, please give hyperlink for web page etc.

As explained above, the Bank focuses on reducing the usage of paper and provides alternate banking channels like internet banking, mobile banking, ATMs, Tab-based account opening, online & mobile account opening etc.

Focus is placed on energy efficiency, through practices including installation of CFL & LED light fixtures and installation of similar energy efficient office equipment. We also aim to leverage digital banking and digital business initiatives to reduce environmental impact related to usage of paper and reducing the need for travel by customers to bank branches.

The Bank also has implemented paperless recruitment process from application by the candidate to offer letter generation. This has reduced the need for travel by recruitment executives and candidates. This also reduces paper and printer usage during the

recruitment process. We have also introduced eco-friendly paper pads, pens & pencils at our boardroom.

6. Are the emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

The operations of the Bank do not result in any significant environmental or pollution related issues.

7. Number of show cause/ legal notices received from CPCB/SPCB which is pending (i.e. not resolved to satisfaction) as on end of Financial Year.

The operations of the Bank do not result in any significant environmental or pollution related issues. No notices were received by the Bank as on March 31, 2020.

Principle 7

Business should respect, protect and make efforts to restore the environment

1. Is your company a member of any trade and chamber or association? if Yes, name only those major ones that your business deals with:

Some of the key trade and industry associations where the Bank is represented, include:

- i. Indian Banks' Association (IBA)
- ii. Fixed Income Money Market and Derivatives Association (FIMMDA)
- iii. SaDhan – The Association of Community Development Finance Institutions
- iv. Association of Mutual Funds in India (AMFI)
- v. Confederation of Indian Industry (CII)
- vi. The Indus Entrepreneurs (TiE)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? if yes, specify the broad areas (governance and administration, economic Reforms, inclusive development Policies, energy security, Water, Food security, sustainable Business Principles, others)

Through various industry associations and in various forums, Equitas has promoted various social and welfare initiatives like responsible lending, financial literacy, creation of a more transparent financial system, ease of credit access to the underbanked/unbanked, operational ease of providing loans to economically excluded sections of the economy, etc.

Principle 8

Businesses should support inclusive growth and equitable development

The main focus of Equitas Group is inclusive growth and equitable development. The word "Equitas" is a Latin word meaning justice, fairness and equity. Towards this end, we wish to state that the very idea behind differentiated licensing of Small Finance Banks is to further the agenda of financial inclusion and bring about equitable development. Hence, the operations of the Bank are primarily directed towards inclusive growth and equitable development.

1. Does the company have specified programmes / initiatives/ projects in pursuit of the policy related to Principle 8? If yes, details thereof.

The focus of the Bank is to improve the quality of life of customers by increasing their total household asset value. Customers, who have not been able to access formal financing, are provided transparent and trustworthy access to financing. The Bank has also developed a wide range of social initiatives towards improving the quality of life of its client communities. As a Bank, we have been able to enhance our association with the financially excluded section of the society. We not only offer credit, which is typically of a short-term nature but also liabilities products like deposits, insurance etc.

The Bank undertakes various activities through the Equitas Development Initiatives Trust (EDIT) which support inclusive growth and equitable development. These CSR initiatives include providing high quality affordable education to students belonging to economically weaker sections, providing vocational skills to the unemployed to include them in the formal economy, providing free healthcare etc. Details of such activities are explained in other sections of this report.

2. Are the programmes / projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organization?

Inclusive growth and equitable development is provided to customers through our banking activities, especially through the financing activities of the Inclusive Banking division and Emerging Enterprise Banking division of the Bank.

CSR programmes are undertaken by Equitas Group, directly as well as through implementing agency, Equitas Development Initiatives Trust, a registered public charitable trust. CSR initiatives carried out by Equitas Group are detailed in the MD & A Report, which forms part of the Annual Report.

3. Have you done any impact assessment of your initiative?

Social Impact study was conducted for all social initiatives for the period from 2016-2018 by an external agency (Social Audit Network). The outcomes of CSR activities carried out through EDIT have been aligned to 8 of the Sustainable Developmental Goals (SDG's) thereby leading to social impact on the followings SDG's

1. Ending Poverty in slums using the Holistic Ecosystem
2. Extending Health Services
3. Quality Education through its Schools
4. Gender Equality
5. Decent work & Economic growth through its job Fairs and skill training
6. Reduced inequalities
7. Sustainable Cities & Community
8. Partnership for the Goals

4. What is your company's direct contribution to community development projects - amount in INR and the details of the projects undertaken?

The details of the contribution towards CSR initiatives are available in CSR Report forming part of Annual Report.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

CSR initiatives are reviewed by Board-level CSR Committee of the respective entities, on a periodic basis. The Bank closely tracks not only the number of beneficiaries but also qualitative improvement in the lives of beneficiaries. The educational initiatives undertaken through implementing agency, EDIT creates enduring value for the beneficiaries by empowering people to rise above their existing socio-economic constraints. The Schools run by EDIT cater predominantly to people from the lower income group. The children studying in these schools develop English speaking skills apart from their academic pursuits, where they are continuing to do well. This apart, they also develop life skills and get their personality shaped which would go a long way in changing the future outlook of their life. The Bank is also involved in a pavement dwellers uplifting program, called Equitas Bird's Nest (EBN). Through this program, more than 160 platform dwelling families were provided formal housing in FY18. EBN also conducts health care initiatives, vocational skills training programs, provides educational assistance & scholarships and micro-credit facilitation as required by the rehabilitated families.

Principle 9

Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

2.7% of the customer complaints are pending as at the end of the Financial Year 2019-20. All the pending complaints have since been resolved within the prescribed timelines.

2. Does the company display product information on the product label, over and above what is mandated as per local laws?

The Bank endeavors to provide transparent information on its products through its website which has detailed information on product features, service charges and fees applicable. In respect of the Bank, interest rates for various deposit schemes are published on the website. SMS alerts are sent to customers when charges or fees get triggered or levied in their deposit accounts.

As an NBFC-MFI, Equitas was the pioneer in disclosing the interest rates on reducing balance basis in the customer passbook, which later became a regulatory norm for the industry.

3. **Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**

Nil

4. **Did your company carry out any consumer survey / consumer satisfaction trends?**

The Bank has an active customer service department, which ensures that continuous steps are taken to ensure customer satisfaction in all their dealings with the Group. During the year, the Bank conducted a customer loyalty study. The study provided insights into the areas the Bank needed to focus for improving its "Truly Loyal" indicator.

For and on behalf of **Board of Directors**

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Chennai,
Date : 14 May 2020



FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Members of Equitas Small Finance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Equitas Small Finance Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31 2020, the Statement of Profit and Loss, 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 Companies Act, 2013, as amended (the "Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in so far as they apply to the Bank, and the applicable requirements of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by Reserve Bank of India from time to time, of the state of affairs of the Bank as at March 31, 2020, its profit, 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 audit opinion on the financial statements.

Emphasis of Matter

We draw attention to the following matters:

- Schedule 17.2.1 to the accompanying Statement regarding management's plans relating to compliance by the Bank, with the relevant licensing guidelines of the Reserve Bank of India and related regulatory processes and requirements.
- Schedule 17.2.2 to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic, and its possible consequential implications, if any, the Bank's operations and financial metrics,

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
(a) Identification of non-performing advances and provisioning for advances (Refer to Schedule 17.2.2 and Schedule 17.3.3 to the financial statements)	
Advances form a material portion of the Bank's assets, and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. Identification, classification and provisioning of NPAs are governed by the prudential norms on Income Recognition and Asset Classification ("IRAC") and the specific guidelines relating to COVID-19 Regulatory Package issued by the Reserve Bank of India (RBI) which include rule-based and judgmental factors. Management is also required to make estimates of stress, recoverability issues, and security erosion in respect of specific borrowers or groups of borrowers, on account of specific factors that	<ul style="list-style-type: none"> We considered the Bank's accounting policies for NPA identification, and provisioning and assessing compliance with the IRAC norms prescribed by the RBI read with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020. We tested the operating effectiveness of the controls (including application and IT dependent controls) for borrower wise classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to their days-past-due (DPD) status (including consideration of the moratorium on loans offered under the Regulatory Package).

Key audit matters	How our audit addressed the key audit matter
<p>(a) Identification of non-performing advances and provisioning for advances (Refer to Schedule 17.2.2 and Schedule 17.3.3 to the financial statements)</p> <p>may affect such borrowers/groups (including factors relating to economic stress arising out of the COVID-19 pandemic).</p> <p>Implementation of COVID 19 Regulatory package and regulatory forbearance in asset classification and additional provision required by regulator on accounts were such moratorium / asset classification benefits are extended involve significant level of judgement.</p> <p>A material error or omission in the process of NPA identification or provisioning may result in a material misstatement of the financial statements, and also potentially result in a non-compliance of applicable regulatory guidelines. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.</p>	<ul style="list-style-type: none"> • We considered the special mention accounts ("SMA") reports submitted by the Bank to the RBI's central repository of information on large credits (CRILC) and made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/or provisioning • We performed test of details on the provisioning made against respective asset classes as at balance sheet date, and consistency of such provisioning with the Bank's accounting policies and applicable regulatory provisioning requirements. • We made inquiries of management and examined supporting evidence, for situations where provision was made at levels higher than the minimum prescribed by RBI. • We made inquiries regarding the implementation of the moratorium of loans in view of the COVID-19 regulatory package, asset classification benefit on under IRAC norms and the general provision made on eligible accounts, and performed audit tests on the provisions so made, on a sample basis. • We made inquiries of management regarding any effects considered on the NPA identification and / or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations. • We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against. • We tested the arithmetical accuracy of computation of provision for advances.
<p>(b) IT systems and controls</p> <p>There has been a major enhancement in the information technology (IT) infrastructure of the Bank in the current year. During the current year, as the IT systems and processes continue to mature in view of the evolving business and regulatory landscape, changes in the technology environment have been carried out by the Bank.</p> <p>The IT infrastructure is critical for effective and efficient functioning of the Bank's business operations as well as for timely and accurate financial reporting. Accordingly, the Bank has continued to invest in its IT infrastructure in the current year as well.</p>	<ul style="list-style-type: none"> • We included specialized IT auditors as part of our audit team for testing IT general controls, application controls and IT dependent manual controls implemented by the Bank, and testing the information produced by the Bank's IT systems. • We tested the design and operating effectiveness of the Bank's IT access controls over the key information systems that are related to financial reporting. • We tested IT general controls in the nature of controls over logical access, changes management, and other aspects of IT operational controls. These included testing that requests for access to systems were reviewed and authorized.

Key audit matters	How our audit addressed the key audit matter
(b) IT systems and controls	
Due to the pervasive nature and complexity of the IT environment and considering that several systems and processes have been implemented in recent past, and as a result the IT control environment may not have matured, it is considered a key audit matter.	<ul style="list-style-type: none"> • We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • In addition, we tested the key application controls with respect to financial reporting to evaluate their operating effectiveness. • If deficiencies were identified, we tested compensating controls or performed alternate procedures.

Other Information

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 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, cash flows of the Bank in accordance with provisions of accounting standards as specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank, and other accounting principles generally accepted in India as applicable to banking companies and the applicable requirements of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by Reserve Bank of India 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 Board of Directors 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account 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 June 14, 2019, 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 the branches. We performed procedures necessary for the purpose of our walkthrough of processes and test of controls at branches by inspection of documents obtained from branches.
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 Statement of Profit and Loss, 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, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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, remuneration to the whole-time director during the year ended March 31, 2020 has been paid/provided 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 to Schedule 12 and Schedule 18.20 to the financial statements;
 - ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For S.R. Batliboi & Associates LLP

Chartered Accountants
Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**

Partner

Place: Chennai
Date: May 14, 2020

Membership No. 211107
UDIN: 20211107AAAABL8061

ANNEXURE 1

TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF EQUITAS 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 Equitas Small Finance Bank Limited

We have audited the internal financial controls over financial reporting of Equitas Small Finance Bank Limited (the "Bank") as of March 31, 2020 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 Bank'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 Bank'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 bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, 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.

