

2nd
Annual Report
2017 - 2018



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Corporate Information		
Board of Directors		
Mr Arun Ramanathan	(DIN 00308848)	Chairman and Independent Director
Mr Arun Kumar Verma	(DIN 03220124)	Independent Director
Prof Balakrishnan N	(DIN 00181842)	Independent Director
Ms Lalitha Lakshmanan	(DIN 07140032)	Independent Director
Mr Nagarajan Srinivasan (appointed on May 04, 2017)	(DIN 01480303)	Non-Executive Non-Independent Director
Mr Sridhar Ganesh	(DIN 01681018)	Independent Director
Mr Srinivasan N	(DIN 01501266)	Independent Director
Ms Tabassum Inamdar	(DIN 07637013)	Independent Director
Mr Vinod Kumar Sharma	(DIN 02051084)	Independent Director
Mr Vasudevan P N	(DIN 01550885)	Managing Director and Chief Executive Officer (MD & CEO)
Dr Parthasarathi Shome (resigned on April 21, 2017)	(DIN 03401282)	Independent Director
Dr Ramakrishnan K (resigned on March 31, 2018)	(DIN 00729928)	Independent Director
Key Managerial Personnel		
Mr Sridharan N		Chief Financial Officer
Mr Sampathkumar K R		Company Secretary
Registered Office		Statutory Auditors
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		M/s. S.R. Batliboi & Associates LLP, 6th and 7th Floor – “A” Block Tidel Park, (Module 601, 701 & 702) No. 4, Rajiv Gandhi Salai Taramani, Chennai – 600113 Tel : +91 44 6654 8100 Fax : +91 44 2254 0120

EQUITAS SMALL FINANCE BANK LIMITED

(previously known as Equitas Finance Limited)

CIN: U65191TN1993PLC025280

Registered Office: 4th Floor, Phase II, Spencer Plaza, No. 769,
Mount Road, Anna Salai, Chennai 600 002

Tel.: + 91 44 4299 5000 E-mail: secretarial@equitas.in Website: www.equitasbank.com

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Second Annual Report together with the audited Accounts of the Bank for the financial year ended March 31, 2018 (FY 2017-18).

1. Financial Results

(₹ in Lakhs)

Particulars	For the Year ended March 31, 2018	For the Year ended March 31, 2017
Deposits & Other Borrowings	10,78,113.78	6,70,018.52
Advances	7,70,669.26	5,70,183.40
Total Income	1,78,392.75	1,21,428.08
Operating Profits (Profits before Provision, Depreciation and Taxation)	30,814.75	28,958.78
Less: Depreciation	8,750.61	3,170.87
Less: Provision and contingencies	17,212.65	9,643.19
Less: Provision for Taxation	1,668.35	5,731.32
Net Profit	3,183.14	10,413.40
Add: Profit brought forward from previous year	30,024.34	9,770.44
Add: Net Additions on amalgamation	-	12,585.65
Total Profit Available for Appropriation	33,207.48	32,769.49
Appropriations		
Transfer to Statutory Reserve	795.78	2,603.35
Transfer to Special Reserve	66.52	141.80
Transfer to/ (from) Investment Reserve	230.00	-
Proposed Dividend	-	-
Tax including Surcharge and Education cess on Dividend	-	-
Balance carried over to Balance Sheet	32,115.18	30,024.34

2. Dividend

The Directors do not recommend any dividend for the year on account of limited surplus generated in the first full year of operations and the need to sustain network.

3. Transfer to Reserves

As per the requirement of RBI Regulations, the Bank has transferred the following amount to various reserves during FY 2017-18:

Amount transferred to	₹ in lakh
Statutory Reserve	795.78
Special Reserve	66.52
Investment Reserve	230.00

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 2017-18.

5. Capital Adequacy

The Capital Adequacy ratio stood at 29.63 % as on March 31, 2018 as against the minimum requirement of 15.00% stipulated by RBI. The networth of the Bank as on the said date was ₹ 2043.75 Crore.

6. Material changes after the Balance Sheet Date as at March 31, 2018

There have been no material changes and commitments between the end of FY 2017-18 and the date of this report, affecting the financial position of the Bank.

7. Share Capital

During the year, there is no capital infusion and as on March 31, 2018, total paid up share capital stood at ₹ 1005,94,33,630 (One thousand and five crore ninety-four lakhs thirty-three thousand six hundred thirty) comprising of 100,59,43,363 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 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. 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 to Equitas Development Initiatives Trust (EDIT), a registered public charitable trust for carrying out CSR activities on its behalf. A report on Corporate Social Responsibility is enclosed as Annexure I.

12. Meetings of the Board

During FY 2017-18, our Board met seven 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.

13. Directors and Key Managerial Personnel

As on the date of this Report, the Bank has ten Directors including eight Independent Directors and two women Directors.

Change in Directors

13.1 Dr Ramakrishnan K, Independent Director resigned from the Board of the Bank with effect from March 31, 2018 due to health reasons. The Board places on record its appreciation for the valuable advice and guidance provided by Dr Ramakrishnan as Member of the Board and Chairman/Member of the Board Committees that he served on.

13.2 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 reappointment. 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. 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.

15. 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.

16. 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.

17. 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, 2018, 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, 2018 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.

18. Key Managerial Personnel (KMP)

There were no changes in KMPs during the Financial Year 2017-18. As at March 31, 2018, 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)

19. 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 border="1"> <tr> <td>Chairman</td><td>4.30:1</td></tr> <tr> <td>Chairman, Audit Committee</td><td>3.23:1</td></tr> <tr> <td>MD & CEO</td><td>25.03: 1</td></tr> <tr> <td>Other Directors except Mr Nagarajan Srinivasan</td><td>2.15:1</td></tr> </table>	Chairman	4.30:1	Chairman, Audit Committee	3.23:1	MD & CEO	25.03: 1	Other Directors except Mr Nagarajan Srinivasan	2.15:1
Chairman	4.30:1								
Chairman, Audit Committee	3.23:1								
MD & CEO	25.03: 1								
Other Directors except Mr Nagarajan Srinivasan	2.15:1								
(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 was no increase in remuneration of Directors during FY 2017-18 as compared to FY 2016-17.</p> <p>The increase in remuneration of Key Managerial Personnel is provided below:</p> <p>Chief Financial Officer – 21%*</p> <p>Company Secretary - 12%*</p> <p>*excluding the perquisite value arising out of exercise of Employee Stock Options granted by the Holding Company.</p>								
(iii) the percentage increase in the median remuneration of employees in the financial year;	10%								
(iv) the number of permanent employees on the rolls of the Bank as on March 31, 2018	13,490								
(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 remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial Remuneration.	<p>There was no increase in the remuneration of managerial person viz, MD & CEO.</p> <p>The average percentage increase in salaries of employees other than the managerial personnel in the last financial year was 8%.</p>								
(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.								

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.

20. 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.

21. Ratings of Debt Instruments

Instrument	Rating	Rating Agency	Amount (₹ in crore)
Long Term Borrowings	CRISIL A Stable/ IND A+ Stable / CARE A+ Stable	CRISIL Limited India Ratings & Research P Limited Credit Analysis & Research Limited	2,116.50
Non-Convertible Debentures/ Subordinated Debt	IND A+ Stable / CARE A+ Stable CRISIL A Stable/	CRISIL Limited India Ratings & Research P Limited Credit Analysis & Research Limited	2,003.82
Certificate of Deposit	CRISIL A1+	CRISIL Limited	2,000.00

22. Auditors

M/s S R Batliboi & Associates LLP (SRB), Chartered Accountants, Statutory Auditors were appointed as Auditors of the Bank for a period of three years from Financial Year 2017-18 to 2019-20 subject to annual approval from RBI. The Bank has received a letter from SRB stating that they are eligible for re-appointment and not disqualified for re-appointment under Section 141 of the Companies Act, 2013 and the ratification of appointment for FY 2018-19, if approved, will be in compliance with eligibility norms prescribed by RBI. Hence the Directors recommend ratification of appointment of M/s S R Batliboi & Associates LLP, Chartered Accountants, as Auditors of the Bank for Financial Year 2018-19 subject to approval of RBI.

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

There have been no frauds reported by Auditors during FY 2017-18.

24. Secretarial Auditors

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

25. 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,

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

26.1 During FY 2017-18, the Bank had no activity relating to conservation of energy or technology absorption.

26.2 During FY 2017-18, the Bank did not have any foreign currency earnings. Foreign currency expenditure of ₹119.97 lakhs was incurred during the year.

27. 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.

28. 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.

29. 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.

30. 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.

Progressing towards IND AS, the Bank had prepared proforma financials as on June 30, 2017 as per extant regulatory guidelines and submitted the same to the RBI. However, on April 05, 2018, the RBI has announced deferment of implementation date by one year for scheduled commercial banks. In accordance with the same, IND AS is applicable to the banks for accounting periods beginning April 01, 2019 onwards.

31. Loans / Guarantees / Investments

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business. 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.

32. 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 2017-18, four complaints were received under the Policy, and all the complaints have been resolved.

33. The Extract of Annual Return as required under the Act is enclosed as Annexure - III.**34. 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.**

The Bank however, had a penalty imposed on it for having commenced the business of distribution of third party products without obtaining prior approval of Reserve Bank of India.

The background is that the Bank was formed by merger of three NBFC subsidiaries carrying on micro finance, vehicle finance and housing finance businesses respectively. These Companies were arranging/ distributing insurance for its borrowers, primarily to secure the loans in the event of their death or incapacitation due to accident or otherwise as well as insuring the asset which is secured to the loan, such as vehicles, property, etc. This legacy arrangement was continued after becoming an SFB however, there was an oversight in seeking RBI's prior approval.

Soon after noticing this omission in an internal compliance review, the Bank promptly reported the matter to RBI admitting its lapse and sought its approval for distribution of third party products. The approval was received from RBI vide letter dated December 29, 2017 and RBI also levied a monetary penalty of ₹10 lakhs on the Bank for the aforesaid omission.

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 and support for the various activities of the Bank. The Directors also place on record its sincere thanks to its valued clients and customers for their patronage. The Board also expresses its deep sense of appreciation to all employees of the Bank for their unstinted commitment to the growth of the Bank.

For and on behalf of the Board of Directors

Place : Chennai

Date : April 26, 2018

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

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.

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.

- 2. The Composition of the CSR Committee as at March 31, 2018 is as follows:**

- a) Mr. Nagarajan Srinivasan, Non-Executive, Non-Independent Director**
- b) Mr. Sridhar Ganesh, Independent Director
- c) Mr. Srinivasan N, Independent Director
- d) Ms. Tabassum Inamdar, Independent Director
- e) Mr. Vasudevan P N, Managing Director

***Inducted to the Committee as Chairman w.e.f. July 26, 2017.*

Apart from approving the budget, the CSR committee reviews 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 Lakh
Profit – 2016-17	17,232.70
Profit - 2015-16	13,324.18
Profit - 2014-15	5,304.38
Average PROFIT for CSR purpose	11,953.70
2% of average Profit for last three years	239.08

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

Particulars	₹ in Lakh
Amount paid during the year 2017-18	239.08
TOTAL	239.08

The entire sum contributed was productively spent.

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

(₹ in lakh)

(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 2017-18)	Amount spent: Direct or through implementing agency*
1	Providing support to Equitas Sugam Clinics 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)	Health care Education	Chennai Seven schools in Tamil Nadu located at Karur, Trichy, Salem, Coimbatore, Dindigul, Cuddalore and Kumbakonam	Same as Column 2	239.08	239.08	Through implementing agency – EDIT, a Public Charitable trust - EDIT
	TOTAL				239.08	239.08	

6. CSR Activities

CSR funds of the banks are made available to EDIT enabling it to undertake activities in health, education, pavement dweller rehabilitation and finding jobs for youth. The Bank has a long history of CSR activities (despite its recent set up) from the companies that were existent before formation of the bank. With help of funding from the Bank, EDIT runs seven schools for vulnerable sections of the population with nearly 5000 students. EDIT also carried health camps during the year screening nearly 7 lakh people (cumulatively exceeding 52 lakh) for health risks. During the year, 165 pavement dwellers (cumulatively more than 1300 pavement dwellers) have been rehabilitated with a rented accommodation and a job/livelihood with skill training and linkage to employers. To measure impact of the CSR interventions, a social audit has been commissioned by the Bank and the findings, when ready, will be disseminated to all concerned.

7. 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.

For and on behalf of the Board of Directors

Place : Chennai
Date : April 26, 2018

Vasudevan P N
MD & CEO

Nagarajan Srinivasan
Chairman - CSR Committee

Arun Ramanathan
Chairman

The Members,

EQUITAS SMALL FINANCE BANK LIMITED

(Formerly known as Equitas Finance 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 : 04.04.2018

Signature:

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 2018

[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
(Formerly known as EQUITAS FINANCE 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 (Formerly known as EQUITAS FINANCE 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. The Company is a wholly-owned subsidiary of Equitas Holdings Limited.

Based on our verification of EQUITAS SMALL FINANCE BANK LIMITED'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, 2018 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, 2018 according to the provisions to the extent applicable of:

- (i) The Companies Act 2013 and the rules made thereunder including Amendment, Circulars, Notifications and Removal of Difficulties Order issued by the Ministry of Corporate Affairs from time to time;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations 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, 2009; (was not applicable to the Company during the period under review)
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (was not applicable to the company during the period under review)
 - 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, 1998; (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;

Under RBI licensing guidelines issued for Small Finance Banks (SFB), an SFB is required to take prior approval from Reserve Bank of India (RBI) for distribution of third party products like mutual fund units, insurance policies etc.,. However, this was not obtained due to oversight although other requisite approvals from other regulators viz., Insurance Regulatory Development Authority of India (IRDAI), Association of Mutual Funds of India (AMFI) were duly obtained.

Soon after noticing this omission in an internal compliance review, the Company promptly reported the matter to RBI admitting its lapse and sought its approval for distribution of third party products. The approval was received from RBI vide letter dated December 29, 2017.

Subsequently, RBI issued a show-cause notice for the aforesaid omission and after considering the representation by the Company, levied a monetary penalty of Rs. 1 million on the Company vide letter dated March 5, 2018. The same was paid on March 19, 2018.

All returns that are required to be filed with RBI as per their Regulations to the extent applicable to the Company were filed.

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, rules, regulations and guidelines. The Company has confirmed compliance with the labour laws. During the period under review, the Company has received four complaints under policy on Prevention of Sexual Harassment and all the complaints have been duly redressed.

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.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, 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.

All decisions were taken unanimously at the Board meeting and at the Annual General meeting. There was no Extra-ordinary General Meeting convened during the period under review.

We further report that 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 laws, rules, regulations and guidelines.

We further report that during the audit period the Company:

1. At its Board Meeting held on 4th May 2017, recommended a dividend payout upto 35% (Rs. 0.36/- per share) of the Net Profits of the Company for the Financial Year 2016-17 to the Shareholders of the Company viz., Equitas Holdings Limited. However, in the absence of RBI approval as on the date of AGM held on 23rd June 2017, the resolution was withdrawn with the unanimous consent of all the members present in the meeting and the same was recorded in the Minutes of the meeting.
2. Consent of the Board has been accorded to the Company to make loans up to Rs. 10,000 Crore in the Ordinary course of its business in the Financial Year 2018-19
3. Consent of the Board has been accorded to the Company to issue Certificate of Deposits from time to time up to an amount not exceeding Rs. 3,000 Crore.

Place : Chennai

Date : 04.04.2018

Signature:

Name of Company Secretary in practice: Dr. B Ravi

FCS No.: 1810 CP No.: 3318

MANAGING PARTNER

B RAVI & ASSOCIATES

Firm Registration Number: P2016TN052400

EXTRACT OF ANNUAL RETURN

AS ON THE FINANCIAL YEAR ENDED 31st MARCH 2018

[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	+91 44 4299 5000	Fax	+91 44 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	Karvy Computershare 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	100	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) Individual/HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.	NIL	1005943363	1005943363	100	NIL	1005943363	1005943363	100	NIL
e) Banks / FI									
f) Any Other....									
Sub-total (A) (1):-	NIL	1005943363	1005943363	100	NIL	1005943363	1005943363	100	NIL
(2) Foreign	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	NIL	1005943363	1005943363	100	NIL	1005943363	1005943363	100	NIL
B. PUBLIC SHAREHOLDING									
Total Public Shareholding	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
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	NIL	1005943363	1005943363	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	100	NIL	NIL
	Total	1005943363	100	NIL	1005943363	100	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	01.04.2017	1005943363	100%	1005943363	100%	
	31.03.2018			1005943363	100%	

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):
NOT APPLICABLE

Sl. No.	Name of Top 10 Share holders	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	No. of shares	% of total shares	
1.		01.04.2017					
		31.03.2018			NIL		

(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.		01.04.2017					
		31.03.2018			NIL		

V. INDEBTEDNESS

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

Particulars	Secured Loans	Unsecured Loans (including ICDs)	Deposits**	Total Indebtedness
	Excluding deposits			
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,27,184.62	3,50,705.00		4,77,889.62
ii) Interest due but not paid	Nil	Nil		Nil
iii) Interest accrued but not due	3,277.87	10,487.56		13,765.43
Total (i+ii+iii)	1,30,462.49	3,61,192.56		6,83,783.95
Change in Indebtedness during the financial year				
Addition	26,02,113.88	4,25,920.82		30,28,034.70
Reduction	25,57,402.69	4,30,800.82		29,88,203.51
Net Change	44,711.19	(4,880.00)		39,831.19
Indebtedness at the end of the financial year				
i) Principal Amount	1,71,895.81	3,45,825.00		5,17,720.81
ii) Interest due but not paid	Nil	Nil		Nil
iii) Interest accrued but not due	261.28	472.93		734.21
Total (i+ii+iii)	172,157.09	346,297.93		5,18,455.02

**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 ₹)

Sl. No.	Name of Director	Fee for attending Board/ Committee Meetings	Commission	Others	Total
1	Mr. Arun Ramanathan (Chairman)	1,90,000	9,19,100	Nil	11,09,100
2	Mr. Arun Kumar Verma	4,25,000	6,89,300	Nil	11,14,300
3	Prof. Balakrishnan N	3,60,000	4,59,600	Nil	8,19,600
4	Ms. Lalitha Lakshmanan	6,10,000	4,59,600	Nil	10,69,600
5	Mr. Nagarajan Srinivasan%	Nil	Nil	Nil	Nil
6	Dr. Ramakrishnan K**	2,75,000	4,59,600	Nil	7,34,600
7	Mr. Sridhar Ganesh	3,75,000	4,59,600	Nil	8,34,600
8	Mr. Srinivasan N	3,70,000	4,59,600	Nil	8,29,600
9	Ms. Tabassum Inamdar	4,60,000	4,59,600	Nil	9,19,600
10	Mr. Vinod Kumar Sharma	5,00,000	4,59,600	Nil	9,59,600
11	Dr Parthasarathi Shome#	Nil	26,400	Nil	26,400
	Total (B)	35,65,000	48,52,000	Nil	84,17,000
Overall Ceiling for Remuneration as per the Act		1% of Profits for Financial Year 2017-18 computed u/s 197 of the Act			48,52,138
Commission payable to Directors as above					48,52,000

** Resigned with effect from March 31, 2018

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

Resigned with effect from April 21, 2017

Remuneration to Key Managerial Personnel

(in ₹)

Sl. No.	Particulars of Remuneration	MD & CEO	CFO	CS	Total
1	Gross salary				
	(a) Salary as per provisions contained in sec.17(1) of the Income-tax Act, 1961	49,47,886	71,44,788	15,12,888	1,36,05,562
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	3,77,963	21,600	Nil	3,99,563
	(c) Profits in lieu of salary u/s. 17(3) of Income-tax Act, 1961	Nil	Nil	Nil	Nil
2	Stock Option	Nil	11,52,279	78,755	12,31,034
3	Sweat Equity	Nil	Nil	Nil	Nil
4	Commission - as % of profit - others, specify	Nil	Nil	Nil	Nil
5	Others, Contribution to Provident Fund	2,30,400	3,43,008	72,720	6,46,128
	Total (A)	55,56,249	86,61,675	16,64,363	1,58,82,287

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*			

*No penalty was levied on the Bank under the provisions of Companies Act, 2013 during FY 2017-18. However, there has been a monetary penalty levied by RBI on the Bank, details of which are provided in the Directors' Report under Paragraph No 34.

For and on behalf of the Board of Directors

Place : Chennai

Date : April 26, 2018

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

MANAGEMENT DISCUSSION & ANALYSIS [MD&A]**Banking transition during FY 2016-17**

Equitas Small Finance Bank Limited ['ESFBL' or 'Bank'], formerly Equitas Finance Limited ['EFL'], commenced operations as a Small Finance Bank [SFB] on September 5, 2016.

Prior to commencement of operations as an SFB, Equitas Finance Limited (EFL), a wholly owned subsidiary of Equitas Holdings Limited [EHL], operated as an NBFC. In order to comply with the conditions prescribed in the 'in-principle' approval received from RBI to set-up the SFB, the other two wholly owned subsidiaries of EHL, viz., Equitas Micro Finance Limited [EMFL] and Equitas Housing Finance Limited [EHFL] merged into EFL to form the Bank. The name of EFL was changed to Equitas Small Finance Bank Limited vide a fresh Certificate of Incorporation dated September 2, 2016.

The financials of ESFBL for FY 2017-18 represents the first full year of operations as a Bank while the previous year, FY 2016-17 represented the NBFC operations of EFL from April 1, 2016 to September 1, 2016 and of the banking operations from September 2, 2016 to March 31, 2017. The Reserves and Surplus of EMFL and EHFL, which included the net profits as on September 1, 2016, were taken into the Reserves of ESFBL, in accordance with the Scheme of Merger.

The discussion about prior year numbers has to be read in line with the period mentioned in previous paragraph.

Business Environment**Indian Economy overview FY 2017-18***Growth*

India's GDP grew 7.1% in 2016-17, following 8.2% growth in 2015-16. As per the second advance estimates, GDP for the year 2017-18 is estimated to be 6.6%. At the sectoral level, agriculture, industry and services sectors are estimated to grow at the rate of 3.0%, 4.8% and 8.3% respectively in 2017-18.

Inflation

Average retail inflation dropped to 3.6% in FY 2017-18 from 4.5% in FY 2016-17. CPI inflation which rose to 5.2% in Dec 17 primarily led by increase in food inflation [4.9% in Dec 17] eased to 4.3% in Mar 18, led by softening of food inflation to 3.1% in Mar 18. WPI inflation increased moderately from an average 1.8% in FY 2016-17 to an average 2.9% in FY 2017-18.

Banking Deposits and Credit

In FY 2017-18, Bank deposits grew 6.7% as compared to 11.3% in FY 2016-17 [higher growth rate in latter year attributable to Demonetisation effect], while bank credit in FY 2017-18 grew 10.5% as against 5.2% in FY 2016-17.

Fiscal Deficit

The Union Budget 2018-19 was presented on February 1, 2018. As per the revised estimate for 2017-18, the fiscal deficit of the Central Government widened to 3.5 % of GDP, as against the budget estimate of 3.2 %. The fiscal deficit is budgeted to decline to 3.3 % of GDP for 2018-19.

Monetary Policy

RBI reduced the benchmark repo rate during FY 2017-18 by 25 basis points to 6.00%, which represents a six year low.

Economic Outlook

Indian economy has witnessed significant improvements over the past 3 years, in the form of lower inflation, benign global commodity prices, improved fiscal deficit, higher Government spend (Centre and State) and improving financial savings.

Going forward, the general view is that the GDP growth is expected to pick up, as many lead indicators – diesel / petrol consumption, air passenger traffic growth, CV / tractor sales etc., are showing signs of recovery. The South West Monsoon forecast for 2018 announced in April 2018 predicts normal rainfall this year, which is expected to have a positive effect on the Indian economy. However, there are a few headwinds in the form of higher global oil and other commodity prices, US FED increasing interest rates, higher 10 year G-Sec yields etc., which could temper the GDP growth.

Banking Sector overview FY 2017-18

Credit & Deposit growth

At the systemic level, the credit growth outpaced the deposit accretion with credit growth for FY 2017-18 at ~10.5%, compared to deposit growth of ~6.7% resulting in an increase in credit-deposit (C/D) ratio to ~75% for FY 2017-18 from 72% for FY 2016-17.

A large part of the credit growth outpacing the deposits in FY 2017-18 is attributable to the base effect of demonetisation in FY 2016-17, which led to deposit growth spiking to 11.3 % for FY 2016-17 against 9.1% for FY 2015-16, while credit growth slowed down to 5.2% for FY 2016-17 against 9.9% for FY 2015-16.

Most of the deposits that came in the form of higher current and savings account deposits [CASA], were expected to runoff post the demonetisation event, but have remained in the banking system, resulting in structurally higher CASA ratio for most banks.

Treasury Operations

The 10-year GOI benchmark yield softened from 6.68% at the beginning of the year to 6.42% in the first quarter as the banks were sitting on excess deposits, while the credit off-take remained muted resulting in good buying interest from Banks. Over the next 9 months, G-sec yields hardened, led by higher credit off-take, concerns on the fiscal slippage, higher inflation expectations, lower GST collections, hitting a peak of 7.78% in Mar-18. With the Government's announcement in the last week of March to scale down the borrowing program to ₹ 2.88tn for the April-September period of 2018-19, compared to the ₹ 3.72tn it had borrowed in the first half of 2017-18, the G-Sec yields corrected sharply to hit a low of 7.33% and closed the year at 7.40%.

Asset quality

FY 2017-18 was marked by continuing stress in asset quality with banks focussed on lending to large corporates reporting substantial spike in NPAs. Accelerated recognition of stress resulted in stressed assets touching ~12% of outstanding advances as of September 17 at a systemic level.

The RBI's notification towards the end of FY 2017-18 removing all existing restructuring schemes is expected to further increase NPA accretion in the banking sector from a near term perspective.