For S.R. Batliboi & Associates LLP

Chartered Accountants

Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**

Partner

Place: Chennai

Date: May 14, 2020

Membership No. 211107

UDIN: 20211107AAAABL8061

Balance Sheet

as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	Schedule	As at 31-Mar-2020	As at 31-Mar-2019
Capital and Liabilities			
Capital	1	10,534,016	10,059,434
Reserves and Surplus	2	16,907,473	12,483,751
Deposits	3	107,884,055	90,067,363
Borrowings	4	51,348,736	39,730,261
Other Liabilities and Provisions	5	6,471,188	5,286,100
Total		193,145,468	157,626,909
Assets			
Cash and Balances With Reserve Bank of India	6	3,808,637	4,027,037
Balances with banks and money at call and short notice	7	21,559,788	8,579,115
Investments	8	23,425,062	23,444,540
Advances	9	137,472,415	115,950,045
Fixed assets	10	2,127,694	2,373,362
Other assets	11	4,751,872	3,252,810
Total		193,145,468	157,626,909
Contingent Liabilities	12	269,794	327,223

Summary of significant accounting policies

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Notes forming part of financial statements

18

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

Chartered Accountants

Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**

Partner

Membership No. 211107

Place: Chennai

Date: May 14, 2020

Arun Ramanathan

Chairman

DIN: 00308848

Place: Chennai

Date: May 14, 2020

Vasudevan PN

Managing Director and

Chief Executive Officer

DIN: 01550885

Place: Chennai

Date: May 14, 2020

Arun Kumar Verma

Director

DIN: 03220124

Place: Bhubaneswar

Date: May 14, 2020

N Sridharan

Chief Financial Officer

Place: Chennai

Date: May 14, 2020

Sampathkumar KR

Company Secretary

M. No: A27466

Place: Chennai

Date: May 14, 2020

Statement of Profit and Loss

for the year ended March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	Schedule	Year Ended 31-Mar-2020	Year Ended 31-Mar-2019
I INCOME			
Interest earned	13	26,454,439	21,119,345
Other income	14	2,823,516	2,828,975
Total		29,277,955	23,948,320
II EXPENDITURE			
Interest expended	15	11,501,381	9,602,006
Operating expenses	16	11,800,786	10,084,865
Provisions and contingencies		3,539,434	2,155,788
Total		26,841,601	21,842,659
III PROFIT			
Net Profit for the year		2,436,354	2,105,661
Total		2,436,354	2,105,661
IV APPROPRIATIONS			
Transfer to Statutory reserves		609,089	526,416
Transfer to Special reserve account		48,339	26,375
Transfer to Investment Reserve			0
Transfer to Investment Fluctuation Reserve		27,630	84,300
Balance carried over to Balance Sheet		1,751,296	1,468,570
Total		2,436,354	2,105,661

Summary of significant accounting policies

17

Notes forming part of the financial statements

18

Earning per share (Basic) (in ₹)

18.10.4

2.39

2.09

Earning per share (Diluted) (in ₹)

18.10.4

2.39

2.09

Face Value per share (in ₹)

10

10

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

Chartered Accountants

Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**

Partner

Membership No. 211107

Place: Chennai

Date: May 14, 2020

Arun Ramanathan

Chairman

DIN: 00308848

Place: Chennai

Date: May 14, 2020

Vasudevan PN

Managing Director and

Chief Executive Officer

DIN: 01550885

Place: Chennai

Date: May 14, 2020

Arun Kumar Verma

Director

DIN: 03220124

Place: Bhubaneswar

Date: May 14, 2020

N Sridharan

Chief Financial Officer

Place: Chennai

Date: May 14, 2020

Sampathkumar KR

Company Secretary

M. No: A27466

Place: Chennai

Date: May 14, 2020

Cash Flow Statement

for the year ended March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	Year Ended 31-Mar-2020	Year Ended 31-Mar-2019
Cash Flow from Operating activities		
Profit Before Tax	3,509,403	3,237,367
<i>Adjustments for:</i>		
Depreciation on fixed assets	964,545	917,767
Amortization on Held to Maturity securities	60,039	51,623
Provision for standard assets	151,301	98,887
General Provision under COVID-19 – Regulatory Package	996,300	-
Bad debts written off	715,044	607,743
Provision for Non performing assets	604,154	282,597
Other Provision and Contingencies	(448)	34,890
Loss on sale of fixed assets	2,597	1,113
Interest expenses on borrowings	4,361,728	4,591,902
Interest income on bank balances not considered as cash and cash equivalents	(5,541)	(20,319)
	11,359,123	9,803,569
Adjustments for:		
(Increase)/Decrease in investments	(40,560)	15,072,252
(Increase)/Decrease in advances	(22,841,568)	(39,773,459)
Increase/(Decrease) in deposits	17,816,692	34,027,636
(Increase)/Decrease in other assets	(1,230,600)	(426,829)
Increase/(Decrease) in other liabilities and provisions	673,834	730,864
Direct taxes paid	(1,340,766)	(1,441,030)
Net cash (used in)/ generated from operating activities (A)	4,396,154	17,993,003
Cash flow from investing activities		
Purchase of fixed assets	(743,718)	(516,363)
Proceeds from sale of fixed assets	22,244	32,946
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	(622)	369,816
Interest received from bank balances not considered as cash and cash equivalents	4,796	47,423
Net cash (used in) / generated from investing activities (B)	(717,300)	(66,178)
Cash flow from financing activities		
Borrowings taken during the year	323,775,706	904,467,952
Borrowings repaid during the year	(312,157,231)	(916,509,772)
Proceeds from issue of share capital (including share premium)	2,500,100	-
Share issue Expenses	(38,150)	-
Interest paid on borrowings	(4,997,627)	(5,020,693)
Net cash generated from / (used in) financing activities (C)	9,082,798	(17,062,513)
Net decrease in cash and cash equivalents (A)+(B)+(C)	12,761,652	864,312
Cash and Cash equivalents at beginning of the year (Refer Notes below)	12,553,197	11,688,885
Cash and Cash equivalents at end of the year (Refer Notes below)	25,314,849	12,553,197

Cash Flow Statement

for the year ended March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	Year Ended 31-Mar-2020	Year Ended 31-Mar-2019
Notes to cash flow statement :		
Cash and Cash equivalents include the following		
Cash and Balances With Reserve Bank of India (Schedule 6)	3,808,637	4,027,037
Balances With Banks And Money At Call And Short Notice (Schedule 7)	21,559,788	8,579,115
Balances not considered as part of cash and cash equivalents:		
Bank deposits with an original maturity of more than three months or Bank deposits under lien	(53,576)	(52,955)
Cash and Cash equivalents at end of the year	25,314,849	12,553,197

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**

Partner

Membership No. 211107

Place: Chennai

Date: May 14, 2020

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

Arun Ramanathan

Chairman

DIN: 00308848

Place: Chennai

Date: May 14, 2020

Vasudevan PN

Managing Director and

Chief Executive Officer

DIN: 01550885

Place: Chennai

Date: May 14, 2020

Arun Kumar Verma

Director

DIN: 03220124

Place: Bhubaneswar

Date: May 14, 2020

N Sridharan

Chief Financial Officer

Place: Chennai

Date: May 14, 2020

Sampathkumar KR

Company Secretary

M. No: A27466

Place: Chennai

Date: May 14, 2020

Schedules to Balance Sheet

as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 1 - Capital		
Authorised capital		
1,700,000,000 (Previous Year: 2,500,000,000) Equity Shares of ₹ 10 each	17,000,000	25,000,000
Issued, subscribed and paid-up capital		
1,053,401,602 (Previous year: 1,005,943,363) Equity Shares of ₹ 10 each (Refer note below)	10,534,016	10,059,434
Total	10,534,016	10,059,434

The Bank issued 47,458,239 equity shares of face value of ₹ 10 each on preferential basis at a premium of ₹ 42.68 each for total cash consideration of ₹ 250.01 crores on December 11, 2019.

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 2 - Reserves and Surplus		
I Statutory reserve		
Opening Balance	1,767,578	1,241,162
Add: Transfer from Profit and Loss account	609,089	526,416
Deductions during the year	-	-
Total - (A)	2,376,667	1,767,578
II Capital reserve		
Opening Balance	132,798	132,798
Additions during the year	-	-
Deductions during the year	-	-
Total - (B)	132,798	132,798
III Share premium account		
Opening Balance	5,482,616	5,482,616
Received during the year (1)	2,025,518	-
Deductions during the year (2)	(38,150)	-
Total - (C)	7,469,984	5,482,616
IV Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	58,971	32,596
Add: Transfer from Profit and Loss account	48,339	26,375
Deductions during the year	-	-
Total - (D)	107,310	58,971
V Revenue and Other reserves		
Opening Balance	254,400	254,400
Additions during the year	-	-
Deductions during the year	-	-
Total - (E)	254,400	254,400
VI Investment Reserve		
Opening Balance	23,000	23,000
Additions during the year	-	-
Deductions during the year	-	-
Total - (F)	23,000	23,000
VII Investment Fluctuation Reserve		
Opening Balance	84,300	-
Additions during the year	27,630	84,300
Deductions during the year	-	-
Total - (G)	111,930	84,300
VIII Balance in Surplus in profit and loss account		
Opening Balance	4,680,088	3,211,518
Profits for the year	1,751,296	1,468,570
Closing balance in Surplus in profit and loss account (H)	6,431,384	4,680,088
Total (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)	16,907,473	12,483,751

1. Securities Premium received on issue of equity shares.
2. Share issue expenses

Schedules to Balance Sheet

as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 3 - Deposits		
A I Demand deposits		
(i) From banks	337,551	460,775
(ii) From others	3,158,781	4,362,761
II Savings bank deposits	18,585,796	17,919,120
III Term deposits		
(i) From banks	35,392,165	23,750,878
(ii) From others	50,409,762	43,573,829
Total	107,884,055	90,067,363
B I Deposits of branches in India	107,884,055	90,067,363
II Deposits of branches outside India	-	-
Total	107,884,055	90,067,363

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 4 - Borrowings		
I Borrowings in India		
(i) Reserve Bank of India	2,330,000	-
(ii) Other banks	500,000	100,000
(iii) Other institutions and agencies	46,318,736	34,830,261
(iv) Tier II Capital (Non Convertible Debentures)	2,200,000	2,700,000
(v) Bonds and Debentures (excluding subordinated debt)	-	2,100,000
Total	51,348,736	39,730,261
II Borrowings outside India	-	-
Total	51,348,736	39,730,261
Total	51,348,736	39,730,261
Secured borrowings included in I and II above	2,690,936	1,504,761

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 5 - Other Liabilities and Provisions		
I Bills payable	514,721	627,038
II Interest accrued	1,286,979	1,484,617
III Others (including provisions)*	4,669,488	3,174,445
Total	6,471,188	5,286,100

*Includes :-

Provision for standard assets (including Provision for restructured standard assets) ₹ 460,955 (March 31, 2019 : ₹ 309,654)

Floating provision of ₹ 190,000 (March 31, 2019 : ₹ 190,000)

General provision of ₹ 996,300 (March 31, 2019: Not Applicable) made by Bank in respect of accounts in default but standard against the potential impact of COVID-19. Also Refer Schedule 18.5.2 and Schedule 17.3.0.

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 6 - Cash and balances with Reserve Bank of India		
I Cash in hand	1,384,895	1,158,596
II Balances with Reserve Bank of India :		
(a) In current accounts	2,423,742	2,868,441
(b) In other accounts	-	-
Total	3,808,637	4,027,037

Schedules to Balance Sheet

as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 7 - Balances with Banks and Money at call and Short Notice		
I In India		
(i) Balances with banks :		
(a) In current accounts	706,212	689,070
(b) In other deposit accounts [Refer note below]	53,576	52,955
(ii) Money at call and short notice :		
(a) With banks	-	-
(b) With other institutions	-	2,298,258
(c) Lending under Reverse Repo	20,800,000	5,538,832
Total	21,559,788	8,579,115
II Outside India		
(i) In current accounts	-	-
(ii) In deposit accounts	-	-
(iii) Money at call and short notice	-	-
Total	21,559,788	8,579,115
Note: Comprises deposits under lien.	18,276	52,955
Deposits with original maturity of more than three months	53,576	52,955
Schedule 8 - Investments		
I Investments in India (Net of provision)		
(i) Government securities	22,923,062	22,442,540
(ii) Other Approved securities	-	-
(iii) Shares	2,000	2,000
(iv) Debentures and Bonds	500,000	1,000,000
(v) Subsidiaries and / or Joint Ventures	-	-
(vi) Others	-	-
	23,425,062	23,444,540
Gross Investments	23,425,062	23,444,540
Less: Depreciation	-	-
Net Investments	23,425,062	23,444,540
II Investments outside India	-	-
Total	23,425,062	23,444,540
Schedule 9 - Advances (Net)		
A (i) Bills purchased and discounted	-	-
(ii) Cash credits, overdrafts and loans repayable on demand	5,788,572	2,789,992
(iii) Term loans	131,683,843	113,160,053
Total	137,472,415	115,950,045
B (i) Secured by tangible assets	104,192,882	81,946,787
(ii) Covered by bank / government guarantees	-	-
(iii) Unsecured	33,279,533	34,003,258
Total	137,472,415	115,950,045
C I Advances in India		
(i) Priority sector*	94,532,486	76,734,059
(ii) Public sector	-	-
(iii) Banks	39	700,387
(iv) Others	42,939,890	38,515,599
Total Advances in India	137,472,415	115,950,045

Schedules to Balance Sheet

as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
II Advances outside India		
(i) Due from banks	-	-
(ii) Due from others	-	-
(a) Bills purchased and discounted	-	-
(b) Syndicated loans	-	-
(c) Others	-	-
Total Advances Outside India	-	-
Total	137,472,415	115,950,045

*Priority sector includes ₹ 2,000.00 crores (previous year : ₹ 3,576.25 crores), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC). During the year ended March 31, 2020, the Bank has bought PSLC amounting Nil (previous year : ₹ 5,475.00 crores), which is not included in above.