Small Finance Bank [SFB] – an overview

The objectives of RBI issuing separate category of SFB licenses to set-up banks in the Private Sector was to further financial inclusion by (a) provision of savings vehicles and (ii) supply of credit to small business units, small and marginal farmers, micro and small industries and other unorganised sector entities, through high technology, low cost operations.

Some of the key differentiators between an SFB and a Universal Bank are:

- SFBs will be required to extend 75 % of its Adjusted Net Bank Credit [ANBC] to the sectors eligible for classification as priority sector lending [PSL] by the Reserve Bank, as against 40% in the case of Universal Banks
- At least 50 % of its loan portfolio should constitute loans and advances of upto ₹ 25 lakh as against no such specific requirements in the case of Universal Banks
- SFBs are required to maintain minimum Capital Adequacy Ratio (CAR) of 15% of its risk weighted assets [RWAs], as against 9% in the case of Universal Banks

ESFB's Strategy as a Bank

The strategy of the Bank on the advances side is to stay focussed on the low and moderate income segment of the population and roll out products relevant to their needs. On the deposit side, the strategy is to focus not only on the existing borrower segments, but also on the mass and the mass affluent segments of the population and provide them strong product offerings delivered seamlessly through physical and digital channels.

Advances - Business Divisions

The following Business Divisions handle the Advances portfolio of the Bank. The Business Divisions have been identified on the similarity of the customer profile served as well as the channels which are used for reaching out to them:

Business Divisions	Product offerings
Agri, Micro Enterprise & Inclusive Banking	Micro Finance, Micro Loan against Property, Agricultural loans, Small Business Loans and Affordable Housing
Emerging Enterprise Banking	Commercial vehicle finance, including used vehicles
Business Banking	Business and working capital loans to Micro and Small Enterprises
Outreach Banking	Business Correspondent Channel, offering both liabilities and advances
Corporate Banking	Banking solutions to emerging corporates

The Advances portfolio mix of the Bank enables it to effectively comply with the regulatory conditions applicable to the Bank as an SFB.

Agri, Micro Enterprise & Inclusive Banking

Micro Finance [MF] and Micro Loan against Property [M-LAP] are products which have been on offer for the last 11 and 6 years' respectively while Agriculture loan was introduced in FY 2016-17. The Micro Finance loan ranges from ₹ 13,000 – 35,000 while M-LAP is between ₹ 50,000 to 5 lakh. Agri loans are based on the size of the land holding of the farmers and starts from ₹ 50,000.

Loans secured against properties, address the credit to Micro and Small Enterprises [MSEs] and other business units to primarily help fund their medium term and other working capital needs. Business Loans addressing the credit needs of micro enterprises was introduced in FY 2017-18 and would continue to be given focus in FY 2018-19.

Home Loans support the aspiration of owning a house for the large segment of low income families. The focus is primarily on affordable housing, which also enables the borrowers to access schemes of the Government by way of interest subsidies. The normal loan sizes are in the range of ₹ 1 -5 lakh for the EWS and LIG segment of borrowers while it is ₹ 5 – 100 lakh for other segments.

About 90% of our customers in the above product categories are first time borrowers from formal financial institutions. The Bank undertakes cash flow assessment for such customers who are largely from the informal economy and sets up credit limit for them. Besides this, the Bank also is closely involved with such borrowers, educating them on the basic principles of financial discipline such as the need to maintain formal books of accounts and maintaining a strong credit score.

Emerging Enterprise Banking

Emerging Enterprise Banking deals with segment of customers, who have been drivers of commercial vehicles and who desire to turn owners, by providing them with the capital required to buy their first used commercial vehicle [UCV].

While UCV finance has been on offer by the Bank for the past 7 years, in FY 2017-18, the Bank introduced funding for purchase of new LCVs [Light Commercial Vehicles] as well as funding small and medium sized fleet operators [having ownership of 5+ and 10+ vehicles respectively] for working capital purposes, on the security of their vehicles.

Business Banking

This Division focuses on providing secured and unsecured working capital and term loans to MSEs. The typical turnover of such enterprises range from ₹ 1 – 10 crore and ₹ 10 – 50 Crore respectively. The average loan sizes range normally between ₹ 10 – 200 lakh. This product was introduced after becoming a bank. The Bank offers funded limits currently while non funded limits would be offered, as and when the necessary IT systems are in place. Being an Authorised Dealer Category II license holder, the Bank does not undertake forex or import / export transactions.

Outreach Banking

The Bank intends to supplement the reach of its own branches through Business Correspondents [BCs]. Since the Bank has developed sufficient expertise in dealing with a large number of small value transactions over the years, it intends to leverage this by appointing BCs to the Bank to act as Banking Outlets, as per the RBI guidelines in this respect and extend banking services in their respective local communities. The BCs would offer both advances and liabilities products of the Bank.

Corporate Banking

Corporate Banking caters to a broad spectrum of industries in the mid-market Segment and Financial Institutional Businesses, offering a bouquet of products that includes Fund based products, Fee based services and transaction banking products. The focus will be on solution based selling, delivered through efficient and highly secured technology platforms backed by quality service. The core focus will be to acquire relationships in the targeted space and increase market share over time.

Liability offerings

Since starting our banking operations in September 2016, the Bank has built a strong network of 392 banking outlets and 321 ATMs / Cash Recycler Machines [CRMs] spread across 13 States and 2 Union Territories, as of March 31, 2018. Our major focus is on mass and the mass-affluent segment of the population for mobilising deposits and liability accounts. As of March 31, 2018, we have over 2.7 lakh deposit customers. The Bank has also set up a strong sales team for sourcing liabilities across the various networks of the Bank.

We also offer an array of digital banking services like Internet banking, Mobile Banking, Digital Wallet, FASTag, UPI, Bharat Bill Payment services [BBPS], National Automated Clearing House [NACH] etc., We have also launched Selfe accounts through which customers can open Savings Account online within minutes. Digital banking services and product differentiation would be the key USPs for driving the Bank's Liability business.

The Bank is also distributing Third Party Products like Life Insurance, General Insurance, Health Insurance and Mutual Funds on a non-risk sharing basis. We have also launched digital Wealth Management services where customers can invest in Mutual Funds through 'online' mode.

Over a period of time, the positioning of the Bank in the industry is expected to be one where it minimises costs by being highly digitised in its product and service offerings and in supporting the overall banking needs of MSEs.

Financial Performance for FY 2017-18

The entity's operating performance is summarised in the table below. Due to the reasons mentioned earlier, financial numbers for FY 2017-18 are not strictly comparable with those of FY 2016-17.

(₹ in Crore)

Particulars	ESFBL FY 2017-18	April 1, to September 1, 2016 [erstwhile, EFL *]	September 2, 2016 to March 31, 2017 [ESFBL]	ESFBL FY 2016-17
Net Interest Income	860.54	123.10	410.80	533.90
Non-interest income	241.22	55.30	177.93	233.23
Operating revenue	1,101.76	178.40	588.73	767.13
Operating expenses	881.11	86.18	423.06	509.24
Operating profit	220.65	92.22	165.67	257.89
Provisions and Contingencies, incl. Write-off on Advances	172.14	30.62	65.82	96.44
Profit before tax [PBT]	48.51	61.60	99.85	161.45
Provision for tax	16.68	22.50	34.82	57.32
Profit after tax [PAT]	31.83	39.10	65.03	104.13

* EFL up to September 1, 2016 operated as an NBFC engaged in Commercial Vehicle [CV] Finance and Loan against Property [LAP]

FY 2017-18, which marked the first full year of operations as a Bank, yielded an Operating revenue of ₹ 1,101.76 crore with a PAT of ₹ 31.83 crore. For FY 2016-17, the operations as an NBFC for 5 months and as an SFB for the remaining 7 months, delivered a PAT of ₹ 104.13 crore on an Operating Revenue of ₹ 767.13 crore.

The profitability in FY 2017-18 was mainly impacted due to the write-off of loss assets in the Micro Finance portfolio and the higher levels of operating expenses consequent to the completion of the full-fledged banking operations roll-out during the year, which are described in detail in the following paragraphs.

- Micro Finance portfolio collections of the Bank in specific geographies was impacted post demonetisation. In a few States, a large number of micro finance borrowers, misguided by local vested elements about probable loan waivers, defaulted in their repayments. Out of such defaults, the Bank had identified certain loan assets as loss assets and had made full provision for the same during the year. Subsequently these loss assets were written off to the tune of ₹ 142.11 crore. This has significantly impacted the overall profitability of the Bank for the year.

Micro Finance business has overcome the fall-out of demonetisation. The remaining Micro Finance portfolio as of March 31, 2018, including all fresh disbursements undertaken post the demonetisation period, continue to perform well.

- The roll-out of the Liabilities Branches was completed as of September 2017 increasing the total number of branches to 375. Another 17 Business Correspondents [BCs] led Banking Outlets were also made operational during the year, taking the overall banking outlets to 392. Hence, the financials for the second half of FY 2017-18 has borne the full impact of the operations of these banking outlets. The benefits from these banking outlets in terms of contribution to income and by way of reduction in finance costs is expected to be realised from FY 2018-19 onwards.
- The conversion into Bank enabled it to access several fee-based income including selling Bancassurance products, FASTag, Priority Sector Lending Certificate [PSLC] income on trading in PSL advances etc.

Operating performance for FY 2017-18

Deposits

As of March 31, 2018, the Bank has mobilised CASA deposits of ₹ 1,638 crore – Current Account balance of ₹ 389 crore and Savings balance of ₹ 1,249 crore, while Term Deposits was ₹ 3,126 crore, representing total deposit base of ₹ 4,764 crore.

Deposits as a percentage of total borrowings as of March 31, 2018 stood at 44.2% while CASA stood at 34.4% on total deposits.

Advances

On an overall basis, despite the challenging economic environment post demonetisation and GST implementation, the Gross Advances [Net Advances plus NPA Provision] portfolio of the Bank grew to ₹ 7,788 crore as at March 31, 2018 as against ₹ 5,803 crore as at March 31, 2017, registering a growth of over 34.2%.

Gross Advances of Micro Finance as at March 31, 2018 stood at ₹ 2,107 crore as against ₹ 2,705 crore as at March 31, 2017, registering a de-growth of 22.1%.

When demonetization adversely impacted the outlook of the sector in FY 2016-17, the Bank, in the initial part of FY 2017-18, chose to reduce exposure to Micro Finance portfolio in the face of uncertainty. With the gradual improvement in the ground conditions, Micro Finance disbursements were stepped up in the latter part of the year.

Gross Advances of Non Micro Finance as at March 31, 2018 stood at ₹ 5,680 crore as against ₹ 3,099 crore as at March 31, 2017, registering a growth of 83.3%.

Micro Finance portfolio as of March 31, 2018 stood at 27.1% of the overall Gross Advance portfolio of the Bank as against 46.6% as of March 31, 2017. This reflects the diversity in product offerings in line with the long term strategy of the Bank to de-risk its Advances portfolio and increase its proportion of secured loans.

Gross NPA [on Gross Advances Outstanding] and Net NPA [on Net Advances Outstanding] of the Bank stood at 2.73% and 1.46% respectively as at March 18 as against 3.56% and 1.51% as of March 17. The reduction in NPA factors the improvement in Non Micro Finance portfolio of the business and also write-off of loss assets in the Micro Finance portfolio.

Other Functions – a brief overview

Information Technology [IT]

As part of its banking transition, ESFBL has made significant investments to set up technology platforms which are robust and resilient and capable of supporting the various lines of businesses. ESFBL has invested in the following areas to support its banking business and credit offerings – IT Infrastructure, Applications, Information Security and People.

One of the key areas of focus for ESFBL has been to have a strong digital footprint. The Bank has implemented an Enterprise Application Integration layer, which would enable it to integrate with external and third party applications, as and when required, without the need for significant development efforts in future.

Treasury Operations

The Bank's well equipped Treasury operations are located at the Head Office, 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.

The Bank's Treasury completed first full year of operations this year. The Bank managed the transition by raising adequate funds at optimal cost. These funds were partly utilised to retire high cost term loans as well as to meet statutory investment requirements. Keeping in view the hardening yields, Treasury exited from dated securities and shortened the duration by investing in Treasury Bills.

During the year, Bank's Treasury used a mix of instruments like Certificates of Deposit [CDs], Inter Bank Participatory Certificates [IBPCs] and refinance from institutions to reduce funding costs and also issued Priority Sector Lending Certificates [PSLC] to earn fee income.

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 function covering credit risk, market risk, assets liabilities management [ALM] and operational risk including information security risk functions. The risk function is headed by Chief Risk Officer who reports to the Managing Director. The Board of Directors [BoD] have responsibility for approving and periodically reviewing the risk strategy and risk policies of the Bank. The Risk Management Committee [RMC] of the Board is responsible for overall governance framework for risk management of the Bank. The RMC of the Board is supported by various management level committees - Risk Management Committee, Asset Liability Committee [ALCO], Credit Risk Management Committee, Information Security Committee etc.,

Credit Risk

Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The Bank manages the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions. The Bank also considers the relationships between credit risk and other risks such as such as liquidity risk and re-pricing risk to assess the impact on the Asset Liability Management [ALM].