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 10 - Fixed Assets		
A Premises		
Cost		
As at beginning of the year	1,131,934	1,049,826
Additions during the year	69,028	84,496
Deductions during the year	(1,923)	(2,388)
	1,199,039	1,131,934
Depreciation		
As at beginning of the year	361,398	220,932
Additions during the year	142,961	142,848
Deductions during the year	(1,923)	(2,382)
Depreciation to date	502,436	361,398
Net block	696,603	770,536
B Other fixed assets (including furniture and fixtures)		
Cost		
As at beginning of the year	3,739,455	3,396,927
Additions during the year	668,195	427,127
Deductions during the year	(103,144)	(84,599)
	4,304,506	3,739,455
Depreciation		
As at beginning of the year	2,152,860	1,428,487
Charge during the year	821,584	774,919
Deductions during the year	(78,303)	(50,546)
Depreciation to date	2,896,141	2,152,860
Net block	1,408,365	1,586,595
C Capital work-in-progress	22,726	16,231
Total	2,127,694	2,373,362

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 11 - Other Assets		
I Interest accrued	2,306,382	1,462,847
II Tax paid in advance (Net of provisions for tax)	66,790	56,841
III Deferred tax asset	1,133,373	875,604
IV Stationery and stamps	125	247
V Others*	1,245,202	857,271
Total	4,751,872	3,252,810

*Includes expenses amounting to ₹ 8.68 crore relating to listing of shares under Initial Public Offer ("IPO"). These expenses will be drawn down from/adjusted against the Securities Premium Reserve upon completion of the IPO in accordance with the provision of Companies Act 2013 and the Banking Regulation Act 1949.

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 12 - Contingent Liabilities		
I Claims against the bank not acknowledged as debts		
(a) Service tax	12,545	8,660
(b) Income tax	-	1,137
(c) Others	17,151	10,460

Schedules to Profit and Loss account

for the year ended March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
II Guarantees given on behalf of constituents		
In India	240,098	306,966
Total	269,794	327,223

Also Refer Note 20 in Schedule 18

Particulars	Year ended 31-Mar-2020	Year ended 31-Mar-2019
Schedule 13 - Interest Earned		
I Interest on advances	24,200,067	18,236,560
II Income from investments	1,576,517	2,579,612
III Interest on balance with RBI and other inter-bank funds	677,855	303,173
IV Others	-	-
Total	26,454,439	21,119,345

Particulars	Year ended 31-Mar-2020	Year ended 31-Mar-2019
Schedule 14 - Other Income		
I Commission, exchange and brokerage	210,407	186,008
II Profit / (loss) on sale of investments (net)	33,774	32,731
III Profit / (loss) on sale of Fixed assets (net)	(2,597)	(1,113)
IV Miscellaneous income*	2,581,932	2,611,349
Total	2,823,516	2,828,975

* Includes ₹ 22.34 crores (Previous year ₹ 28.15 crores) of income from sale of PSL Certificates.

Particulars	Year ended 31-Mar-2020	Year ended 31-Mar-2019
Schedule 15 - Interest Expended		
I Interest on deposits	7,381,185	5,097,011
II Interest on RBI / inter-bank borrowings	273,279	529,299
III Other interest	3,846,917	3,975,696
Total	11,501,381	9,602,006

Particulars	Year ended 31-Mar-2020	Year ended 31-Mar-2019
Schedule 16 - Operating Expenses		
I Payments to and provisions for employees	7,097,890	5,513,063
II Rent, taxes and lighting	980,924	906,143
III Printing and stationery	103,331	96,861
IV Advertisement and publicity	181,934	162,477
V Depreciation	964,545	917,767
VI Directors' fees, allowances and expenses	19,370	8,833
VII Auditors' fees and expenses #	9,647	8,731
VIII Law Charges	235,475	158,386
IX Postage, telegram, telephone etc.	211,112	208,424
X Repairs and maintenance	215,596	193,506
XI Insurance	82,486	62,554
XII Commission and Brokerage	182,021	184,761
XIII Information Technology Expenses	475,242	377,331
XIV Travel & Conveyance	483,659	400,398
XV Bank and Other finance charges	58,616	42,962
XVI Cash handling charges	77,337	51,656
XVII CSR contributions	132,700	87,492
XVIII Other expenditure*	288,901	703,520
Total	11,800,786	10,084,865

Excluding ₹ 1.58 crores (previous year – Nil) for services in relation to listing of shares under Initial Public offer (IPO) which have been recorded under other assets. Also refer Schedule 11 and note thereunder.

* Includes ₹ Nil (Previous year : ₹ 29.41 crores) of expenses from purchase of PSL Certificates.

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

Corporate information

1(a). Background

Equitas Small Finance Bank Limited ("ESFBL" or the "Bank", or the "Company") was incorporated in 1993 as V.A.P Finance Private Limited, later renamed as Equitas Finance Private Limited in August 2011. In 2011, the Company was acquired by Equitas Holdings Limited. The Company's name was subsequently changed to Equitas Finance Limited in September 2015 consequent to it becoming a Public Limited Company. Pursuant to a scheme of amalgamation approved by the Hon'ble High Court of Judicature at Madras (the "Scheme"), and upon fulfilment of all conditions specified under the said Scheme, Equitas Micro Finance Limited and Equitas Housing Finance Limited amalgamated with the Company, and the Company was renamed Equitas Small Finance Bank Limited ("ESFBL"). Consequent to the above amalgamation the microfinance and housing finance businesses of the erstwhile EMFL and EHFL were transferred to the Company effective September 2, 2016. ESFBL commenced its banking operations after the receipt of final banking license from the Reserve Bank of India on September 5, 2016.

The Bank is engaged in retail banking business with focus on micro-finance, commercial vehicle finance, home finance, loan against-property finance, corporate finance, and providing financing solutions for individuals and micro and small enterprises (MSEs) that are underserved by formal financing channels while providing a comprehensive banking and digital platform for all.

2. Basis of Preparation

The Financial Statements have been prepared and presented under the historical cost convention and on accrual basis of accounting in accordance with provisions of accounting standards as specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank, and other accounting principles generally accepted in India as applicable to banking companies and the applicable requirements of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by Reserve Bank of India from time to time. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the most recent financial year.

2.1. As a precondition to small finance bank licensing guidelines issued by the Reserve Bank of India, amongst other conditions, the Bank was required to be listed within 3 years from the date of commencement of operations (i.e from 5th September 2016). In the absence of Securities Exchange Board of India's ("SEBI") approval to a scheme of arrangement, which would have resulted in the listing of the Bank's shares, and the consequent non-compliance of the relevant listing condition, the Reserve Bank of India vide its letter dated September 06, 2019 has imposed regulatory action on the Bank, by way of restriction on opening of new branches and on the remuneration of the

MD & CEO of the Bank frozen at current level, till further advice. (In December 2019, the Bank obtained the specific approval of the RBI for opening 240 banking outlets). On September 10, 2019, the Board of directors of the Bank approved an initial public offer and listing of the equity shares on stock exchanges in India, to comply with the licensing guidelines. Subsequently, the Bank filed a Draft Red Herring Prospectus with SEBI on December 16, 2019 and Stock Exchanges (National Stock Exchange of India Limited and BSE Limited). The Bank has received in principle approval from stock exchanges (National Stock Exchange of India Limited and BSE Limited) and observations from the SEBI on its Draft Red Herring Prospectus ("DRHP"). In March 2020, the Bank filed a revised DRHP after addressing the SEBI's comments, and was in the process of completing the Initial Public Offer ("IPO") of shares. However, due to the COVID-19 global pandemic and consequent lockdowns across the country, the completion of the listing process and the IPO of shares has been delayed. Management and the Board of Directors remain committed to completing the IPO of shares in due course, once normalcy in business operations is restored. Read with the above, the Bank continues normal course of business and operates as a going concern, and no adjustments have been considered necessary in this regard.

2.2. The COVID-19 pandemic (declared as such by the World Health Organisation on March 11, 2020), has contributed to a significant decline and volatility, and a significant decrease in economic activity, in global and Indian markets. The Indian government announced a strict 40-day lockdown in India to contain the spread of the virus till May 3, 2020, which was further extended till May 17, 2020 with some relaxations in specific areas. This has led to significant disruptions and dislocations for individuals and businesses, and has had consequential impact on regular banking operations including lending, fund-mobilisation, and collection activities. In respect of the Bank's loan book, Management has made provisions as more fully explained in note 17.3.0.a. however, the full extent of impact of the COVID-19 pandemic on the Bank's operations, and financial metrics (including impact on provisioning on advances) will further depend on government and regulatory guidelines and future developments which are uncertain and incapable of estimation at this time.

3. Significant accounting policies

3.0. Accounting impact on account of COVID-19 pandemic and related regulatory guidelines

a. In terms of the COVID-19 Regulatory Package of the RBI, vide guidelines dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers, in accordance with the Scheme approved by the Bank's Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning ("IRAC") norms). The Bank has made provision as on March 31, 2020 in respect of accounts in default but standard against the potential impact of COVID-19. Further, as permitted under the IRAC norms and based on management's assessment, the Bank has made a provision of ₹ 99.63 crores in the quarter ended March 31, 2020 (including ₹ 2.98 crores representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in paragraph 5 of the RBI's guidelines dated April 17, 2020), based on assessment of recoverability of advances after considering internal and external information and the norms prescribed by RBI. The provision held by the bank is in excess of the RBI prescribed norms.

b. As regards interest income during the moratorium period, the Bank continues to recognise interest on the loans outstanding as at February 29, 2020, on loans to borrowers to whom moratorium benefit has been extended in accordance with COVID-19 Regulatory Package issued by RBI, which are proposed to be collected based on revised repayment schedules.

c. The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank, at their meeting held on May 14, 2020 has not proposed any dividend for the year ended March 31, 2020.

3.1. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses for the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ due to these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

3.2. Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into three categories (hereinafter called "categories") as below:

- i) Held to Maturity ("HTM") – Securities acquired with the intention to hold till maturity
- ii) Held for Trading ("HFT") – Securities acquired with the intention to trade

- iii) Available for Sale ("AFS") – Securities which do not fall within the above two categories

Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") – Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments. Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for sale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in the above categories are classified under AFS category.

Acquisition cost:

The cost of investment is determined on weighted average cost basis. Broken period interest on debt instruments is treated as a revenue item. The transaction cost, including brokerage, commission etc., paid at the time of acquisition of investments are charged to revenue in accordance with the requirements of valuation norms prescribed by RBI.

Transfer between categories

Transfer between categories is done at the lower of the acquisition cost/book value/market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

Valuation:

Investments classified under AFS and HFT categories are 'marked to market' as per the RBI guidelines. The securities are valued scrip wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Investments classified under HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over face value. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures, if any, is provided for.

Quoted Investments are valued based on the trades / quotes on the recognised stock exchanges, price list of

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. [FBIL], based on relevant RBI circular.

The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is valued as per rates published by FBIL.

The valuation of other unquoted fixed income securities (viz., state government securities, other approved securities, bonds and debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FBIL.

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 (YTM) 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 categories and credit ratings along with residual maturity issued by FBIL is adopted for this purpose.

Unquoted equity shares are valued at the break-up value if the latest balance sheet is available, or at ₹ .1, as per the RBI guidelines.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Security receipts, if any, are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in 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.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

In accordance with RBI Circular, Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions (including transactions under Liquid Adjustment Facility [LAF] and Marginal Standing Facility [MSF]) with RBI are accounted for as borrowings and lendings, as the case may be. Accordingly, amounts outstanding in Repo and Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings and Money at Call and at

Short Notice respectively and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.

Disposal of investments:

Profit / Loss on sale of investments under AFS and HFT categories are recognised in the Profit and Loss Account.

Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines.

In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

With a view to building up of adequate reserves to protect against increase in yields in future, in accordance with extant RBI circular, an amount not less than the net profit on sale of investments during the year or net profit for the year less mandatory appropriations is created as Investment Fluctuation Reserve (IFR) until the bank achieve a reserve balance of 2% of the HFT and AFS portfolio.

3.3. Advances

Classification:

Advances are classified as Performing Assets (Standard) and Non-performing Assets (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

The Advances are stated net of specific provisions made towards NPAs, unrealised interest on NPAs, bills rediscounted, if any etc. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

The bank transfers advances through inter-bank participation with and without risk, which are accounted for in accordance with the RBI guidelines, as follows. In the case of participation with risk, the aggregate amount of participation transferred out of the Bank is reduced from advances; and participations transferred in to the Bank are classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings; and where the bank is participating in, the aggregate amount of participation is shown as due from banks under advances.

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

Provisioning:

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies. Advances are disclosed, net of provisions in the Balance Sheet (Also refer Note 18.11.1).

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as Floating Provision. Creation of Floating Provision is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, Floating Provisions are utilised up to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts. Floating Provisions have been included under 'Other Liabilities'.

The Bank considers restructured account, if any, as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, amongst 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 the asset is made. Restructuring of an account, if any, is done at a borrower level.

Non-performing advances are written-off in accordance with the Bank's policies Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

Recording and Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in the financial statements, provision created

is netted against gross amount of advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off / settlement of the account.

Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

3.4. Securitisation transactions and direct assignments and transfer of assets

The Bank transfers its loan receivables both through Direct Assignment route as well as transfers to Special Purpose Vehicles (SPV).

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss Account in the period in which the sale occurs.

3.5. Fixed Assets (Property, Plant and Equipment (PPE) and depreciation)

Property, Plant and Equipment, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives. Assets under development as at balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as per the table below, based on technical advice, taking into account the nature of the

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc.

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Office Equipment	3 Years	5 Years
Computer Equipment	3 Years	3 years
Furniture and Fixtures	3 Years	10 years
Vehicles	4 Years	8 Years
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

- Leasehold improvements are depreciated over the primary lease period or over the remaining useful life of the asset, whichever is lower.
- 'Point of Sale' terminals are fully depreciated in the year of purchase

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the Balance Sheet date and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

PPE held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the Profit and Loss Account.

3.6. Intangible Assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Bank uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 5 years or license period, whichever is lower.

The amortization period and the amortization method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

3.7. Impairment of Assets

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

3.8. Transactions involving foreign exchange

Initial recognition

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

Treatment of Exchange differences

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

3.9. Revenue Recognition

Interest Income on loans, advances and investments (including deposits with banks and other institutions) are recognised on accrual basis. Income on Non-performing Assets is recognized upon realisation as per RBI norms.

Fee and Commission income are recognised as income when due, except in cases where the Bank is uncertain of its ultimate collection.

Bank Guarantee commission and commission on letter of credit, and locker rent are recognised on a straight-line basis over the period of contract. Interest Income on deposits / investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Income on discounted instruments is recognised over the tenor of the instruments on a straight line basis.

Dividend income, if any, is accounted for, when the right to receive the same is established.

In accordance with the RBI guidelines on Securitisation Transactions, gains arising from assignment / securitisation are amortised over the life of the underlying portfolio loans. In case of any loss, the same is recognised in the Profit and Loss Account immediately.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the Profit and Loss Account.

3.10. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

The Bank's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit

obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short term Employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits

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

Employee Stock Compensation Cost

Employee stock compensation cost for stock options is recognised as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Bank measures compensation cost relating to the employee stock options using the intrinsic value method. The compensation cost, if any, is amortised uniformly over the vesting period of the options.

3.11. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the lease term.

3.12. Accounting of 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

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

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.

3.13. 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 (Also refer Note 18.11.1).

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

3.14. Earnings per Share

Basic earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.15. Proposed Dividend

Proposed dividend after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is declared / approved.

The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank, at their meeting held on May 14, 2020 has not proposed any dividend for the year ended March 31, 2020.

3.16. Segment reporting

The disclosure relating to segment information is in accordance with the guidelines issued by RBI. In accordance with guidelines issued by RBI, the bank has adopted segment reporting as under:

Treasury includes all investment portfolios, Profit/Loss on sale of investments, PSLC Fee, Profit/Loss on foreign exchange transaction, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation/amortisation of premium on HTM category investments.

Corporate / Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under 'Retail Banking'.

Retail Banking includes lending to and deposits, from retail customers and identified earnings and expenses of the segment.

Other Banking Operations includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and reserves and other unallocable assets, liabilities, income and expenditure.

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

Geographic segment

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

3.17. Provisions and Contingencies

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

3.18. Cash and Cash Equivalents

Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice. Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

3.19. Short sale transactions

In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognised. Profit or loss on settlement of the short position is recognised in the Profit and Loss account.

3.20. Reward Points

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

1 Capital adequacy

The Capital Adequacy Ratio["CRAR"]of the Bank, calculated as per the Standardised approach for Credit Risk under Basel II regulation is set out below. Market Risk and Operational Risk are not considered for computation of Risk Weighted Assets in the current year as per Guidelines applicable for Small Finance Banks.

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
1	Common Equity Tier 1 capital ratio (as a percentage of Credit RWA)	22.44%	20.92%
2	Tier 1 capital ratio (as a percentage of Credit RWA)	22.44%	20.92%
3	Tier 2 capital ratio (as a percentage of Credit RWA)	1.17%	1.52%
4	Total Capital Ratio (CRAR)	23.61%	22.44%
5	Amount of equity capital raised *	47.46	-
6	Amount of Additional Tier 1 capital raised; of which Perpetual Non Cumulative Preference Shares ("PNCPS"): Perpetual Debt Instruments ("PDI") :	-	-
7	Amount of Tier 2 capital raised; of which Debt capital instruments: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares ("PCPS") / Redeemable Non Cumulative Preference Shares ("RNCPS") / Redeemable Cumulative Preference Shares ("RCPS")]	-	-

* The Bank issued 47,458,239 equity shares of face value of ₹ 10 each on preferential basis at a premium of ₹ 42.68 each for total cash consideration of ₹ 250.01 crores on December 11, 2019.

2 Business Ratio

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Interest Income as a percentage to Working Funds *	15.02%	14.39%
(ii)	Non interest income as a percentage to Working Funds *	1.60%	1.92%
(iii)	Operating Profit as a percentage to Working Funds ^	3.39%	2.89%
(iv)	Return on Assets ®	1.38%	1.43%
(v)	Business (deposits plus advances) per employee # & (₹ in crore)	1.35	1.32
(vi)	Profit per employee & (₹ in crore)	0.016	0.015

* Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

® Return represents net profit for the year. Return on assets is computed with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

Business is the total of net advances and deposits (net of inter-bank deposits).

& Productivity ratios are based on average employee numbers, which excludes contract staff, intern etc.

^ Operating profit is profit for the year before provisions and contingencies.

3 Investments

3.1 Category-wise details of Investments (Net of provision for depreciation):

S.No	Ratio	As at March 31, 2020			As at March 31, 2019		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	1,782.86	504.50	4.95	1,080.70	1,163.55	-
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	-	0.20	-	-	0.20	-
iv)	Debentures and bonds	-	50.00	-	-	100.00	-
v)	Subsidiaries and/ or Joint Ventures	-	-	-	-	-	-
vi)	Other Deposits under RIDF scheme with NABARD, Security Receipts/Pass through Certificates, investments in Mutual funds, Commercial papers, etc.,	-	-	-	-	-	-
	Total	1,782.86	554.70	4.95	1,080.70	1,263.75	-

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

3.2 Details of investments

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
1	(1) Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	2,342.51	2,344.45
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	2,342.51	2,344.45
	(b) Outside India	-	-
2	(2) Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add: Provisions made during the year	6.46	3.76
	(iii) Less: Write off / write back of excess provisions during the year	6.46	3.76
	(iv) Closing balance	-	-

3.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions

As at March 31, 2020					
Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2020 #
1	Securities sold under repo				
	i. Government securities	-	752.79	132.57	233.00
	ii. Corporate debt securities	-	-	-	-
2	Securities purchased under reverse repo				
	i. Government securities	300.00	2,600.43	1,248.36	2,080.00
	ii. Corporate debt securities	-	-	-	-

Repo and Reverse Repo Transactions (including LAF) are disclosed above in Deal Value terms.

As at March 31, 2019					
Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2020 #
1	Securities sold under repo				
	i. Government securities	-	1,199.70	360.07	-
	ii. Corporate debt securities	-	-	-	-
2	Securities purchased under reverse repo				
	i. Government securities	-	1,330.00	152.56	783.71
	ii. Corporate debt securities	-	-	-	-

Repo and Reverse Repo Transactions (including LAF) are disclosed above in Deal Value terms.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

3.4 a) Issuer composition of Non SLR investments As at March 31, 2020 :

Sl.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
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	50.20	50.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	50.20	50.20	-	0.20	0.20

Note: Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.

b) Issuer composition of Non SLR investments as at March 31, 2019 :

Sl.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
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	100.20	100.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	100.20	100.20	-	0.20	0.20

Note: Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.

3.5 Non performing Non-SLR investments

The Bank does not have any non performing non SLR investments in the Current year and in the Previous year.

3.6 Sale and transfer of securities to / from HTM category

The Bank has not sold or transferred any security to/from HTM category in the Current year and in the Previous year.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

4 Derivatives/ Exchange traded interest derivatives/ Risk exposures in derivatives

The Bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations. The Bank does not have any Forward Rate Agreement or Interest rate swaps.

5 Asset Quality

5.1 Non-Performing Assets

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Net NPAs to Net Advances (%)	1.66%	1.44%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	295.71	212.53
	(b) Additions during the year	409.30	317.30
	(c) Reductions during the year	287.69	234.12
	(d) Closing balance	417.32	295.71
(iii)	Movement of Net NPAs		
	(a) Opening balance	186.42	131.50
	(b) Additions during the year	251.00	206.78
	(c) Reductions during the year	189.80	151.86
	(d) Closing balance	247.62	186.42
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	109.29	81.03
	(b) Additions during the year	158.30	110.52
	(c) Reductions during the year	97.89	82.26
	(d) Closing balance	169.70	109.29

5.1.1 Movement of NPAs

Particulars	As at March 31, 2020	As at March 31, 2019
Gross NPAs as at April 1	295.71	212.53
Additions during the year	409.30	317.30
Subtotal - (A)	705.01	529.83
Less:		
(i) Upgradations	101.19	81.28
(ii) Recoveries (excluding recoveries made from upgraded accounts)	114.99	92.07
(iii) Technical or Prudential write offs	17.27	31.76
(iv) Write offs other than those under (iii) above	54.24	29.01
Subtotal - (B)	287.69	234.12
Gross NPAs as at March 31	417.32	295.71

5.1.2 Movement in technical/prudential written off accounts is set out below:

Particulars	As at March 31, 2020	As at March 31, 2019
Opening balance of Technical / Prudential written off accounts as at April 1	169.23	142.11
Add : Technical / Prudential write offs during the year	17.27	31.76
Subtotal - (A)	186.50	173.87
Less: Recoveries made from previously technical / prudential written off accounts during the year - (B)	2.15	4.64
Less: Actual writeoff during the year - (C)	-	-
Closing balance as at March 31 (A-B-C)	184.35	169.23

5.1.3 Overseas assets, NPAs and revenue

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous Year : Nil).

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

5.1.4 Off Balance Sheet SPVs sponsored

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

5.2 Details of Loan Moratorium provided to customers - COVID-19 Regulatory Package - Asset Classification and Provisioning

Disclosure as per RBI Circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 on COVID-19 Regulatory Package - Asset Classification and Provisioning (COVID circular)

Particulars	Amount in ₹ crores
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the COVID circular	996.30
Respective amount where asset classification benefits is extended	29.78
Provisions made during the Q4FY2020 in terms of paragraph 5 of the COVID circular	99.63
Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6 of the COVID circular	Nil

5.3 Divergence in the asset classification and provisioning

The Financial statements for the year ended March 31, 2020 and March 31, 2019 are not subjected to inspection by Reserve Bank of India as on the date of the financials and accordingly, the disclosure on divergence in Asset classification and provisioning as per RBI Circular: DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 is not applicable.

5.4 (a) Details of financial assets purchased/sold

During the year, there was no sale of non-performing financial assets to Securitisation Company / Reconstruction Company for asset reconstruction (Previous year: Nil)

(b) Details of book value of investment in security receipts:

The Bank has not invested in security receipts during the Current year and in the Previous year.

5.5 Details of Non-performing assets purchased/sold

The Bank did not sell/buy non-performing assets during the year (Previous year: Nil). Assets repossessed / hypothecated to bank are not considered as non banking assets of the bank.

5.6 Provision on Standard Assets

Particulars	As at March 31, 2020	As at March 31, 2019
Provision towards standard assets	45.99	28.39
Provisions for restructured standard advances	0.11	2.58
Total	46.10	30.97

*Does not include general provision of ₹ 99.63 crores made by bank in respect of accounts in default but standard against the potential impact of COVID-19 as on March 31, 2020.