Credit risk management at the Bank is a critical component of a comprehensive approach to risk management by defining lending and risk policies that sets out the principles and control requirements, under which the Bank extends credit to customers. The Bank has a well-defined delegation matrix and committee approach for approval of credit considering the risk and exposure involved in respect of each credit proposal.

In the retail loan business, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programmes defining customer segments, underwriting standards and security structures are specified. Given the granularity of individual exposures, retail credit risk is monitored largely on a portfolio basis, across various products and customer segments.

For corporate and commercial credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring and remedial management procedures. Overall portfolio diversification, prudential limits across various dimensions [individual / borrower group etc.], security structures and periodic reviews facilitate credit risk management. Barring the spike in default in Microfinance portfolio on account of extraneous factors, which has since been contained, the Bank has been able to manage credit risk in a satisfactory manner.

Liquidity Risk

Liquidity risk has two categories - Funding liquidity risk & Market liquidity Risk. Funding liquidity risk is that of sustaining a loss due to an inability to obtain required funds and conduct fund management, because of a deterioration of market conditions or Bank's financial conditions, and then being forced to raise funds at a higher rate of interest than usual. Market liquidity risk is the risk that Bank cannot easily offset or eliminate a position at prevailing market prices because of inadequate market depth or market disruption.

The framework for liquidity and interest rate risk management is established in the Asset Liability Management [ALM] policy, which is in line with the regulatory requirements. Asset Liability Management Committee [ALCO] defines its liquidity risk management strategies and risk thresholds. Funds management team under Treasury is responsible for managing day-to-day liquidity as per the liquidity risk management framework. Liquidity risk is assessed using both structural and dynamic perspectives and the Bank uses various approaches like Stock approach, cash flow approach & stress test approach to assess it. The Bank has also set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowing, placements, etc. The Bank conducts liquidity stress testing to evaluate the impact of stress on the liquidity position. The Liquidity Coverage Ratio [LCR] measures the extent to which high-quality liquid assets [HQLA] are sufficient to cover short-term cash outflows under stress conditions. The operating guidelines for SFBs on LCR provide phased timelines, which is currently at 70% and would increase by 10% annually to 100% by 2021. The Bank's LCR is well above 100% as at March 31, 2018.

Interest Rate Risk in Banking Book [IRRBB]

Interest rate risk is the exposure of a Bank's financial conditions to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and capital base. IRRBB arises from mismatches in re-pricing of interest rate sensitive assets [RSA], rate sensitive liabilities [RSL] and rate sensitive off-balance sheet items in the banking book. Bank assesses and manages interest rate risk in its banking book as well as its trading book. ALCO is the governance body for management of IRRBB in the Bank and sets the overall policy and risk limits. As interest rate risk can affect both net interest income [NII] and value of capital, it is assessed and managed from both earnings and economic perspectives. Bank uses earnings at risk [EaR] as a short-term risk indicator to assess the sensitivity of NII and NIM to change in interest rates. From an economic perspective, which is a long-term risk indicator, it uses duration approach to determine the sensitivity of economic value of equity [EVE] to changes in interest rates.

Market Risk

Market Risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, equity prices, etc. The Board approved Investment Policy and Market Risk Policy sets out the Investment Philosophy of the Bank and its approach to Market Risk Management. Investment Committee and ALCO of the Bank oversees the investment and market risks and approves the framework for market risk and its thresholds.

Operational Risk

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk. A Board approved operational risk management policy has been put in place, which is implemented by a dedicated operational risk management [ORM] function.

The business units and support functions are accountable for operational risks and controls in their respective areas, which they manage under the policies, standards, processes, procedures, and operational risk management framework laid down by the independent ORM function. The Bank has a comprehensive framework for approval of new products and processes along with detailed operating guidelines for risk management. The Bank has an internal framework for reporting and capturing operational risk incidents. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. The Bank has a Whistle blower policy, which is open to employees for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event. Disaster recovery centres and Business Continuity Plans [BCP] have been established to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness.

Compliance

The Bank is committed to adhere to the highest standards of compliance with respect to regulatory matters as well as its internal norms and guidelines. An independent Compliance Function, headed by the Chief Compliance Officer [CCO], has been set up to assist the Bank's Management in designing the compliance framework and risk across the Bank and manage these by framing appropriate policies, procedures, oversight etc. It also provides advisory support by reviewing policies and products rolled

out by the Bank and has in place the required framework for transactions monitoring and testing the implementation of the regulations, ensuring right Governance structures and handling the regulatory relationships, including proactively engaging with the Regulators for industry level initiatives.

The Compliance function has institutionalised several measures for strengthening the compliance framework and monitoring. The key highlights include the following:

- Compliance team disseminates regulations across the organisation and track these for implementation.
- It provides advisory support to Businesses and other control functions on regulations. In this connection, the function has been organised business-wise. It also evaluates controls put in place for ensuring the effective compliance to regulations.
- All new products / policies or changes to the existing products / policies are approved by Compliance department
- Compliance risks including non implementation / delayed implementation of regulations, compliance testing etc., is presented to the Compliance Committee
- Quality Assurance team and Compliance Testing team within the Compliance department review the adherence to various regulatory guidelines and also review the quality of Compliance advisory.

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, other expenditure etc., based on the risk assessment and regulatory requirements.

To ensure independence, Internal Audit functionally reports to the Audit Committee of the Board and for administrative purposes to the MD and CEO of the Bank. The Audit Committee of the Board periodically assess the performance of the risk based internal audit for reliability, accuracy and objectivity.

Human Resources

The Bank's People mission is to nurture and empower employees who demonstrate both honesty and high performance in a fair and transparent environment. The Bank has made concerted efforts to ensure that the employees' capabilities are developed by providing continual learning experiences on products and processes. The Bank ended the year with a manpower strength of around 13,500 employees. Key focus areas during the year were strengthening of HR operations and processes, improving the timeliness and quality of hiring for the frontline roles, integrating the recruits from other banks into the culture of Equitas, handling the training needs of the new recruits etc., Human Resources team will continue to play a pivotal role in ensuring that the Bank has 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 also developed a wide range of initiatives towards improving the quality of life of its low-income constituents. These initiatives are carried out through a 'not-for-profit' Trust -- Equitas Development Initiatives Trust [EDIT] established by the Bank's Holding Company, Equitas Holdings Limited.

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

The various CSR activities undertaken include: i) running seven schools in Tamil Nadu for children from low income families, 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.

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The summary of the various CSR activities covered through the funding by the Bank and its Holding Company for FY 2017-18 as well as cumulatively from inception is provided in the following table:

Nature of activity	FY 2017-18	Cumulative
No. of eye-camp participants [A]	270,140	20,95,681
No. of spectacles [free of cost]	7,744	99,246
No. of cataract operations [free of cost]	1,207	29,157
People covered in other Medical camps [B]	411,668	31,68,483
Total [Eye camps + Med. Camps] [A]+[B]	681,808	52,64,164
Participants in skill training programs	32,014	480,909
No. of people accessing Health Helpline	1,493	24,294
Placements for Unemployed youth	39,955	131,674
Swasth Mahila Health Education	34,621	138,866
Equitas Birds Nest [Pavement Dwellers Rehabilitation program]	165	1,358

In addition to the above, the Bank has through its Micro Finance loan programs also supported about 2,700 persons with physical disabilities during FY 2017-18 and cumulatively over 21,700 persons. Of these, around 170 blind persons were supported during the year and cumulatively over 3,800 blind persons have been supported.

Outlook and challenges

The Bank continuously evaluates its product mix to ensure that the same meets the objective of ensuring maximisation of value to all its stakeholders in a prudent manner. The Bank expects to make full use of the growth opportunities available to it as an SFB. However, the challenge remains on being able to leverage these initiatives to carve out a space in the competitive banking industry and be able to take banking to the masses efficiently and at optimal costs.

Cautionary Statement

Statements made in this MD&A describing the Bank'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, investment income, cash flow projections, our exposure to market risks or other risks.

For and on behalf of the Board of Directors

Place : Chennai

Date : April 26, 2018

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

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.

CORPORATE GOVERNANCE RATINGS

Equitas Group has been recognized for its voluntary compliance with the highest levels of corporate governance. CRISIL has re-affirmed the Governance & Value Creation Rating of GVC-2 to Equitas Holdings Ltd., the Holding Company.

BOARD COMPOSITION

The Board of Directors ("Board") currently comprises of ten (10) Directors drawn from diverse fields/ professions, out of which there were eight (8) Independent Directors. The composition of the Board is in conformity with the provisions of Companies Act, 2013 and Banking Regulation Act, 1949.

During the year 2017-18, the Board met seven times viz, May 04, 2017, July 27, 2017, September 22, 2017, October 24, 2017, November 13, 2017, January 30, 2018 and March 12, 2018 and 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 2017-18		Attendance at last AGM
			Held	Attended	
Mr. Arun Ramanathan (Chairman)	Independent Director	3	7	7	Yes
Mr. Arun Kumar Verma	Independent Director	-	7	7	No
Prof. Balakrishnan N	Independent Director	3	7	6	No
Ms. Lalitha Lakshmanan	Independent Director	1	7	7	Yes
Mr Nagarajan Srinivasan**	Non-Executive Non-Independent Director	4	7	2	No
Dr Ramakrishnan K##	Independent Director	-	7	3	No
Mr. Sridhar Ganesh	Independent Director	2	7	6	Yes
Mr. Srinivasan N	Independent Director	3	7	5	Yes
Ms. Tabassum Inamdar	Independent Director	-	7	6	Yes
Mr. Vinod Kumar Sharma	Independent Director	3	7	7	No
Mr. Vasudevan P N	Managing Director and Chief Executive Officer (MD & CEO)	-	7	7	Yes

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

** Appointed as Additional Director of the Bank in the Board Meeting held on May 04, 2017

Resigned as Independent Director of the Bank with effect from March 31, 2018

There is no relationship between Directors inter-se.

SEPARATE MEETING OF THE INDEPENDENT DIRECTORS

During FY 2017-18, the Independent Directors had a separate meeting on May 04, 2017 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.

COMMITTEES OF THE BOARD

The Board at present has Eleven (11) 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. Customer Service Committee,
6. Special Committee for Monitoring High Value Frauds,
7. Business Committee,
8. Review Committee for identification of Wilful Defaulters,
9. IT Strategy Committee
10. Credit Committee and
11. Policy Formulation 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, 2018, 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 Eight (8) Meetings during the year on April 21, 2017, May 03, 2017, July 26, 2017, September 21, 2017, October 23, 2017, November 13, 2017, January 29, 2018 and March 12, 2018:

Name	No. of Meetings	
	Held	Attended
Mr Arun Kumar Verma, Chairman	8	8
Ms Lalitha Lakshmanan	8	8
Dr Ramakrishnan K**	8	4
Ms Tabassum Inamdar	8	7
Mr Vinod Kumar Sharma	8	8

*** Resigned with effect from March 31, 2018*

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, 2018, the Risk Management Committee of the Board comprised of four (4) Independent Directors and the MD & CEO.

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

Meetings & Attendance

The Committee held four (4) Meetings during the year on May 03, 2017, July 26, 2017, October 23, 2017 and January 29, 2018:

Name	No. of Meetings	
	Held	Attended
Dr Ramakrishnan K, Chairman**	4	3
Mr Arun Kumar Verma	4	4
Prof Balakrishnan N	4	3
Ms Lalitha Lakshmanan	4	4
Mr Vinod Kumar Sharma [#]	4	4
Mr Vasudevan P N, MD & CEO	4	4

*** Resigned with effect from March 31, 2018*

Appointed as Chairman from April 26, 2018

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

The Nomination and Remuneration Committee, was re-constituted on July 27, 2017. As on March 31, 2018, the Committee comprised of four (4) 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

Meetings & Attendance

The Committee held five (5) Meetings during the year on May 03, 2017, July 27, 2017, September 22, 2017, October 24, 2017 and January 30, 2018:

Name	No. of Meetings	
	Held	Attended
Mr. Sridhar Ganesh, Chairman	5	4
Prof. Balakrishnan N	5	4
Mr. Nagarajan Srinivasan\$	3	2
Mr. Srinivasan N	5	4
Mr. Vinod Kumar Sharma	5	5

\$Inducted as Member of the Committee on July 27, 2017

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

The Corporate Social Responsibility Committee which was re-constituted on July 27, 2017. As on March 31, 2018, the Committee comprised of three (3) Independent Directors, one (1) Non-Executive Director and the MD & CEO:

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

Meetings & Attendance

The Committee held four (4) Meetings during the year on May 04, 2017, July 27, 2017, October 24, 2017 and January 30, 2018:

Name	No. of Meetings	
	Held	Attended
Mr Nagarajan Srinivasan, Chairman@	2	1
Mr. Sridhar Ganesh	4	3
Mr. Srinivasan N	4	4
Ms. Tabassum Inamdar	4	4
Mr. Vasudevan P N, MD & CEO	4	4

@ Inducted into the Committee on July 27, 2017

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.