5.7 Disclosures on Change in Ownership of Projects Under Implementation

The Bank does not have any account which are currently under the scheme of Change in Ownership of Projects Under Implementation as on March 31, 2020, (Previous year: Nil).

5.8 Resolution of Stressed Assets – Revised Framework

The Bank does not have any stressed Assets (Revised Framework) as per RBI Circular RBI/2017 -131 DBR.No.BP.BC. 101/21.04.048/2017-18 and RBI/2018-19/203 DBR.No. BP.BC.45/21.04.048/2018-19 as on March 31, 2020 (Previous year: Nil).

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

5.9 Details of Loan Assets subjected to Restructuring as on March 31, 2020

SI No	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Total
1	Restructured Accounts as on April 1, 2019	-	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	3,385
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	0.26	0.01	0.18	-	0.45	0.45
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	223	4	6	-	233	233
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.55	1.57	0.00	-	2.12	2.12
	Provision thereon	-	-	-	-	-	-	-	-	-	-	0.03	0.24	-	-	0.27	0.27
3	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	360	(110)	(250)	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.10	(0.03)	(0.08)	-	(0.01)	(0.01)
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	(0.01)	(0.08)	-	(0.09)	(0.09)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2018-19 and hence need not be shown as restructured standard advances at the beginning of the next FY 2019-20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

5.9 Details of Loan Assets subjected to Restructuring as on March 31, 2020

Sl No	Type of Restructuring Asset Classification	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Total
5	Down gradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	(131)	85	46	-	-	(131.00) 85.00 46.00 - -
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(0.19)	0.13	0.06	-	-	(0.19) 0.13 0.06 - -
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.01)	0.03	0.06	-	-	(0.01) 0.03 0.06 - 0.08
	Provision thereon	-	-	-	-	-	-	-	-	-	-	728	4	4	-	736	728 4 4.00 - 736
6	Write-offs of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	3.34	0.14	0.08	-	3.57	3.34 0.14 0.08 - 3.57
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	0.17	0.03	0.08	-	0.28	0.17 0.03 0.08 - 0.28
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.17	0.03	0.08	-	0.28	0.17 0.03 0.08 - 0.28
	Provision thereon	-	-	-	-	-	-	-	-	-	-	2,679	118	85	-	2,882	2,679 118 85 - 2,882
7	Restructured Accounts as on March 31,2020	-	-	-	-	-	-	-	-	-	-	2.27	1.58	0.08	-	3.93	2.27 1.58 0.08 - 3.93
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	0.11	0.25	0.08	-	0.44	0.11 0.25 0.08 - 0.44
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.11	0.25	0.08	-	0.44	0.11 0.25 0.08 - 0.44
	Provision thereon	-	-	-	-	-	-	-	-	-	-	0.11	0.25	0.08	-	0.44	0.11 0.25 0.08 - 0.44

* Write-off of restructured accounts includes recoveries in existing balances.

The figures under Sr No 2 includes ₹ 2.12 crores of additional sanction (233 accounts and ₹ 0.27 crores Provision there on.)

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

5.9 Details of Loan Assets subjected to Restructuring as on March 31, 2019

Sl No	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Total
1	Restructured Accounts as on April 1, 2018	-	-	-	-	-	-	-	-	-	-	-	724	-	-	-	724
	No. of borrowers																
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	724	-	-	-	1.65
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.41	-	-	-	0.41
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	2,265	135	287	-	2,687	2,687
	No. of borrowers																
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	5.19	0.04	0.21	-	5.44	5.44
	Provision thereon	-	-	-	-	-	-	-	-	-	-	0.26	0.01	0.21	-	0.48	0.48
3	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	699	(699)	-	-	-	-
	No. of borrowers																
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.75	(0.75)	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	0.04	(0.19)	-	-	(0.15)	(0.15)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2017-18 and hence need not be shown as restructured standard advances at the beginning of the next FY 2018-19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers																
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

5.9 Details of Loan Assets subjected to Restructuring as on March 31, 2019

Sl No	Type of Restructuring Asset Classification	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total		
		Standard	Sub Standard	Loss	Standard	Sub Standard	Loss	Standard	Sub Standard	Loss	Standard	Sub Standard	Loss
5	Down gradations of restructured Amount accounts during outstanding the year	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured borrowers	-	-	-	-	-	-	(9)	(17)	-	(9)	(17)	-
	Amount accounts during outstanding the year	-	-	-	-	-	-	(0.79)	(0.89)	(0.03)	(0.79)	(0.89)	(0.03)
	Provision thereon	-	-	-	-	-	-	(0.04)	(0.22)	(0.03)	(0.04)	(0.22)	(0.30)
7	Restructured Accounts as on March 31, 2019	-	-	-	-	-	-	2,955	143	287	2,955	143	287
	Amount outstanding	-	-	-	-	-	-	5.15	0.06	0.18	5.15	0.06	0.18
	Provision thereon	-	-	-	-	-	-	0.26	0.01	0.18	0.26	0.01	0.18

* Write-off of restructured accounts includes recoveries in existing balances.

The figures under Sr No 2 includes ₹ 5.45 crores of additional sanction (2,687 accounts and ₹ 0.48 crores Provision there on.)

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

6 Asset Liability Management

6.1 Maturity pattern of certain items of assets and liabilities

a) As at March 31, 2020

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	158.92	462.12	134.11	364.53	471.33	594.76	1,456.96	3,044.12	4,099.33	1.21	1.02	10,788.41
Advances	0.55	32.27	-	(400.00)	(175.17)	281.78	780.37	2,526.38	6,224.14	1,975.84	2,501.08	13,747.24
Investments	243.98	-	-	138.10	149.76	95.34	284.73	474.90	898.22	41.27	16.21	2,342.51
Borrowings	-	-	55.73	-	172.18	126.43	542.05	1,013.34	2,619.99	603.23	1.92	5,134.87
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

b) As at March 31, 2019

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	35.41	327.96	286.36	757.07	376.79	546.82	801.81	2,339.33	3,532.07	2.44	0.68	9,006.74
Advances	11.76	129.91	149.09	109.85	538.05	369.84	1,070.74	1,995.20	4,290.64	1,460.38	1,469.54	11,595.00
Investments	617.54	-	-	120.82	217.62	97.13	206.76	394.84	631.85	44.37	13.52	2,344.45
Borrowings	-	10.00	15.00	-	231.45	83.66	617.22	641.46	1,916.92	454.25	3.07	3,973.03
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain assumptions have been made by management of the Bank and the same are used for submitting the regulatory returns. The actual outflows may be lower than the above estimates as deposits rollover assumptions are not considered in the maturity profile on a conservative basis. Also the liquid assets in the form of Reverse Repo for ₹ 2,080 crores as on March 31, 2020 with residual maturity upto 9 days (March 31, 2019 - ₹ 554 Cr) were not included in the above disclosure.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

7 Exposures to sensitive sectors

7.1 Exposures to Real Estate Sector

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
(a) Direct Exposures			
(i)	Residential Mortgages - Lending fully secured by Mortgages on residential property that is or will be occupied by the borrower or that is rented.	6,150.08	4,485.64
	-of which housing loans eligible for inclusion in priority sector advances are rendered.	463.71	276.71
(ii)	Commercial Real Estate.		
	Lending secured by mortgages on commercial real estate (office buildings, retail space, multi purpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non fund based (NFB) limit.	114.94	54.54
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a.	Residential	-	-
b.	Commercial Real Estate	-	-
(b) Indirect Exposures			
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	242.41	122.50
	Total exposure to Real Estate Sector	6,507.43	4,662.68

Exposure represents the higher of the sanctioned or outstanding to Real estate sector.

The above disclosure includes the IBPC exposure of ₹ 1,050 crores. (Previous year -Nil) and includes a) Exposure to Home Loans, Loan against property against Residential mortgages other than classified under CRE-RH b) Exposure to Real Estate Builders/ Developers c) exposures where the primary source of cash flow, i.e. more than 50% of cash flows, for repayment / recovery is from lease or rental payments and such assets are taken as security and d) Indirect exposure to HFC.

Commercial Real estate exposure classification is based on RBI circular DBOD.BP.BC.No. 42/08.12.015/2009-10 dated September 9, 2009.

7.2 Exposures to Capital Market

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
i	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;	0.20	0.20
ii	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;	0.20	0.21
iii	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;	-	-
iv	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;	-	-
v	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi	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;	-	-
vii	Bridge loans to companies against expected equity flows / issues;	-	-
viii	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;	-	-
ix	Financing to stockbrokers for margin trading;	-	-
x	Venture Capital Funds (both registered and unregistered)	-	-
	Total exposure to Capital market	0.40	0.41

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for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

7.3 Risk Category-wise exposure to country risk

The Bank does not have any country risk exposure other than "home country" exposures and accordingly, no provision is maintained with regard to country risk exposure. (Previous year: Nil).

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank.

During the year, the Bank has not exceeded the prudential credit exposure limit as prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers. (Previous year: Nil).

7.5 Unsecured Advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc., (Previous year Nil). The unsecured advances of ₹ 3,327.95 crore (March 31, 2019 : ₹ 3,400.33 crore) as disclosed in Schedule 9 are without any collateral security.

8 Disclosures relating to Penalties imposed by RBI

During the year ended March 31, 2020 (Previous year: Nil), RBI has not imposed any penalties on the Bank. (Also, refer Note 17.2.1 for the regulatory action taken by the RBI during the year ended March 31, 2020).

9 Disclosure on remuneration

Qualitative disclosures

The Nomination and Remuneration Committee is chaired by an Independent Director and comprises of five (5) Independent Directors and one (1) Non-Executive Non-Independent Director.

- (a) Remuneration Policy of the Bank covers remuneration payable for directors and employees of the Bank and all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan and gratuity.

The functions of the committee include: recommendation of appointment of Directors to the board, evaluation of performance of the Directors, approval of the policy for bonus payable to the employees, including senior management and key management personnel, framing guidelines for the Employee Stock Option Scheme (ESOP Scheme) and deciding on the grant of stock options to the employees and Whole Time Directors of the Bank. Also, refer Schedule 17.2.1.

- (b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

The Bank believes in a sound compensation practice that ensures effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement. This policy is framed in accordance with the guidelines laid down by Reserve Bank of India (RBI) vide their Master Circular Reference no DBOD No.BC.72 /29.67.001/2011-12 dated January 31, 2012.

- (c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

The Board of Directors through the Nomination and Remuneration Committee ("NRC") shall be responsible for formulating and making the necessary amendments to the Remuneration Policy for the Directors, Key Managerial Persons ("KMP") and Senior Executives of the Bank from time to time. The NRC may consider different aspects like risk-return alignment, cost to income ratio in framing the remuneration.

The Non-Executive Directors ("NED") including Independent Directors of the Bank shall be paid remuneration as a percentage of the net profits of the Bank for the financial year as may be fixed by the Board from time to time, calculated as per the provisions of the Companies Act, 2013 and subject to the limits fixed by the Reserve Bank of India, from time to time.

Further, within the above ceiling, the remuneration payable to the Chairman of the Board shall be two times the amount payable to other Non-Executive Directors and Independent Directors and further subject to approval of RBI and the remuneration payable to the Chairman of the Audit Committee shall be 1.5 times the amount payable to other Non-Executive Directors and Independent Directors.

NEDs are to be paid such sitting fee for each meeting of the Board/ Committees of the Board attended by them, as may be approved by the Board pursuant to provisions of Section 197 of the Companies Act, 2013 read with Section 35B (1) of the Banking Regulation Act 1989. NEDs including Independent Directors shall be reimbursed any out of pocket expenses incurred by them while performing duties for the Bank.

The remuneration payable to Managing Director ("MD")/Chief Executive Officer ("CEO") shall be based on the scope and responsibility that goes with such positions, shall be comparable to the compensations of

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

MD/CEO of similar profiles in similar organizations and would be performance linked. From time to time, the NRC may fix a maximum ceiling on the fixed/variable component of compensation, subject the approval of Reserve Bank of India.

The Bank did not have an ESOP scheme for its employees till November 21, 2019. Select employees including MD & CEO was eligible for Employee Stock Options ("ESOP") of the Holding Company, as determined from time to time by the NRC of the Holding Company and subject to the approval of Reserve Bank of India (RBI). The proposal for grant of ESOPs of the Holding Company to MD & CEO was not acceded to by RBI as conveyed vide its letter dated April 2, 2019. As a result of this, ESOPs of Holding Company are not allotted to MD & CEO.

On November 22, 2019, the Board of the Bank approved an ESOP scheme for the Bank for eligible employees as determined from time to time by the NRC of the Bank. As at March 31, 2020, options under this scheme are issued to an employee of the Bank and EHL who do not hold options under the ESOP Scheme issued by EHL or have surrendered such options issued by EHL.

For the other categories of staff, the compensation is structured taking into account all relevant factors such as the level of the position, roles and responsibilities and the prevailing compensation structure in the industry for the similar role.

(d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.

The Bank follows Annual Performance Review (12 months period) to link performance. Remuneration is fixed based on the grade and merit rating for all the employees. Individual performances are assessed in line with business or individual deliveries of the Key Result Areas (KRA), top priorities of business, budgets etc.

(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.

Currently the Bank does not follow any deferred remuneration.

(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms.

A variable component would also be made available for specific employees as agreed and included as a part of compensation. The percentage of variable component may be fixed upto 25% of remuneration.

As on the reporting date, the Bank does not have any form of variable remuneration other than as stated above. Employees above defined grade are eligible for Employee Stock Options issued by the Bank determined by the Nomination and Remuneration Committee of the Bank. In addition, some of the employees are holding stock options issued by the Holding company under the Holding Company's Employee Stock Option scheme (Equitas ESOP Scheme 2015).

Quantitative disclosures

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Number of meetings held by the Remuneration Committee during the year	6	6
Remuneration paid to its members	0.08	
(i) Number of employees having received a variable remuneration award during the year	-	-
(ii) Number and total amount of sign on awards made during the year	-	-
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
(iv) Details of severance pay, in addition to accrued benefits, if any.	-	-
(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 year	-	-
Breakdown of amount of remuneration awards for the year to show fixed and variable, deferred and non deferred:		
(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 year due to ex post explicit adjustments.	-	-
(iii) Total amount of reductions during the year due to ex post implicit adjustments.	-	-

The quantitative disclosures are provided in respect of Whole Time Directors / Chief Executive Officer/ Other Risk Takers.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

10 Disclosures- Accounting Standards

10.1 Segment Reporting (AS 17)

The business of the Bank is divided into three segments: Treasury, Wholesale Banking and Retail Banking business. These segments have been identified and reported taking into account the target customer profile, the nature of products and services, the different risks and returns, and the guidelines prescribed by RBI.

As at March 31, 2020					
Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	247.85	2,558.47	86.33	35.15	2,927.80
Segment Results	77.98	310.31	23.11	12.65	424.05
Unallocated income/(expenses)					73.11
Operating profit					350.94
Income taxes					107.30
Net Profit					243.64
Other information					
Segment assets	2,723.37	15,394.12	993.67	-	19,111.16
Unallocated assets					203.39
Total assets					19,314.55
Segment liabilities	2,353.31	13,344.48	862.55	-	16,560.34
Unallocated liabilities					10.06
Total liabilities					16,570.40
Net assets / Capital employed	370.06	2049.64	131.12	-	2,550.82
Additional information					
Capital expenditure	-	74.37	-	-	74.37
As at March 31, 2019					
Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	319.79	2,009.59	45.31	28.83	2,403.52
Segment Results	112.47	258.11	2.77	10.15	383.50
Unallocated income/(expenses)					59.77
Operating profit					323.74
Income taxes					113.17
Net Profit					210.57
Other information					
Segment assets	2,747.16	12,178.57	645.98	-	15,571.71
Unallocated assets					190.98
Total assets					15,762.69
Segment liabilities	2,376.13	10,562.03	561.41	-	13,499.57
Unallocated liabilities					8.80
Total liabilities					13,508.37
Net assets / Capital employed	371.03	1,616.54	84.57	-	2,072.14
Additional information					
Capital expenditure	-	51.64	-	-	51.64

Geographic segments

The Bank's operations are confined to one geography (India).

Segmental information is provided as per the MIS/reports maintained for internal reporting purposes, which includes certain estimates and assumptions.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

10.2 Related Party Transactions (AS 18)

i. Names of Related Parties and Nature of Relationship

Holding Company	Equitas Holdings Limited
Fellow Subsidiaries	Equitas Technologies Private Limited
Key Management Personnel	Vasudevan PN, MD & CEO N Sridharan, Chief Financial Officer Sampathkumar KR, Company Secretary
Entities under the same Management	Equitas Development Initiatives Trust Equitas Dhanyakosha India Equitas Healthcare Foundation

ii. Transactions with the Related Parties

Transaction	Name of the Related Party	Year ended March 31, 2020	Year ended March 31, 2019
Expenses			
CSR Contribution	Equitas Development Initiatives Trust	10.90	8.65
	Equitas Healthcare Foundation	2.37	0.30
Deposits			
Term deposits received	Equitas Holdings Limited	60.34	207.59
	Equitas Development Initiatives Trust	10.75	0.04
	Key Management Personnel	0.67	0.20
Term deposits closed	Equitas Holdings Limited	55.20	76.58
	Equitas Technologies Private Limited	-	3.53
	Equitas Development Initiatives Trust	6.70	-
	Key Management Personnel	0.31	-
Interest on Term Deposits	Equitas Holdings Limited	14.83	11.05
	Equitas Development Initiatives Trust	0.30	0.00
	Key Management Personnel	0.03	0.01
	Equitas Technologies Private Limited	-	0.05
Savings Deposits and Interest	Equitas Development Initiatives Trust	39.92	23.30
	Equitas Healthcare Foundation	2.82	0.00
	Key Management Personnel	2.46	1.44
Demand Deposits	Equitas Technologies Private Limited	9.26	5.76
	Equitas Holdings Limited	73.79	224.12
	Equitas Dhanyakosha India	0.00	0.00
Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	38.38	19.78
	Key Management Personnel	2.27	1.38
	Equitas Healthcare Foundation	0.01	-
Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	72.88	226.02
	Equitas Dhanyakosha India	0.02	0.00
	Equitas Technologies Private Limited	9.62	5.86
Borrowings			
Borrowings Repaid	Equitas Holdings Limited	-	121.70
Interest on Borrowings	Equitas Holdings Limited	-	2.65
Other Transactions			
Reimbursement of Expenses	Equitas Development Initiatives Trust	-	0.22
	Equitas Technologies Private Limited	-	0.02
	Equitas Holdings Limited	-	0.00
Guarantees released during the year (net)	Equitas Holdings Limited	-	150.00
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)	Vasudevan PN, MD & CEO	1.65	1.11
	N Sridharan, Chief Financial Officer	0.94	0.79
	Sampathkumar KR, Company Secretary	0.24	0.18

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(All amounts in crore of ₹, unless otherwise specified)

Under the Employee Stock Option Scheme (ESOS) 2015 of the Holding company, Equitas Holdings Limited, the Key Management Personnel were allotted the following shares:

Name of the Key Management Personnel	Year ended March 31, 2020	Year ended March 31, 2019
N Sridharan	-	5,400
Sampathkumar K R	-	1,194
Total	-	6,594

The remuneration to KMP does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

iii. Balances outstanding at the end of the year

Particulars	Name of the Related Party	As at March 31, 2020	As at March 31, 2019
Payables			
Borrowings outstanding	Equitas Holdings Limited	-	-
Term Deposit outstanding	Equitas Holdings Limited	181.62	176.48
	Equitas Development Initiatives Trust	4.14	0.08
	Equitas Technologies Private Limited	-	-
	Key Management Personnel	0.56	0.20
Interest Payable on term deposits	Equitas Holdings Limited	2.13	2.03
	Equitas Development Initiatives Trust	0.04	0.00
	Key Management Personnel	0.01	0.00
Demand Deposits	Equitas Holdings Limited	2.35	1.43
	Equitas Dhanyakosha India	-	0.02
	Equitas Technologies Private Limited	0.01	0.37
Savings Deposit	Equitas Development Initiatives Trust	5.38	3.83
	Equitas Healthcare Foundation	2.82	0.01
	Key Management Personnel	0.70	0.50
Others			
Corporate Guarantees	Equitas Holdings Limited	52.00	52.00

iv. Maximum Outstanding during the year

Particulars	Name of the Related Party	As at March 31, 2020	As at March 31, 2019
Borrowings	Equitas Holdings Limited	-	121.70
Term Deposit	Equitas Holdings Limited	182.72	177.02
	Equitas Development Initiatives Trust	6.60	0.08
	Equitas Technologies Private Limited	-	3.53
	Key Management Personnel	0.56	0.21
Demand Deposits	Equitas Holdings Limited	11.63	43.33
	Equitas Dhanyakosha India	0.02	0.02
	Equitas Technologies Private Limited	1.08	2.82
Savings Deposit	Equitas Development Initiatives Trust	10.04	4.05
	Equitas Healthcare Foundation	2.82	0.01
	Key Management Personnel	1.44	0.76
Others			
Corporate Guarantees	Equitas Holdings Limited	52.00	202.00

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

10.3 Operating leases (AS 19)

The Bank has taken a number of premises on operating leases for branches, offices, ATMs and residential premises for staffs. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Future lease rentals payable at the end of the year		
- Not later than one year	64.89	44.95
- Later than one year but not later than five years	239.23	197.31
- Later than five years	62.36	88.81
Total minimum lease payments recognised in the Profit and loss account	64.69	58.99
Total of future minimum sub lease payments expected to be received under non-cancellable sub-lease	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

10.4 Earnings per Share (AS 20)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Net profit after tax	243.64	210.57
Basic weighted average number of equity shares	1,020,466,103	1,005,943,363
Diluted weighted average number of equity shares	1,020,466,103	1,005,943,363
Nominal value of Equity shares (₹)	10.00	10.00
Basic Earnings per share (₹)	2.39	2.09
Diluted Earnings per share (₹)	2.39	2.09

During the year ended March 31, 2020, the Bank granted 4,14,08,728 options to its employees and the employees of Equitas Holding Limited under the ESFB Employees Stock Option Scheme 2019. These options does not have any dilutive impact on the earnings per share.

10.5 Deferred Taxes (AS 22)

The major components of deferred tax assets/liabilities are as follows:

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Timing difference on account of:				
Impact of difference between tax depreciation and depreciation/amortization for financial reporting.	16.64	-	10.44	-
Expenditure charged to the profit and loss account in the current year but allowed for tax purposes on payment basis.*	22.13	-	24.25	-
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viiia) of Income Tax Act, 1961.	28.71	-	29.64	-
Provision for advances	41.46	-	17.46	-
Others	7.10	-	7.83	-
Provision for special reserve u/s 36(i)(viii) of Income Tax Act, 1961		2.70		2.06
Net closing balance carried to the Balance Sheet (included in Schedule 11 - Others)	116.04	2.70	89.62	2.06

*Amount pertains to Provision for Leave encashment ₹ 12.54 crores (Previous year: ₹ 14.37 crores), Provision for Gratuity ₹ 2.66 crores (Previous year: ₹ 1.00 crores) and Provision for Bonus and Others ₹ 6.93 crores (Previous year: ₹ 8.88 crores).

Also refer note 11.1.a.(i) for details of change in statutory income tax rate.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

10.6 Employee Benefits (AS 15)

Defined Contribution Plan

Provident Fund

The Bank makes Provident Fund contributions to State administered fund for qualifying employees. The Bank is required to contribute a specified percentage of the payroll costs to the Fund. The Company recognised ₹ 35.26 Crores (Previous Year: ₹ 28.73 Crores) towards Provident Fund contributions in the Profit and Loss Account. The contributions payable to the fund by the Bank is at rates specified in the rules of the scheme.