CUSTOMER SERVICE COMMITTEE

Composition

As on March 31, 2018, 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. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held three (3) Meetings during the year on May 03, 2017, September 22, 2017 and December 26, 2017:

Name	No. of Meetings	
	Held	Attended
Ms. Lalitha Lakshmanan, Chairperson	3	3
Prof. Balakrishnan N	3	3
Dr. Ramakrishnan K**	3	1
Mr. Sridhar Ganesh	3	3
Ms. Tabassum Inamdar	3	1
Mr. Vasudevan P N, MD & CEO	3	2

*** Resigned with effect from March 31, 2018*

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**

The Special Committee for Monitoring High Value Frauds was re-constituted on July 27, 2017. As on March 31, 2018, the Committee comprised of two (2) 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. Mr. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held one (1) Meeting during the year on July 26, 2017:

Name	No. of Meetings	
	Held	Attended
Mr. Srinivasan N, Chairman	1	1
Mr. Arun Kumar Verma	1	1
Mr. Nagarajan Srinivasan*	NA	NA
Dr. Ramakrishnan K**	1	1
Mr. Vasudevan P N, MD & CEO	1	1

**Inducted as Member of the Committee on July 27, 2017.*

***Resigned with effect from March 31, 2018*

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**

The Business Committee was re-constituted on July 27, 2017. As on March 31, 2018, the Committee comprised of four (4) 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. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held four (4) Meetings during the year on May 04, 2017, June 22 and 23, 2017, October 23, 2017 and January 30, 2018:

Name	No. of Meetings	
	Held	Attended
Mr. Srinivasan N, Chairman	4	4
Ms. Lalitha Lakshmanan	4	4
Mr. Nagarajan Srinivasan**	2	0
Mr. Sridhar Ganesh	4	3
Ms. Tabassum Inamdar	4	4
Mr. Vasudevan P N, MD & CEO	4	4

***Inducted as Member of the Committee on July 27, 2017*

Terms of reference

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

1. Annual Business Plans
2. Revision in Annual Business Plans
3. New Business Initiatives proposed to be undertaken by the Bank

REVIEW COMMITTEE FOR IDENTIFICATION OF WILFUL DEFAULTERS

Composition

The Review Committee for Identification of Wilful Defaulters was re-constituted on January 30, 2018. As on March 31, 2018, the Committee comprised of three (3) Independent Directors and MD & CEO:

1. Mr. Vasudevan P N, MD & CEO, Chairman of the Committee
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 2017-18.

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.

POLICY FORMULATION COMMITTEE

Composition

The Policy Formulation Committee was chaired by an Independent Director and comprised of four (4) Independent Directors:

1. Mr. Vinod Kumar Sharma, Chairman
2. Ms. Lalitha Lakshmanan
3. Dr. Ramakrishnan K
4. Mr. Srinivasan N

Meetings & Attendance

The Committee held one (1) Meetings during the year on April 21, 2017:

Name	No. of Meetings	
	Held	Attended
Mr. Vinod Kumar Sharma, Chairman	1	1
Ms. Lalitha Lakshmanan	1	1
Dr. Ramakrishnan K	1	1
Mr. Srinivasan N	1	1

&&The Committee was dissolved by the Board in its Meeting held on October 24, 2017.

Terms of reference

The Committee reviewed the draft Policies requiring Board approval and made suitable recommendations to the Board.

Subsequently the Board in its Meeting held on April 26, 2018 constituted again a Policy Formulation Committee with the following Members:

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

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.

IT STRATEGY COMMITTEE**Composition**

As on March 31, 2018, 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 three (3) Meetings during the year on May 04, 2017, September 22, 2017 and December 26, 2017:

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N, Chairperson	3	3
Ms Lalitha Lakshmanan	3	3
Dr Ramakrishnan K**	3	1
Mr. Vasudevan P N, MD & CEO	3	2

*** Resigned with effect from March 31, 2018*

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 business strategy is aligned with IT 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, 2018, the Credit Committee comprised of two (2) Independent Directors and the MD & CEO:

1. Ms. Lalitha Lakshmanan, Chairperson
2. Mr. Srinivasan N
3. Mr. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held one (1) Meeting during the period on September 21, 2017.

Name	No. of Meetings	
	Held	Attended
Ms Lalitha Lakshmanan, Chairperson	1	1
Dr Ramakrishnan K**	1	0
Mr Srinivasan N	1	0
Mr. Vasudevan P N, MD & CEO	1	1

*** Resigned with effect from March 31, 2018*

Terms of reference

The Committee considers and approve loans exceeding ₹50 crore.

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	25,000/-
2	Audit Committee and Business Committee	20,000/-
3	Other Committees of the Board*	15,000/-

**Independent Directors are paid Sitting Fee of ₹15,000/- for attending the Separate Meeting of the Independent Directors.*

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Details of Remuneration Sitting Fees paid to Directors for the period ended 31st March 2018 along with their shareholding in the /Bank are as under:

Name	Remuneration (₹)	Sitting Fees (₹)		No. of equity shares held as on March 31, 2018
		Board	Committee	
Mr. Arun Ramanathan (Chairman)	9,19,100	1,75,000	15,000	Nil
Mr. Arun Kumar Verma	6,89,300	1,75,000	2,50,000	Nil
Prof. Balakrishnan N	4,59,600	1,50,000	2,10,000	Nil
Ms. Lalitha Lakshmanan	4,59,600	1,75,000	4,35,000	Nil
Mr Nagarajan Srinivasan [%]	Nil	Nil	Nil	Nil
Dr Parthasarathi Shome [#]	26,400	Nil	Nil	Nil
Dr. Ramakrishnan K [*]	4,59,600	75,000	2,00,000	Nil
Mr. Sridhar Ganesh	4,59,600	1,50,000	2,25,000	Nil
Mr. Srinivasan N	4,59,600	1,25,000	2,45,000	Nil
Ms. Tabassum Inamdar	4,59,600	1,50,000	3,10,000	Nil
Mr. Vinod Kumar Sharma	4,59,600	1,75,000	3,25,000	Nil

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

[#] Dr Parthasarathi Shome has resigned as Independent Director with effect from April 21, 2017

^{*}Dr Ramakrishnan has resigned as Independent Director with effect from March 31, 2018

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, 2018 are as follows:

S. No	Nature of Payment	Amount (₹ in lakh)
1	Salary	49.48
2	Perquisite value of car	3.78
3	Others-Employer's contribution to Provident Fund	2.30
	TOTAL	55.56

ANNUAL GENERAL MEETINGS

Details relating to last three Annual General Meetings:

Year	Date	Time	Location	No. of Special Resolution [s] passed
2017	June 23, 2017	05:00 PM	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	One
2016	June 21, 2016	04:00 PM	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Two
2015	June 29, 2015	11:00 AM	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Five

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

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 2017-18. 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 behaviour, practices, actual or suspected fraud or violation of the Bank's Code of Conduct or any other wrongful conduct in the Bank or of its employees. 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.

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GENERAL SHAREHOLDER INFORMATION

Annual General Meeting:	Date	: Thursday, July 26, 2018
	Time	: 5.30 P.M.
	Venue	: 4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002
	Financial year	: April 1 to March 31

Shareholding pattern as on 31st March 2018

Category	No of shares	%
Equitas Holdings Limited	1,00,59,43,348	100%
Mr S Bhaskar, nominee of Equitas Holdings Limited	10	0%
Mr Mohanan B, nominee of Equitas Holdings Limited	1	0%
Mr Murthy V S, nominee of Equitas Holdings Limited	1	0%
Mr Muralidharan S, 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%
Total	1,00,59,43,363	100%

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, 2018 [₹]	ISIN No	Scrip Code
1	11.66% - Secured	750,000,000	750,000,000	INE063P07130	952464
2	11.66% - Secured	750,000,000	750,000,000	INE063P07148	952614
3	14.95% - Unsecured	400,000,000	400,000,000	INE063P08013	951930
4	10.15% - Unsecured	2,000,000,000	2,000,000,000	INE063P08021	954775
5	10.15% - Unsecured	3,000,000,000	3,000,000,000	INE063P08096	954780
6	10.15% - Unsecured	2,500,000,000	2,500,000,000	INE063P08039	954784
7	10.15% - Unsecured	500,000,000	500,000,000	INE063P08047	954769
8	10.15% - Unsecured	1,500,000,000	1,500,000,000	INE063P08054	954788
9	10.15% - Unsecured	700,000,000	700,000,000	INE063P08088	954825
10	10.15% - Unsecured	1,300,000,000	1,300,000,000	INE063P08104	954802
11	10.15% - Unsecured	1,500,000,000	1,500,000,000	INE063P08062	954803
12	10.15% - Unsecured	1,000,000,000	1,000,000,000	INE063P08070	954804
13	16.00% - Unsecured	300,000,000	300,000,000	INE186N08025	951924
14	12.67% - Secured	600,000,000	600,000,000	INE186N07068	950723
15	14.04% - Unsecured	500,000,000	500,000,000	INE186N08017	947882
16	12.13% Secured	750,000,000	750,000,000	INE186N07100	952700
17	13.80% - Unsecured	300,000,000	300,000,000	INE186N08033	952815
18	14.05% - Unsecured	1,200,000,000	1,200,000,000	INE186N08041	952812
19	11.19% - Secured	500,000,000	500,000,000	INE247U07014	953456

Transfer Agents : Karvy Computershare 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 - 400 001	Ms. Deesha Trivedi Catalyst Trusteeship Limited Office No. 1, 2 and 3 4th Floor, Rehematoola House, 7th Homji Street, Off, P M Road, Fort Mumbai- 400001
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Address for Correspondence : Company Secretary
 Equitas Small Finance Bank Limited
 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 the Board of Directors

Place : Chennai
 Date : April 26, 2018

Vasudevan P N
 MD & CEO

Arun Ramanathan
 Chairman

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, 2018 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 and we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting.
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; 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**

Sridharan N
Chief Financial Officer
Place : Chennai
Date : April 26, 2018

Vasudevan P N
Managing Director and Chief Executive Officer

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, 2018 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.

Place : Chennai
Date : April 26, 2018

Vasudevan P N
Managing Director and Chief Executive Officer

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 Bank

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	2017-18
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 Finance lending Used Commercial Vehicle Finance lending Micro Loan against Property <u>Liabilities Products</u> Demand Deposits Time Deposits Fee Based Products viz., distribution of insurance and mutual fund products, providing of locker facility, etc.
9	Number of international locations	Nil
10	Number of National locations	The Bank operates from more than 750 locations across 13 states and 2 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 lakh)	1,00,594.34
2	Total turnover (₹ in lakh)	1,78,392.75
3	Total profit after taxes (₹ in lakh)	3,183.14
4	Total spending on Corporate Social Responsibility (CSR) as a percentage of Profit After Tax (%)	2.00% (based on average net profits of last 3 financial years computed as per Section 198 of the Companies Act, 2013)
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> <p>i) Educational Initiatives – Running schools in 7 locations across Tamil Nadu</p> <p>ii) Imparting of skill training to Joint Liability Group (JLG) women members to improve their income levels</p> <p>iii) Health care initiatives – Health care and medical camps, Equitas Sugam Clinics for the underprivileged.</p> <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/Directors responsible for BR

(a) Details of the Director/Director responsible for implementation of the BR policy/policies

- | | | |
|----|-------------|------------------|
| 1. | DIN Number | 01550885 |
| 2. | Name | Mr Vasudevan P N |
| 3. | Designation | MD & CEO |

(b) Details of the BR head

No.	Particulars	Details
1.	DIN Number (if applicable)	Not Applicable
2.	Name	Mr Raghavan H K N
3.	Designation	President –Outreach & Inclusive Banking
4.	Telephone number	044-42995000
5.	e-mail id	corporate@equitas.in

2. Principle-wise (as per NVGs) BR Policy (ies)

The following sections capture BR compliances at the Bank level.

No.	Questions	P	P	P	P	P	P	P	P	P
		1	2	3	4	5	6	7	8	9
1	Do you have a policy/ policies for....	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy being 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 being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	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 are available on our website www.equitasbank.com .								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	The 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/policies	Y	Y	Y	Y	Y	Y	-	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies	Y	Y	Y	Y	Y	Y	-	Y	Y
10	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	The Heads of Departments are responsible for effective implementation of the Policies. The Compliance Department of the Bank monitors the adherence to implementation of policies mandated by RBI.								

**All Polices have been formulated after detailed deliberations on best practices adopted by Banks and financial institutions and customized as per the requirements of the Bank.*

- P1 Code of Conduct adopted for employees, Directors and senior management and Whistle Blower Policy ensure conducting business with Ethics, Transparency and Accountability.
- P2 Fair Practices Code promotes responsible lending and banking practices. It ensures guarding 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 organisation-wide environment of care, concern, nurturing and to provide an opportunity to women employees to accomplish their professional aspirations. These Policies 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 vulnerable sections of society. Corporate Social Responsibility (CSR) Policy seeks to engage with client communities through community development initiatives and improve their life and lifestyle on a holistic basis. This Policy can be viewed online at www.equitasbank.com.
- P5 Code of Conduct for employees and Fair Practices Code lay down acceptable employee behavior while dealing with clients on various aspects including human rights.