Defined Benefit Plans

Gratuity

The Bank has a funded gratuity scheme for its employees and the Gratuity liability has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary is as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Change in defined benefit obligations during the year		
Present value of defined benefit obligation at beginning of the year	23.50	17.88
Present value of Defined Benefit Obligation transferred on account of Scheme of Arrangement (Refer Note 29)		
Current service cost	10.68	7.38
Interest cost	1.58	1.56
Benefits paid	(2.06)	(1.61)
Actuarial (gains)	(1.03)	(1.71)
Present value of Defined Benefit Obligation at end of the year	32.67	23.50
Change in Fair Value of Assets during the year		
Plan Assets at beginning of the year	20.63	11.85
Add: Adjustments to the opening balance	-	0.00
Expected return on plan assets	1.45	1.18
Actual company contributions	-	8.78
Actuarial gain / (loss)	-	(1.18)
Plan Assets at End of the Year	22.08	20.63
Liability Recognised in the Balance Sheet		
Present value of defined benefit obligation	(32.66)	(23.50)
Fair value of plan assets	22.08	20.63
Net Liability Recognised in the Balance Sheet	(10.58)	(2.87)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Cost of Defined Benefit Plan for the year		
Current service cost	10.68	7.38
Interest cost	1.58	1.56
Expected return on plan assets	(1.45)	(1.18)
Net actuarial gains	(1.03)	(0.53)
Net Cost Recognized in the Profit and Loss account	9.78	7.23
Return on Plan Assets	1.45	1.18
Assumptions		
Discount rate (Refer Note (b))	6.06%	7.01%
Interest rate (Estimated rate of return on assets)	7.00%	8.05%
Future salary increase (Refer Note (a))	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%

Notes:

- The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors. Further, the Management revisits the assumptions such as attrition rate, salary escalation etc., taking into account, the business conditions, various external/internal factors affecting the Bank.
- Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

c) Experience Adjustments:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2016
Projected benefit obligation	32.66	23.50	17.88	13.53	2.19
Fair value of plan assets	22.08	20.63	11.85	10.49	2.99
Surplus/ (Deficit)	(10.58)	(2.87)	(6.03)	(3.04)	0.80
Experience adjustments on plan liabilities - gains	(1.03)	(1.71)	(1.50)	6.64	(0.04)
Experience adjustments on plan assets - gains / (losses)	-	(1.18)	(0.95)	(1.04)	(0.25)

d) Category of Plan Assets

Particulars	% of fair value to total plan assets as at March 31, 2020	% of fair value to total plan assets as at March 31, 2019
Government securities	0%	0%
Debenture and bonds	0%	0%
Equity shares	0%	0%
Others	100%	100%

Long-term Compensated Absences and Leave Encashment

The key assumptions used in the computation of provision for long term compensated absences and leave encashment as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Assumptions:		
Discount Rate	6.06%	7.01%
Future Salary Increase	10.00%	10.00%
Attrition rate	20.00%	20.00%

11 Additional disclosures

11.1 Provisions and Contingencies

a) The breakup of provisions and contingencies debited to profit and loss account is given below:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Provisions for depreciation on Investment	-	-
Provision for NPA (including write off)	131.92	89.03
Net Provision / (reversal) towards Standard assets	15.13	9.89
Floating provision	-	-
Provision for taxes (net) *	133.08	137.86
Deferred tax (net) *	(25.78)	(24.69)
General Provision under COVID-19 Regulatory Package	99.63	-
Other Provision and Contingencies	(0.04)	3.49
Total	353.94	215.58

*(i) The Bank has elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Bank has recognised provision for income tax for the year ended March 31, 2020 and re-measured the balance of net deferred tax assets, basis the rate prescribed in the aforesaid ordinance. Tax expense for the year ended March 31, 2020 includes ₹ 24.50 crores resulting from write down of net deferred tax assets pertaining to earlier years.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

b) Movement in provision for debit card reward points

Particulars	As at March 31, 2020	As at March 31, 2019
Opening provision for reward points	0.33	0.08
Provision for reward points made during the year	0.22	0.33
Utilisation / Write back of provision for reward points	0.33	0.08
Effect of change in rate for accrual of reward points	-	-
Effect of change in cost of reward points	-	-
Closing provision for reward points	0.22	0.33

c) Movement in provision for frauds included under Other Liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Opening provision	0.42	0.27
Provision during the year	0.96	0.36
Utilisation/Write back of provision	0.06	0.21
Closing provision	1.32	0.42

11.2 Floating provision

Particulars	As at March 31, 2020	As at March 31, 2019
Opening Balance at the beginning of the year	19.00	19.00
Provisions made during the year	-	-
Drawdown made during the year	-	-
Closing Balance at the end of the year	19.00	19.00

11.3 Drawdown from reserves

The Bank has not drawn down any amount from its opening reserves during the year ended March 31, 2020 and March 31, 2019.

Share premium

An amount of ₹ 3.82 crore (Previous Year ₹ Nil) being the expenditure in connection with issue of shares during the year has been drawn down from Share Premium account as permitted under section 52 of the Companies Act 2013. Also refer schedule 11 and the note thereunder.

Appropriations to reserve:

Statutory reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Bank has transferred ₹ 60.91 Crore (Previous year ₹ 52.64 crores) to Statutory Reserve for the year.

Special reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, the specified entity is allowed the deduction in respect of any special reserve created and maintained by it, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause). This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital (excluding the amounts capitalized from reserves) of the entity. During the year, the Bank has transferred an amount of ₹ 4.83 crore (Previous year ₹ 2.64 crore) to Special Reserve. There is no drawdown from this reserve during FY 19-20 and FY 18-19.

Investment Fluctuation Reserve

During the FY 2019-20, the bank has apportioned ₹ 2.76 crores (Previous year : ₹ 8.43 Crore) to Investment Fluctuation Reserve, based on net profit on sale of investment and the value of investments in HFT and AFS category, to protect against future increase in yield, in accordance RBI guidelines.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

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Declaration of Dividends

The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank, at their meeting held on May 14, 2020, has not proposed any dividend for the year ended March 31, 2020.

11.4 Disclosure relating to Complaints

A

a) Customer complaints

[Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of complaints pending at the beginning of the year	7	81
No. of complaints received during the year	1,979	3,452
No. of complaints redressed during the year	1,932	3,526
No. of complaints pending at the end of the year	54	7

b) ATM transaction disputes relating to the Bank's customers on the Bank's ATMs

[Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of complaints pending at the beginning of the year	6	4
No. of complaints received during the year	547	748
No. of complaints redressed during the year	549	746
No. of complaints pending at the end of the year	4	6

c) ATM transaction disputes relating to the Bank's customers on other banks' ATMs

[Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of complaints pending at the beginning of the year	19	12
No. of complaints received during the year	2,513	6,373
No. of complaints redressed during the year	2,516	6,366
No. of complaints pending at the end of the year	16	19

d) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above]

[Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of complaints pending at the beginning of the year	32	97
No. of complaints received during the year	5,039	10,573
No. of complaints redressed during the year	4,997	10,638
No. of complaints pending at the end of the year	74	32

B Awards Passed by the Banking Ombudsman

[Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of unimplemented Awards at the beginning of the year	Nil	Nil
No. of Awards passed by the Banking Ombudsmen during the year	3	Nil
No. of Awards implemented during the year	3	Nil
No. of unimplemented Awards at the end of the year	Nil	Nil

11.5 Letters of Comfort

The Bank has not issued any letters of comfort during the year. (Previous year: Nil).

Schedule 18 – Notes forming part of the Financial Statements

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11.6 Provision Coverage ratio

Provision coverage ratio as at March 31, 2020 is 45.22% (March 31, 2019 is 43.38%). The Provision Coverage ratio is computed on the advances as at respective year end.

11.7 Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

Particulars	As at March 31, 2020	As at March 31, 2019
On Insurance products	19.47	16.60
On Mutual Fund products	1.50	1.93
Total	20.97	18.53

11.8 Concentration of Deposits, Advances, Exposures and NPAs

11.8.1 Concentration of Deposits

Particulars	As at March 31, 2020	As at March 31, 2019
Total Deposits of twenty largest depositors *	3,446.45	2,941.14
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	31.95%	32.65%

* excludes Certificate of Deposits issued.

11.8.2 Concentration of Advances*

Particulars	As at March 31, 2020	As at March 31, 2019
Total advances of twenty largest borrowers	758.85	556.59
Percentage of advances of twenty largest borrowers to Total advances of the bank	5.45%	4.76%

*Advances represents Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

11.8.3 Concentration of Exposures *

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposure of twenty largest borrowers/customers	789.64	654.51
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	5.58%	5.51%

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

11.8.4 Concentration of NPA

Particulars	As at March 31, 2020	As at March 31, 2019
Total exposure of top four NPA accounts	6.80	4.77

11.8.5 Inter-bank participation with risk sharing

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines is ₹ 1,450 crores as on March 31, 2020 (Previous Year : Nil)

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11.8.6 Priority Sector Lending Certificate (PSLCs)

Particulars	As at March 31, 2020	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	-	-
Small and Marginal Farmers	-	1,500.00
Micro Enterprises	-	500.00
General	-	-
Total	-	2,000.00

Particulars	As at March 31, 2019	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	394.00	-
Small and Marginal Farmers	416.00	975.00
Micro Enterprises	-	1,543.75
General	4,665.00	1,057.50
Total	5,475.00	3,576.25

11.8.7. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has not done restructuring in Micro, Small and Medium Enterprises (MSME) sector as per the RBI guidelines RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 January 1, 2019.

Particulars	FY 2019-20	FY 2018-19
No of accounts Restructured	Nil	Nil

12 Sector-wise advances

Sector	As at March 31, 2020			As at March 31, 2019		
	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	9,589.23	308.72	3.22%	7,768.97	246.22	3.17%
(i) Agriculture	2,461.54	28.79	1.17%	2,424.55	14.68	0.61%
(ii) Micro, Small and Medium Enterprises	6,683.93	264.08	3.95%	5,080.78	218.19	4.29%
(iii) Export Credit	-	-	0.00%	-	-	0.00%
(iv) Education	-	-	0.00%	-	-	0.00%
(v) Housing	443.76	15.85	3.57%	263.64	13.35	5.06%
(vi) Social Infrastructure	-	-	0.00%	-	-	0.00%
(vii) Renewable Energy	-	-	0.00%	-	-	0.00%
(viii) Others	-	-	0.00%	-	-	0.00%
B. Non-priority sector	4,327.72	108.60	2.51%	3,935.32	49.49	1.26%
Total	13,916.95	417.32	3.00%	11,704.29	295.71	2.53%

The Bank has compiled and furnished the data for the purpose of this disclosure from its internal MIS system / reports.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

13.1 Securitisation

The information on securitisation and direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at March 31, 2020	As at March 31, 2019
Number of SPVs sponsored by the bank for securitisation transactions	2	5
Total amount of securitised assets as per books of the SPVs sponsored by the Bank	233.45	487.28
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR)		
as on the date of Balance Sheet		
a) Off-balance sheet exposures		
First loss (Corporate Guarantee)	21.79	28.89
Others (Corporate Guarantee)	-	-
b) On-balance sheet exposures		
First loss (Cash Collateral & Retained Assets)	4.28	30.19
Others	-	-
Amount of exposure to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitisation		
First loss	-	-
Others	-	-
ii) Exposure to third party securitisation		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisation		
First loss	0.21	1.26
Others	-	-
ii) Exposure to third party securitisation		
First loss	-	-
Others	-	-

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13.2 Assignment

The information on Direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at March 31, 2020	As at March 31, 2019
Number of Direct Assignments	1	1
Total amount of Loans directly transferred / Assigned	111.11	111.11
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR) as on the date of Balance Sheet		
a) Off-balance sheet exposures		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
First loss	-	-
Others	0.00	1.12
Amount of exposure to Assignment transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own Assignment		
First loss	-	-
Others	-	-
ii) Exposure to third party Assignment		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
i) Exposure to own Assignment		
First loss	-	-
Others	-	-
ii) Exposure to third party Assignment		
First loss	-	-
Others	-	-

14 Credit Default Swaps

The Bank has not undertaken any Credit Default Swaps (CDS) during the year (Previous year: Nil).

15 Intra-Group Exposure

The Bank does not have any exposure (advances/investments) within the group (Previous year: Nil).

16 Delay in transferring to Depositor Education and Awareness Fund (DEAF):

There were no delay in transfer to Depositor Education and Awareness Fund during the year (Previous year: Nil).

16.1 Transfers to Depositor Education and Awareness Fund (DEAF)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Opening balance of amounts transferred to DEAF	-	-
Add : Amounts transferred to DEAF during the year	0.01	-
Less : Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	0.01	-

17 Unhedged foreign currency exposure

The Bank has made a provision of ₹ 0.027 crores for unhedged foreign currency exposure as required by RBI guidelines during the year ended March 31, 2020 (March 31, 2019 : ₹ 0.004 crores).