- P6 Policy on Environmental and Social Safeguards framework for Micro 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, the Bank, 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 among client communities.
- P9 The Bank's Code of Conduct seeks to ensure privacy and confidentiality of customers' data. The Bank has a Customer Grievance Redressal Policy conforming to the guidelines issued by RBI. This Policy can be viewed online on www.equitasbank.com. The Bank has undertaken wide range of social initiatives under Corporate Social Responsibility Policy to improve the quality of life of client communities.

3. Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess 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 MD & CEO on a periodical 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 online at www.equitasbank.com .

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 behaviour that the employees are expected to demonstrate throughout their tenure as employees of the Bank. 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 emphasized upon in all interaction with the stakeholders, right from the time of association with the Bank.

2. 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:

	Complaints received during 2017-18	% of complaints resolved
Customer complaints	5,559	98.50
Investor complaints	Nil	Nil

All complaints pending as on March 31, 2018 were resolved within the timelines prescribed for redressal of grievances.

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 significant role to play in furthering financial inclusion in the country to achieve 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 in the form of Micro Finance, Used Commercial Vehicle Finance, Housing Finance, Loan

against Property, Agri Loans, Gold Loans, Business Loans etc. This way, we are actively involved in financial inclusion. The Bank primarily deals with financially vulnerable sections of the society and hence it is all the more important to be 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 lakh 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.

Used Commercial 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 Banking: The Bank provides capital in the form of term loans to enterprises which are small and have turnover in the range of ₹ 1 – 10 crore. The loan sizes typically vary between ₹ 10 – 100 lakh.

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 strives to reduce the usage of paper. Towards this end, tab-based loan processing is being utilized in micro finance lending. Similar initiatives are also being implemented in other segments as well.

The account holders of the Bank are encouraged to adopt paper-free banking practices like e-mail account statements, internet banking, mobile banking, e-Wallet, Electronic Toll Collection and other such initiatives. To promote such practices the Bank has introduced new digital banking products like SELFE Savings Account, a completely online instant savings deposit account opening experience for customers.

We follow 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 monitoring, installation of CFL & other low energy consuming office equipment, restricted printer and copier usage.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)?

(a) 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 endeavours 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 resources and other services required for our operations are generally sourced from within the local area to the extent feasible.

Many of the financial products offered by the Bank are aimed at encouraging entrepreneurship, innovation and capacity building among the financially vulnerable sections of the society. It enables them to scale up business operations. This eventually leads to better economic prospects for local businesses, which are customers of the Bank. The improved business environment indirectly benefits other local businesses, which are not customers.

The Bank is in the process of setting 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 focused to continually reduce consumption of paper and progressive measures are being implemented across different processes (Refer to Principle 2: Question 2) to facilitate the same. Our digital banking and other related initiatives also strive to meet sustainability goals of waste reduction and more efficient resource utilisation. On this front, we have achieved 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	13,490
2	Total number of employees hired on temporary/contractual/casual basis	24
3	Number of permanent women employees	1,361
4	Number of permanent employees with disabilities	11
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. While there is a structured employee grievance redressal mechanism in place, employees are also encouraged to directly approach MD & CEO and Audit Committee in case of serious grievances, misgivings or unethical practices
6	Percentage of your permanent employees is members of this recognized employee association	

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 on end of financial year
1	Child labour/ forced labour/ involuntary labour	Nil	Nil
2	Sexual Harassment	4	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 development of People Managers and imparting functional and technical training to branch banking executives. A development program for Managers titled “Managing Business Through the Sales Team” was conducted across the zones for the Asset and Liability Sales divisions. Extensive training was imparted through the e-learning platform and learning days allocated for the same every month. An in-house lab is being set up for effective hands-on training in banking software.

The details of employees who underwent skill up-gradation training during the FY 2017-18 are as follows:

Permanent Employees	54%
Permanent Women Employees	57%
Contractual Employees	22%
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 initiatives, 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. More than 5,600 students have benefitted from these schools.

EDIT has empowered around half a million women by imparting training in vocational skills such as tailoring, doll making and artificial jewelry making. EDIT actively conducts job fairs across India for unemployed youth of low income communities, thereby providing gainful employment. The recruitment and employment practices of the Group are also attuned towards talent spotting and acquisition from among marginalized sections of the society.

EDIT also provides access to affordable healthcare through its various medical initiatives and medical camps.

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 Code of Conduct for Employees 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 the 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 also 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 respect of its operations, the Bank focuses on reducing the usage of paper to reduce the carbon footprint. Towards this end, the Bank has embarked its digital footprint across its product offerings and has been a consistent leader across Small Finance Banks and even some of the major big banks. Our focus is to enable customers with ease of access and to transact efficiently & effectively using our variety of Digital offerings, thus reducing the Bank's, as well as the customers', reliance on paper based banking activities.

We have achieved considerable success in this strategy by achieving about 56% digital penetration amongst our customers. We provide a variety of digital offerings - Internet & 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 and has also integrated environmental and social safeguards into the loan appraisal for micro enterprises.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

As detailed under Points 1 to 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 and 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.

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 Equitas Group do not result in any significant environmental or pollution related issues.

7. Number of show cause/ legal notices received from CPCB/SPCB which are 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. There are no notices received by the Bank as on March 31, 2018.

Principle 7 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

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 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 the Bank 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 entire operations of the Bank are 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 improving the quality of life of its 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.

Equitas Group also 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. Such activities are detailed under the MD & A report, which forms part of the Annual 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.

The Bank undertakes CSR programmes directly as well as through implementing agencies, viz., Equitas Development Initiatives Trust, a registered public charitable trust. CSR initiatives carried out by the Bank are detailed under the MD & A Report, which forms part of the Annual Report.

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

The impact of business model and operations of the Bank on governance, workers, community and environment aspects, was carried out by Global Impact Investing Rating System (GIIRS) in September 2017. The business model of Equitas was granted “Platinum Rating” (on a scale of Bronze to Platinum), which is the highest rating under the framework. Equitas was also granted “Five Star” rating (on a scale of one to five stars) on operations.

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 Committee of the Bank reviews the CSR operations, on a periodic basis. The Bank closely tracks not only the number of beneficiaries but also qualitative improvement in the lives of the 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 the 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 FY 2017-18. 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?

1.58% of the customer complaints are pending as at the end of FY 2017-18. 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. Interest rates are published on the website for various deposit schemes. SMS alerts are sent to customers when the 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 takes continuous steps to ensure customer satisfaction in all their dealings with the Bank. Periodic customer surveys are conducted to understand the requirements, business needs, financial and socio-economic situation of the customers including potential customers. We also have a rigorous customer follow-up and survey mechanism to ensure customer satisfaction.

For and on behalf of the Board of Directors

Place : Chennai

Date : April 26, 2018

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

INDEPENDENT AUDITOR'S REPORT

To the Members of Equitas Small Finance Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Equitas Small Finance Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31, 2018, the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014, in so far as they apply to the Bank and the guidelines issued by the Reserve Bank of India. 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 control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements. 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes, gives the information required by the Banking Regulation Act, 1949 as well as the Companies Act 2013, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2018, its profit, and cash flows for the year ended on that date.

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 Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.
2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated May 23, 2017, 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 centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. We have visited 15 branches for the purpose of our audit.
3. Further, as required by section 143 (3) of the Companies Act, 2013, we further 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 purpose 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, Profit and Loss account, and 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;
 - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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 and the operating effectiveness of such controls, refer to our separate Report in Annexure 1 to this report;
 - (g) 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 in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12 and Note.20 in Schedule 18 to the financial statements;
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 11.1 in Schedule 18 to the financial statements;
 - 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
ICAI Firm Registration Number: 101049W/E300004

per **Aniruddh Sankaran**
Partner
Membership Number: 211107

Place of Signature: Chennai
Date: April 26, 2018

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, 2018 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, 2018, 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

ICAI Firm Registration Number: 101049W/E300004

per **Aniruddh Sankaran**

Partner

Membership Number: 211107

Place of Signature: Chennai

Date: April 26, 2018

Balance Sheet as at March 31, 2018

(All amounts in 000's of ₹, unless otherwise specified)

Particulars	Schedule	As at March 31, 2018	As at March 31, 2017
CAPITAL AND LIABILITIES			
Capital	1	10,059,434	10,059,434
Reserves and Surplus	2	10,378,092	10,059,776
Deposits	3	56,039,297	19,212,890
Borrowings	4	51,772,081	47,788,962
Other Liabilities and Provisions	5	4,850,679	5,332,358
TOTAL		133,099,583	92,453,420
ASSETS			
Cash and Balances With Reserve Bank of India	6	3,860,813	2,479,305
Balances With Banks and Money At Call and Short Notice	7	8,250,843	8,661,430
Investments	8	38,568,415	18,904,955
Advances	9	77,066,926	57,018,340
Fixed Assets	10	2,808,826	2,883,499
Other Assets	11	2,543,760	2,505,891
TOTAL		133,099,583	92,453,420
Contingent Liabilities	12	331,451	493,073

Summary of significant accounting policies

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Notes forming part of financial statements

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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
ICAI Firm Registration No.:101049W/E300004

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

per **Aniruddh Sankaran**
Partner
Membership No.211107

Arun Ramanathan
Chairman
DIN:00308848

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885

Arun Kumar Verma
Director
DIN:03220124

Place: Chennai
Date: April 26, 2018

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

Place: Chennai
Date: April 26, 2018

Profit and Loss account for the year ended March 31, 2018

(All amounts in 000's of ₹, unless otherwise specified)

Particulars		Schedule	Year ended March 31, 2018	Year ended March 31, 2017
I	INCOME			
	Interest earned	13	15,427,124	9,810,534
	Other income	14	2,412,151	2,332,274
	TOTAL		17,839,275	12,142,808
II	EXPENDITURE			
	Interest expended	15	6,821,720	4,471,578
	Operating expenses	16	8,811,141	5,092,439
	Provisions and contingencies		1,888,100	1,537,451
	TOTAL		17,520,961	11,101,468
III	PROFIT			
	Net Profit for the year		318,314	1,041,340
	TOTAL		318,314	1,041,340
IV	APPROPRIATIONS			
	Transfer to Statutory reserves		79,578	260,335
	Transfer to Special reserve account		6,652	14,180
	Transfer to Investment Reserve		23,000	-
	Balance carried over to Balance Sheet		209,084	766,825
	TOTAL		318,314	1,041,340
	Summary of significant accounting policies	17		
	Notes forming part of financial statements	18		
	Earning per share (Basic) (in ₹)	18.10.4	0.32	1.30
	Earning per share (Diluted) (in ₹)	18.10.4	0.32	1.30
	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**
Chartered Accountants
ICAI Firm Registration No.:101049W/E300004

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

per **Aniruddh Sankaran**
Partner
Membership No.211107

Arun Ramanathan
Chairman
DIN:00308848

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885

Arun Kumar Verma
Director
DIN:03220124

Place: Chennai
Date: April 26, 2018

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

Place: Chennai
Date: April 26, 2018

Cash Flow Statement for the year ended March 31, 2018

(All amounts in '000 of ₹, unless otherwise specified)

	Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
A.	Cash Flow from Operating activities		
	Profit Before Tax	485,148	1,614,472
	<i>Adjustments for:</i>		
	Depreciation on fixed assets	875,061	317,087
	Depreciation on investments	(46,588)	46,588
	Amortization on Held to Maturity securities	50,658	10,544
	Provision for standard assets	53,660	(254,941)
	Provision on managed assets	-	(120,204)
	Floating provision on advances	-	190,000
	Bad debts written off	1,902,248	337,572
	Provision for Non performing assets	(179,287)	736,914
	Provision for loss on seized assets	(25,679)	15,020
	Provision on overcollateral	14,776	12,939
	Provision for doubtful assets	2,136	430
	Loss on sale of fixed assets	1,511	409
	Interest expenses on borrowings	4,380,018	4,109,308
		7,513,662	7,016,138
	<i>Adjustments for:</i>		
	(Increase)/Decrease in investments	(19,667,530)	(6,430,088)
	(Increase)/Decrease in advances	(21,745,868)	(6,263,746)
	Increase/(Decrease) in deposits	36,826,407	19,212,890
	(Increase)/Decrease in other assets	146,232	(46,489)
	Increase/(Decrease) in other liabilities and provisions	(692,397)	835,453
	Direct taxes paid	(323,955)	(986,715)
	Net cash flow from operating activities (A)	2,056,551	13,337,443
	Cash flow from investing activities		
	Purchase of fixed assets	(812,842)	(2,937,772)
	Proceeds from sale of fixed assets	10,943	6,403
	(Increase)/Decrease in bank balances not considered as cash and cash equivalents	759,874	(1,118,335)
	Net cash used in investing activities (B)	(42,025)	(4,049,704)

Cash Flow Statement for the year ended March 31, 2018

(All amounts in '000 of ₹, unless otherwise specified)

	Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
	Cash flow from financing activities		
	Increase/(decrease) in borrowings (net)	3,983,119	(5,529,842)
	Proceeds from issue of share capital	-	2,880,000
	Interest paid on borrowings	(4,266,850)	(2,975,699)
	Net cash from financing activities (C)	(283,731)	(5,625,541)
	Net increase in cash and cash equivalents (A)+(B)+(C)	1,730,795	3,662,198
	Cash and Cash equivalents at beginning of the year (Refer Notes below)	9,958,090	942,538
	Add: Pursuant to scheme of amalgamation (Refer 17.1(b))	-	5,353,354
	Cash and Cash equivalents at end of the year (Refer Notes below)	11,688,885	9,958,090
	Notes to cash flow statement :		
	Cash and Cash equivalents include the following		
	Cash and Balances With Reserve Bank of India (As per Schedule 6)	3,860,813	2,479,305
	Balances With Banks And Money At Call And Short Notice (As per Schedule 7)	8,250,843	8,661,430
	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	(422,771)	(1,182,645)
	Cash and Cash equivalents at end of the year	11,688,885	9,958,090

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
ICAI Firm Registration No.:101049W/E300004

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

per **Aniruddh Sankaran**
Partner
Membership No.211107

Arun Ramanathan
Chairman
DIN:00308848

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885

Arun Kumar Verma
Director
DIN:03220124

Place: Chennai
Date: April 26, 2018

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

Place: Chennai
Date: April 26, 2018

Schedules to Balance Sheet as at March 31, 2018

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 1 - CAPITAL	As at March 31, 2018	As at March 31, 2017
Authorised capital		
1,155,000,000 (Previous Year: 1,155,000,000) Equity Shares of ₹ 10 each	11,550,000	11,550,000
Issued, subscribed and paid-up capital		
1,005,943,363 (Previous year: 1,005,943,363) Equity Shares of ₹ 10 each	10,059,434	10,059,434
TOTAL	10,059,434	10,059,434

In FY 2016-17, the Bank had issued 420,344,289 and 43,393,774 equity shares to the shareholders of Equitas Micro Finance Limited ("EMFL") and Equitas Housing Finance Limited ("EHFL"), as part of the Scheme of merger approved by the Hon'ble High Court of Madras, that is more fully described in Schedule 17.1(b) to the financial statements.

SCHEDULE 2 - RESERVES AND SURPLUS	As at March 31, 2018	As at March 31, 2017
I Statutory reserve		
Opening Balance	1,161,584	278,300
Additions on account of amalgamation (Refer Schedule 17.1(b))	-	622,949
Add: Transfer from Profit and Loss account	79,578	260,335
Deductions during the year	-	-
Total - (A)	1,241,162	1,161,584
II Capital reserve		
Opening Balance	132,798	-
Additions on account of amalgamation (Refer Schedule 17.1(b))	-	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	1,623,705
Additions on account of amalgamation (Refer Schedule 17.1(b))	-	2,170,964
Received during the year	-	1,687,947
Deductions during the year	-	-
Total - (C)	5,482,616	5,482,616
IV Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	25,944	-
Additions on account of amalgamation (Refer Schedule 17.1(b))	-	11,764
Add: Transfer from Profit and Loss account	6,652	14,180
Deductions during the year	-	-
Total - (D)	32,596	25,944
V Revenue and Other reserves		
Opening Balance	254,400	140
Additions on account of amalgamation (Refer Schedule 17.1(b))	-	39,186
Additions during the year (Refer Note (a) below)	-	215,074
Deductions during the year	-	-
Total - (E)	254,400	254,400

Schedules to Balance Sheet as at March 31, 2018

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 2 - RESERVES AND SURPLUS		As at March 31, 2018	As at March 31, 2017
VI	Investment Reserve		
	Opening Balance	-	-
	Additions during the year	23,000	-
	Deductions during the year	-	-
	Total - (F)	23,000	-
VII	Balance in Surplus in profit and loss account		
	Opening Balance	3,002,434	977,044
	Additions on account of amalgamation (Refer Schedule 17.1(b)) (Also refer Note (b) below)	-	1,258,565
	Profits for the year	209,084	766,825
	Closing balance in Surplus in profit and loss account (G)	3,211,518	3,002,434
	TOTAL (A)+(B)+(C)+(D)+(E)+(F)+(G)	10,378,092	10,059,776

- (a) EMFL and EFL had different accounting policies relating to accounting for processing fees collected from the customers. In EMFL, loan processing fee was recognized over the life of the loan on a straightline basis and in EFL, it was recognized as income in the year in which the loan is sanctioned. Consequent to the Scheme of merger that is more fully described in Schedule 17.1(b) to the financial statements, the fee income is now recognized in the year in which loan is sanctioned and disbursed and an amount of ₹ 215,074 (net of income tax of ₹ 113,825) is credited to Reserves as at Mar 31, 2017.
- (b) Represents balances of Surplus in profit and loss account of ₹ 2,467,480 in the books of EMFL and EHFL incorporated on account of amalgamation, net off with the excess of net assets and reserves over consideration paid on amalgamation of EMFL amounting to ₹ 1,208,915. Refer Schedule 17.1(b) to the financial statements.

SCHEDULE 3 - DEPOSITS		As at March 31, 2018	As at March 31, 2017
A	I Demand deposits		
	(i) From banks	218,686	44,777
	(ii) From others	3,672,601	609,632
	II Savings bank deposits	12,486,718	2,662,530
	III Term deposits		
	(i) From banks	13,643,319	11,402,279
	(ii) From others	26,017,973	4,493,672
	TOTAL	56,039,297	19,212,890
B	I Deposits of branches in India	56,039,297	19,212,890
	II Deposits of branches outside India	-	-
	TOTAL	56,039,297	19,212,890

SCHEDULE 4 - BORROWINGS		As at March 31, 2018	As at March 31, 2017
I	Borrowings in India		
	(i) Reserve Bank of India	7,900,000	-
	(ii) Other banks	1,800,000	8,396,429
	(iii) Other institutions and agencies	42,072,081	39,392,533
	TOTAL	51,772,081	47,788,962
II	Borrowings outside India	-	-
	TOTAL	-	-
	TOTAL	51,772,081	47,788,962
Secured borrowings included in above		17,189,581	12,718,463

Schedules to Balance Sheet as at March 31, 2018

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		As at March 31, 2018	As at March 31, 2017
I	Bills payable	67,055	8,706
II	Interest accrued	1,691,287	1,422,279
III	Provision for Tax (net of advance tax)	26,981	-
IV	Others (including provisions)*	3,065,356	3,901,373
	TOTAL	4,850,679	5,332,358

*Includes :-

Provision for standard assets ₹ 210,767 (Previous year: ₹ 157,107)

Floating provision outstanding of ₹ 190,000 (Previous year: ₹ 190,000)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		As at March 31, 2018	As at March 31, 2017
I	Cash in hand	1,159,262	666,990
II	Balances with Reserve Bank of India :		
	(a) In current accounts	2,701,551	1,812,315
	(b) In other accounts	-	-
	TOTAL	3,860,813	2,479,305

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		As at March 31, 2018	As at March 31, 2017
I	In India		
	(i) Balances with banks :		
	(a) In current accounts	612,622	3,228,785
	(b) In other deposit accounts (Refer Note below)	608,221	1,182,645
	(ii) Money at call and short notice :		
	(a) With banks	2,300,000	3,500,000
	(b) With other institutions	500,000	750,000
	(c) Lending under Reverse Repo to RBI	4,230,000	-
II	Outside India		
	(i) In current accounts	-	-
	(ii) In deposit accounts	-	-
	(iii) Money at call and short notice	-	-
	TOTAL	8,250,843	8,661,430

Note

Other deposits include deposits under lien amounts to ₹ 422,771 (Previous year ₹11,82,645)

SCHEDULE 8 - INVESTMENTS		As at March 31, 2018	As at March 31, 2017
I	Investments in India in (Net of provision)		
	(i) Government securities	28,402,361	18,199,672
	(ii) Shares	2,000	2,000
	(iii) Debentures and bonds	1,250,000	-
	(iv) Others	8,914,054	703,283
		38,568,415	18,904,955
	Gross Investments	38,568,415	18,951,543
	Less: Depreciation	-	(46,588)
	Net Investments	38,568,415	18,904,955
II	Investments outside India	-	-
	TOTAL	38,568,415	18,904,955

Schedules to Balance Sheet as at March 31, 2018

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 9 - ADVANCES (Net of provision)		As at March 31, 2018	As at March 31, 2017
A	(i) Bills purchased and discounted	-	-
	(ii) Cash credits, overdrafts and loans repayable on demand	1,316,703	617,411
	(iii) Term loans	75,750,223	56,400,929
	TOTAL	77,066,926	57,018,340
B	(i) Secured by tangible assets	49,918,605	29,765,589
	(ii) Covered by bank / government guarantees	-	-
	(iii) Unsecured	27,148,321	27,252,751
	TOTAL	77,066,926	57,018,340
C	I Advances in India		
	(i) Priority sector	54,044,162	50,130,859
	(ii) Public sector	-	-
	(iii) Banks	600,838	-
	(iv) Others	22,421,926	6,887,481
	Total Advances in India	77,066,926	57,018,340
	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	77,066,926	57,018,340

SCHEDULE 10 - FIXED ASSETS		As at March 31, 2018	As at March 31, 2017
A	Premises including leasehold improvements		
	Gross Block		
	At cost as at the beginning of the year	745,188	16,233
	Additions on account of amalgamation (Refer Schedule 17.1b)	-	52,475
	Additions during the year	305,282	676,480
	Deductions during the year	(644)	-
		1,049,826	745,188
	Depreciation		
	As at beginning of the year	83,351	9,021
	Additions on account of amalgamation (Refer Schedule 17.1b)	-	36,667
	Additions during the year	138,210	37,663
	Deductions during the year	(629)	-
	Depreciation to date	220,932	83,351
	Net block	828,894	661,837

Schedules to Balance Sheet as at March 31, 2018

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 10 - FIXED ASSETS		As at March 31, 2018	As at March 31, 2017
B	Other fixed assets (including furniture and fixtures)		
	Gross Block		
	At cost as at the beginning of the year	2,781,018	225,055
	Additions on account of amalgamation (Refer Schedule 17.1b)	-	460,815
	Additions during the year	643,502	2,113,787
	Deductions during the year	(27,593)	(18,639)
		3,396,927	2,781,018
	Depreciation		
	As at beginning of the year	706,790	120,615
	Additions on account of amalgamation (Refer Schedule 17.1b)	-	318,578
	Additions during the year	736,851	279,424
	Deductions during the year	(15,154)	(11,827)
	Depreciation to date	1,428,487	706,790
	Net block	1,968,440	2,074,228
C	Capital work-in-progress	11,492	147,434
	TOTAL	2,808,826	2,883,499

SCHEDULE 11 - OTHER ASSETS		As at March 31, 2018	As at March 31, 2017
I	Interest accrued	1,155,392	1,003,070
II	Tax paid in advance (Net of provision for tax)	21,357	29,105
III	Deferred tax asset, net	628,765	436,916
IV	Others	738,246	1,036,800
	TOTAL	2,543,760	2,505,891

SCHEDULE 12 - CONTINGENT LIABILITIES		As at March 31, 2018	As at March 31, 2017
I	Claims against the bank not acknowledged as debts		
	(a) Service tax	8,660	36,395
	(b) Provident Fund	18,822	18,754
	(c) Income tax	1,372	1,372
	(d) Value added tax	-	-
	(e) Others	9,761	3,974
II	Guarantees given on behalf of constituents		
	In India	292,836	432,578
	Total	331,451	493,073

Schedules to Profit and Loss account for the year ended March 31, 2018

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 13 - INTEREST EARNED		Year ended March 31, 2018	Year ended March 31, 2017
I	Interest on advances	13,422,409	9,097,338
II	Income from investments	1,812,423	556,401
III	Interest on balance with RBI and other inter-bank funds	192,292	156,795
	Total	15,427,124	9,810,534

SCHEDULE 14 - OTHER INCOME		Year ended March 31, 2018	Year ended March 31, 2017
I	Commission, exchange and brokerage	101,708	8,982
II	Profit / (loss) on sale of investments (net)	(102,986)	166,752
III	Profit / (loss) on sale of building and other assets (net)	(1,511)	(409)
IV	Miscellaneous income	2,414,940	2,156,949
	Total	2,412,151	2,332,274

SCHEDULE 15 - INTEREST EXPENDED		Year ended March 31, 2018	Year ended March 31, 2017
I	Interest on deposits	2,441,701	362,270
II	Interest on Reserve Bank of India / inter-bank borrowings	472,612	892,684
III	Other interest	3,907,407	3,216,624
	Total	6,821,720	4,471,578

SCHEDULE 16 - OPERATING EXPENSES		Year ended March 31, 2018	Year ended March 31, 2017
I	Payments to and provisions for employees	5,154,105	3,180,389
II	Rent, taxes and lighting	814,830	375,272
III	Printing and stationery	109,536	63,267
IV	Advertisement and publicity	107,377	40,876
V	Depreciation on bank's property	875,061	317,087
VI	Directors' fees, allowances and expenses	8,457	9,998
VII	Auditors' fees and expenses	6,142	6,079
VIII	Legal and Professional Fees	117,046	86,312
IX	Postage, telegram, telephone etc.	262,503	166,579
X	Repairs and maintenance	173,259	60,750
XI	Insurance	34,761	3,658
XII	Commission and Brokerage	176,320	97,081
XIII	Information Technology Expenses	360,609	116,395
XIV	Travel & Conveyance	349,868	279,567
XV	Bank and other finance charges*	20,494	127,152
XVI	Cash handling charges	43,268	24,798
XVII	CSR contributions	23,908	61,800
XVIII	Other expenditure	173,597	75,379
	Total	8,811,141	5,092,439

* FY 2016-17 figures includes preclosure and other incidental costs of ₹ 110,732(Current Year Nil), incurred by the Bank on foreclosure of certain term loans taken in earlier capacity as NBFC.