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

18 Liquidity Coverage Ratio (LCR)

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

Particulars	Quarter ended June 30, 2019		Quarter ended September 30, 2019		Quarter ended December 31, 2019		Quarter ended March 31, 2020	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		2,611.39		3,319.83		3,186.19		3,490.03
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	381.38	19.07	419.50	20.97	422.92	21.15	629.30	31.47
(ii) Less stable deposits	2,433.32	243.33	2,688.21	268.82	2,906.80	290.68	3,062.87	306.29
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Non-operational deposits (all counterparties)	2,776.56	2,155.00	2,780.46	2,148.72	2,559.99	1,961.61	2,855.92	2,209.62
(iii) Unsecured debt	260.51	260.51	323.59	323.59	226.39	226.39	259.70	259.70
4 Secured wholesale funding		-		0.00		0.00		0.00
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	93.24	27.80	148.48	50.56	186.39	56.36	171.34	52.39
6 Other contractual funding obligations	91.67	91.67	133.16	133.16	182.94	182.94	229.27	229.27
7 Other contingent funding obligations	131.55	5.99	153.46	7.12	149.89	6.95	154.27	7.16
8 Total Cash Outflows		2,803.37		2,952.94		2,746.08		3,095.90
Cash Inflows								
9 Secured lending (e.g. reverse repos)	773.37	0.00	1,232.93	0.00	1,160.38	0.00	1,596.02	0.00
10 Inflows from fully performing exposures	359.99	179.99	393.19	205.26	428.25	225.85	459.61	243.56
11 Other cash inflows	152.32	101.21	158.15	102.01	172.18	118.72	184.89	122.41
12 Total Cash Inflows	1,285.68	281.20	1,784.27	307.27	1,760.81	344.57	2,240.52	365.97
13 Total HQLA		2,611.39		3,319.83		3,186.19		3,490.03
14 Total Net Cash Outflows		2,522.17		2,645.67		2,401.52		2,729.93
15 Liquidity Coverage Ratio (%)		103.54		125.48		132.67		127.84

Qualitative disclosure around LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is investing in Level I assets resulting in comfortable level of HQLA. The Bank follows the criteria laid down by the RBI for the calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises of Government securities viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz. Refinances & Customer Deposits. All significant outflows and inflows are determined in accordance with the RBI guidelines and are included in the prescribed LCR computation. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

18 Liquidity Coverage Ratio (LCR) Continued

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

Particulars	Quarter ended June 30, 2018		Quarter ended September 30, 2018		Quarter ended December 31, 2018		Quarter ended March 31, 2019	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		2,292.83		2,360.10		2,212.87		2,737.12
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	437.32	21.87	484.47	24.22	463.67	23.18	503.33	25.17
(ii) Less stable deposits	1,380.45	138.04	1,510.15	151.02	1,797.13	179.71	2,391.24	239.12
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)								
(ii) Non-operational deposits (all counterparties)	1,517.09	1,223.73	2,054.28	1,629.38	2,186.47	1,649.42	2,717.80	2,248.50
(iii) Unsecured debt								
4 Secured wholesale funding								
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements								
(ii) Outflows related to loss of funding on debt products								
(iii) Credit and liquidity facilities								
6 Other contractual funding obligations					141.47	141.47	55.14	55.14
7 Other contingent funding obligations	393.22	184.70	272.30	80.88	158.38	29.46	164.06	18.90
8 Total Cash Outflows		1,568.34		1,885.50		2,023.25		2,586.82

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

18 Liquidity Coverage Ratio (LCR) Continued

Particulars	Quarter ended June 30, 2018		Quarter ended September 30, 2018		Quarter ended December 31, 2018		Quarter ended March 31, 2019	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
Cash Inflows								
9 Secured lending (e.g. reverse repos)	88.14	0.00	32.67	0.00	46.66	0.00	697.88	0.00
10 Inflows from fully performing exposures	321.02	160.51	333.57	166.78	347.56	173.78	361.19	180.60
11 Other cash inflows	345.31	345.31	372.17	372.17	187.55	187.55	97.87	77.80
12 Total Cash Inflows	754.48	505.82	738.40	538.95	581.77	361.33	1,156.95	258.40
13 Total HQLA		2,292.83		2,360.10		2,212.87		2,737.12
14 Total Net Cash Outflows		1,062.52		1,346.54		1,661.92		2,328.42
15 Liquidity Coverage Ratio (%)		215.79		175.27		133.15		117.55

The disclosures relating to quarters disclosed above are based on Quarterly LCR return filed with RBI.

Qualitative disclosure around LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans. The mandated regulatory threshold as per the transition plan is embedded in the board approved ALM policy of the Bank, with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk Management Department computes the LCR and monitors the same as per the Operating guidelines for small finance banks. The Bank has been submitting LCR reports to RBI from December 2016.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is highly invested into GOI Bonds which has resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz Non-Convertible Debentures and Customer Deposits. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Bank expects the LCR to reduce in the coming quarters primarily on account of growth in advances and increased focus on garnering retail deposits. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

19 Fixed Assets - details of software

Particulars	As at March 31, 2020	As at March 31, 2019
Opening cost	66.67	66.24
Additions during the year	41.53	22.04
Less: Deletions	2.94	-
Less: Amortization to date	26.13	21.61
Closing balance	79.13	66.67

20 Contingent liabilities

Claims against the Bank not acknowledged as debts includes liability on account of Service tax, and other legal cases filed against the bank. The Bank is a party to various legal proceedings in the ordinary course of business which are contested by the Bank and are therefore subjudice. The Bank does not expect the outcome of these proceedings to have a material adverse impact on the Bank's financial position.

Guarantees represent irrevocable assurances given by the Bank on securitized assets, to make payments in the event of customers failing to fulfil their financial obligations.

As a part of banking activities, the Bank issues Letter of Guarantees on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers obligations either directly or incase the customer fails to fulfill their financial or performance obligations.

21 Corporate Social Responsibility Activities

Operating expenses include the following amounts towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
a) Gross amount required to be spent by the Bank	3.68	2.35
b) Amount spent		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	13.27	8.75
% of Average net profit spent for the last three financial years	7.22%	7.46%

22 Dues to Micro, Small and Medium Enterprises

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. Based on the information available with the Company, there are no overdue amounts payable to Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as at the Balance Sheet date. Further, the Bank has not paid any interest to any Micro and Small Enterprises during the current and previous year.

23 Employees Stock Option Scheme

a) Equitas ESOP Scheme 2015

Under the Equitas ESOP Scheme 2015, EHL stock options are granted to some of the eligible employees of the Bank. As the administrator of the Employee Stock Option Scheme, EHL has informed the Bank that there are no costs to be transferred to the Bank with respect to the options granted. The outstanding options as at the respective years is given below.

Particulars	As at March 31, 2020	As at March 31, 2019
Options outstanding	172,308	12,614,538

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

b) ESFB ESOP 2019

During the year, the bank established a employee stock option scheme titled ESFB Employees Stock Option Scheme, 2019 (ESFB ESOP 2019) effective from November 22, 2019. Under the plan, the Bank was authorized to issue upto 110,000,000 options (including 33,487,873 options under Grant 1 issued as a replacement option for the Scheme under the Holding Company) to eligible employees of the Bank and the Holding Company. Each option entitles for apply and allotment of one fully paid share on payment of exercise price during the exercise period.

As at March 31, 2020, 400,43,917 (net of forfeitures and cancellation) options were outstanding, which were granted at various exercise prices. The following are the outstanding options as at March 31, 2020:

ESOP Scheme	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019
Grant	Grant 1	Grant 2	Grant 3	Grant 4
Date of Grant	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Date of Board Approval	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Exercise Price Per Option (₹)	27.00	27.00	38.00	38.00
Total Options granted	33,487,873	1,200,000	6,438,855	282,000
Vesting Period	(Vesting over 3 years) 30-Nov-20 to 15-Dec-22	(Vesting over 4 years) 12-Dec-20 to 12-Dec-23	(Vesting over a period of two years) 29 -Jan-2021 to 29-Jan-2022.	(Vesting over a period of four years – 25% at the end of each year) 1-Apr-2021 to 1-Apr-2024
Method of Settlement	Equity	Equity	Equity	Equity

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Exercise Period	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options
	Graded Vesting			
1st Vesting	92 % on 12 months and 8 days from the date of grant	25 % on 12 months and 20 days from the date of grant	67 % on completion of One year from the date of grant	25 % on 12 months and 20 days from the date of grant
2nd Vesting	6% on expiry of one year from the 1st vesting date	25% on expiry of one year from the 1st vesting date	33 % on expiry of one year from the 1st vesting date	25% on expiry of one year from the 1st vesting date
3rd Vesting	2% on expiry of two years from the 1st vesting date	25% on expiry of two years from the 1st vesting date	NA	25% on expiry of two years from the 1st vesting date
4th Vesting	NA	25% on expiry of three years from the 1st vesting date	NA	25% on expiry of three years from the 1st vesting date
Vesting Conditions	Partly based on continuance of service and partly based on performance rating	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	Partly based on continuance of service and partly based on performance rating

Exercise Period: Eligible to exercise the options up to three years from the date of vesting.

Manner of vesting: In a graded manner over 3 to 4 years commencing from the date of grant.

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)				
Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Date of Grant	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Outstanding Options as at April 1, 2019	NA	NA	NA	NA
Options granted during the Period	33,487,873	1,200,000	6,438,855	282,000
Less: Options Forfeited / Lapsed	(1,202,597)	-	(162,214)	-
Options Exercised	-	-	-	-
Outstanding options as at March 31, 2020	32,285,276	1,200,000	6,276,641	282,000
Vested	-	-	-	-
Yet to vest	32,285,276	1,200,000	6,276,641	282,000
Options exercisable at the end of the period to be given	-	-	-	-
Weighted Average of the remaining maturity	3.78 Years	5.26 Years	4.16 Years	5.51 Years

- (b) The fair value of options used to compute Pro-forma net profit and earnings per Equity Share have been estimated on the date of the grant, using Black-Scholes model by an external firm of Chartered Accountants.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

Variables	Grant 1	Grant 2	Grant 3	Grant 4
Grant Date	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Risk Free Interest Rate	5.56% to 6.06%	5.85% to 6.59%	5.83 % to 6.12%	5.81 % to 6.41%
Expected Life	2.52 to 4.53 yrs	2.50 to 5.51 yrs	2.50 to 3.51 yrs	2.52to 5.52 yrs
Expected Volatility	32.63% to 35.63%	32.71% to 35.41%	32.66% to 32.86%	32.86% to 35.33%
Dividend Yield	-	-	-	-
Price of the underlying Share at the time of the Option Grant (₹) adjusted after bonus option	27	27	38	38
Fair Value of the Option (₹)				
1st Stage	7.10	7.17	10.11	10.22
2nd Stage	8.70	8.82	12.41	12.45
3rd Stage	10.69	10.83	NA	14.53
4th Stage	-	12.13	NA	16.94

Volatility

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of Volatility used in the Black -Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time.

c) Dividend Yield

Expected dividend yield has been calculated based on the dividend declared for 1 financial year prior to the date of grant. The dividend yield has been derived by dividing the dividend per share by the market price per share on the date of grant.

Had compensation cost for the stock options granted under the Scheme been determined based on the fair value approach, the Company's net profit / (loss) and earnings per share would have been as per the Proforma amounts indicated below:

Particulars	For the year ended March 31, 2020
Net Profit as per Statement of Profit and Loss (as reported)	243.64
Add: Stock Based Employee Compensation Expense included in profit before tax	-
Less: Stock Based Compensation Expense Determined under Fair Value based Method (Proforma)	(8.83)
Net Profit - Proforma	234.81
Basic Earnings per Share of ₹ 10 each (as reported)	2.39
Basic Earnings per Share of ₹ 10 each (Proforma)	2.30
Diluted Earnings per Share of ₹ 10 each (as reported)	2.39
Diluted Earnings per Share of ₹ 10 each (Proforma)	2.30

Also refer Note 10.4 of Schedule 18

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

24 Prior period comparatives

Prior period comparatives have been reclassified / regrouped by the management, wherever necessary.

As per our report of even date

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**

Partner

Membership No. 211107

Place: Chennai

Date: May 14, 2020

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

Arun Ramanathan

Chairman

DIN: 00308848

Place: Chennai

Date: May 14, 2020

Vasudevan PN

Managing Director and

Chief Executive Officer

DIN: 01550885

Place: Chennai

Date: May 14, 2020

Arun Kumar Verma

Director

DIN: 03220124

Place: Bhubaneswar

Date: May 14, 2020

N Sridharan

Chief Financial Officer

Place: Chennai

Date: May 14, 2020

Sampathkumar KR

Company Secretary

M. No: A27466

Place: Chennai

Date: May 14, 2020

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NOTES

[illegible]

Corporate Information

BOARD OF DIRECTORS

MR. ARUN RAMANATHAN
Chairman and Independent Director

MR. ARUN KUMAR VERMA
Independent Director

PROF. BALAKRISHNAN N
Independent Director

MS. LALITHA LAKSHMANAN
Independent Director

MR. NAGARAJAN SRINIVASAN
Non-Executive
Non-Independent Director

MR. SRIDHAR GANESH
Independent Director

MR. SRINIVASAN N
Independent Director

MS. TABASSUM INAMDAR
Independent Director

MR. VINOD KUMAR SHARMA
Independent Director

MR. NAVIN PURI
Independent Director

MR. VASUDEVAN P N
Managing Director and Chief Executive Officer (MD & CEO)

KEY MANAGERIAL PERSONNEL

MR. SRIDHARAN N
Chief Financial Officer

MR. SAMPATHKUMAR K R
Company Secretary

Registered Office

4th Floor, Phase II, Spencer Plaza, No.769,
Mount Road, Anna Salai Chennai – 600002
Tel: +91 44 4299 5000
Fax: +91 44 4299 5050
Email: Corporate@equitas.in
Website: www.equitasbank.com
CIN: U65191TN1993PLC025280

Statutory Auditors

M/s. S.R. Batliboi & Associates LLP,
6th Floor – “A” Block
Tidel Park, No. 4,
Rajiv Gandhi Salai
Taramani, Chennai – 600113
Tel: +91 44 6654 8100
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EQUITAS SMALL FINANCE BANK LTD.