SCHEDULE 17 - Basis of preparation and significant accounting policies

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 ESFBL. ESFBL commenced its banking operations after the receipt of final banking license from the Reserve Bank of India on September 5, 2016. Consequent to the above amalgamation the microfinance and housing finance businesses of the erstwhile EMFL and EHFL were transferred to the Company effective September 5, 2016.

The Bank has a network of 392 banking outlets and 597 asset branches in India 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.

1(b). Amalgamation of EMFL and EHFL with EFL in FY 2016-17

Pursuant to a Scheme of Amalgamation (the "Scheme") amongst Equitas Micro Finance Limited ("EMFL"), Equitas Housing Finance Limited ("EHFL") and Equitas Finance Limited ("EFL"), approved vide the order of the Hon'ble High Court of Judicature at Madras dated June 6, 2016, EMFL and EHFL have merged with EFL as per the order with effect from September 2, 2016. Accordingly, net assets of ₹ 887.37 crore of EMFL and EHFL, and total reserves of ₹ 531.24 crore of EMFL and EHFL, as detailed in the table below, have been transferred to EFL. EFL has received a revised Certificate of Incorporation dated September 2, 2016, subsequent to which the name of the Company changed from Equitas Finance Limited to Equitas Small Finance Bank Limited ("ESFBL"). As consideration for the merger, ₹ 463.74 crore equity shares of ESFBL have been issued to the shareholders of EMFL and EHFL, in the following ratios; based on audited financial statements of EMFL, EHFL and EFL as at and for the period ended September 1, 2016:

- 1.4037 shares of EFL for every 1 share of EMFL
- 0.7657 shares of EFL for every 1 share of EHFL

Details of net assets and reserves acquired by the ESFBL on merger are as follows:

Amount in ₹ Crore

Net Assets	EMFL	EHFL	Total
Cash and balances with Reserve Bank of India	2.99	0.02	3.01
Balances with Bank and money at call and short notice	523.56	8.77	532.33
Investments	1,220.20	33.00	1,253.20
Advances	2,700.17	259.95	2,960.12
Fixed Assets	15.16	0.64	15.80
Other Assets	48.14	3.14	51.28
Sub-total	4,510.22	305.52	4,815.74
Less: Borrowings	3,475.12	219.03	3,694.15
Other Liabilities and Provisions	230.97	3.25	234.22
Net assets	804.13	83.24	887.37
Reserves	EMFL	EHFL	Total
Share premium	193.77	23.33	217.10
Statutory reserve	61.41	0.89	62.30
Special reserve	-	1.18	1.18
Revenue and other reserves	3.91	-	3.91
Surplus in Profit and Loss account	245.58	1.17	246.75
Total reserves	504.67	26.57	531.24

SCHEDULE 17 - Basis of preparation and significant accounting policies

During the preceding financial year, in accordance with the accounting treatment provided for in the Scheme,

- a. the Bank has recorded the assets and liabilities at the respective book values as appearing in the books of EHFL and EMFL at the close of business of the day immediately preceding the Appointed date i.e. September 2, 2016.
- b. the Bank has credited Share Capital by the aggregate face value of 420,344,289 shares and 43,393,774 shares of ₹10 each, new equity shares issued to the shareholders of EMFL and EHFL respectively.
- c. the excess / (deficit) of net assets and reserves over face value of new equity shares allotted, of (₹ 120.88 crore) and ₹ 13.28 crore, has been debited/credited to Surplus in Profit and Loss account and Capital reserve respectively:

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 the requirements prescribed under the "Third Schedule" of the Banking Regulation Act, 1949. The accounting policies of the Bank used in preparation of these financial statements confirm in all material aspects to Generally Accepted Accounting Principles in India (Indian GAAP), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016 and practices prevailing within the banking industry in India, as applicable. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

Comparatives

On account of the amalgamation mentioned in Note 1 above, the figures for the previous year are not strictly comparable with those of the current year. Previous year figures have been reclassified / regrouped by the management, wherever necessary, to conform to these requirements.

3. Significant accounting policies

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.

3.1 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.

SCHEDULE 17 - Basis of preparation and significant accounting policies

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 RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. [FBIL], based on RBI circular dated March 31, 2018. The Bank was using prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Association ('FIMMDA') till the previous year.

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.

SCHEDULE 17 - Basis of preparation and significant accounting policies**3.2 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 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.

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 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.

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 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.

3.3 Securitisation transactions and direct assignments

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.

SCHEDULE 17 - Basis of preparation and significant accounting policies

3.4 Property, Plant and Equipment [PPE]

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 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.

3.5 Intangible Assets

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.

SCHEDULE 17 - Basis of preparation and significant 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.

3.6 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.

3.7 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.

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.

3.8 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.

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.

3.9 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.

SCHEDULE 17 - Basis of preparation and significant accounting policies

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.

3.10 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.

3.11 Accounting of Priority Sector Lending Certificate (PSLC)

The purpose of PSLCs is to enable banks to achieve the priority sector lending target and sub-targets by trading these instruments in the event of shortfall. The Bank trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLC is treated as 'Other Income'.

3.12 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 realisability.

3.13 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.

SCHEDULE 17 - Basis of preparation and significant accounting policies

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.

3.14 Proposed Dividend

Proposed dividend / declared after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is declared.

3.15 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.

Geographic segment

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

3.16 Provisions and Contingencies

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.

3.17 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.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(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, 2018	As at March 31, 2017
1	Common Equity Tier 1 capital ratio	27.09%	32.30%
2	Tier 1 capital ratio	27.09%	32.30%
3	Tier 2 capital ratio	2.54%	3.21%
4	Total Capital Ratio (CRAR)	29.63%	35.51%
5	Amount of equity capital raised during the year*	-	582.94
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)]"	-	-

* Includes equity shares issued during the previous year to the shareholders of Equitas Micro Finance Limited ("EMFL") and Equitas Housing Finance Limited ("EHFL"), as part of the Scheme of Merger approved by the Hon'ble High Court of Madras, that is more fully described in Schedule 17.1(b) to the financial statements.

2 Business Ratio

S.No	Ratio	As at March 31, 2018	As at March 31, 2017
(i)	Interest Income as a percentage to Working Funds \$ *	14.61%	15.39%
(ii)	Non interest income as a percentage to Working Funds \$ *	2.28%	3.51%
(iii)	Operating Profit as a percentage to Working Funds \$ *	2.09%	3.65%
(iv)	Return on Assets @ \$	0.30%	1.28%
(v)	Business (deposits plus advances) per employee # & (₹ in crore)	0.89	0.57
(vi)	Profit per employee \$ & (₹ in crore)	0.002	0.009

\$ The Bank has commenced banking operations from September 5, 2016. Accordingly, figures considered for the computation of ratios for the year 2016-17 are for the period September 5, 2016 to March 31, 2017 and ratios stated are annualized (i.e. by multiplying 365 over actual number of days in operations). Also refer Schedule 17.2(b).

* Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949. In financial year 2106-17, Form X reported to RBI under the Banking Regulation Act, 1949 after commencement of banking operations from September 05, 2016 is considered.

@ Return represents net profit after tax. 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.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

3 Investments**3.1 Category-wise details of Investments (Net of provision for depreciation):**

S.No	Particulars	As at March 31, 2018			As at March 31, 2017		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	957.01	1,883.22	-	602.23	755.65	462.09
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	-	0.20	-	-	0.20	-
iv)	Debentures and bonds	-	125.00	-	-	-	-
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.,	-	891.41	-	-	70.33	-
	Total	957.01	2,899.83	-	602.23	826.18	462.09

3.2 Details of investments

S.No	Particulars	As at March 31, 2018	As at March 31, 2017
1	(1) Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	3,856.84	1,895.16
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	4.66
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	3,856.84	1,890.50
	(b) Outside India	-	-
2	(2) Movement of provisions held towards depreciation on investments		
	(i) Opening balance	4.66	-
	(ii) Add: Provisions made during the year	6.77	4.66
	(iii) Less: Write off / write back of excess provisions during the year	11.43	-
	(iv) Closing balance	-	4.66

3.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions (in face value terms):

S.No	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31 2018
1	Securities sold under repo				
	i. Government securities	-	790.00	103.43	790.00
	ii. Corporate debt securities	-	-	-	-
2	Securities purchased under reverse repo				
	i. Government securities	-	423.00	32.40	423.00
	ii. Corporate debt securities -	-	-	-	-

The Bank did not have repo/reverse repo transactions during the Previous year 2016-17.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

3.4 a) Issuer composition of Non SLR investments as at March 31, 2018 :

S.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	991.61	793.14	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	25.00	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	1,016.61	793.14	-	0.20	0.20

b) Issuer composition of Non SLR investments as at March 31, 2017 :

S.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	70.33	70.33	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	70.33	70.33	-	0.20	0.20

Columns 4, 5 6 and 7 are not mutually exclusive.

3.5 b) 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.

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.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

5 Asset Quality**5.1 Non-Performing Assets**

S.no	Particulars	As at March 31, 2018	As at March 31, 2017
(i)	Net NPAs to Net Advances (%)	1.46%	1.51%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	206.48	55.25
	(b) Additions during the year	344.27	274.54
	(c) Reductions during the year	338.22	123.31
	(h) Closing balance	212.53	206.48
(iii)	Movement of Net NPAs		
	(a) Opening balance	104.95	40.55
	(b) Additions during the year	154.36	153.19
	(c) Reductions during the year	127.81	88.79
	(h) Closing balance	131.50	104.95
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	101.53	14.70
	(b) Additions during the year	189.91	121.35
	(c) Reductions during the year	210.41	34.52
	(d) Closing balance	81.03	101.53

Movement of NPA for previous year 2016-17 includes movement on account of amalgamation (Refer Schedule 17.1(b)).

The Bank was making a higher provision in respect of non performing assets in the micro finance portfolio till the previous year. During the year, the Bank has aligned the provisioning percentage on non performing advances in respect of micro finance portfolio with the requirements of Reserve Bank of India as prescribed in the Prudential Norms on Income Recognition and Asset Classification. As a result of this change in estimate, provision for non-performing assets is lower by ₹ 10.53 crores and net profit for the year ended March 31, 2018 after considering related tax effect is higher by ₹ 6.89 crores.

5.1.1 Movement of NPAs

Particulars	As at March 31, 2018	As at March 31, 2017
Gross NPAs as at April 1	206.48	55.25
Additions during the year	344.27	274.54
Subtotal - (A)	550.75	329.79
Less:		
(i) Upgradations	53.43	37.33
(ii) Recoveries (excluding recoveries made from upgraded accounts)	94.56	58.81
(iii) Technical or Prudential write offs	-	-
(iv) Write offs other than those under (iii) above	190.23	27.17
Subtotal - (B)	338.22	123.31
Gross NPAs as at March 31	212.53	206.48

Movement of NPA for previous year 2016-17 includes movement on account of amalgamation (Refer Schedule 17.1(b)).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

5.2 Divergence in the asset classification and provisioning

The Bank has not been subject to any assessment by the RBI during the current year and in the previous year, in relation to compliance with Prudential norms on income recognition, asset classification and provisioning. 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.

5.3 (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 year, (Previous year Nil).

5.4 Details of Non-performing assets purchased/sold

The Bank did not sell/buy non-performing assets during the year.

5.5 Provision on Standard Assets

Particulars	As at March 31, 2018	As at March 31, 2017
Provision towards standard assets	21.08	15.71

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

5.6 Details of Loan Assets subjected to Restructuring as on March 31, 2018

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	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY 2017-18*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Write-off of restructured accounts includes recoveries in existing balances.

The Bank did not have any restructured account as at and for the year ended March 31, 2017.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018
(All amounts in crore of ₹, unless otherwise specified)

6 Asset Liability Management

6.1 Maturity pattern of certain items of assets and liabilities

a) As at March 31, 2018

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	184.35	62.31	8.46	270.36	496.73	930.37	767.50	989.67	1,892.29	0.52	1.37	5,603.93
Advances	19.76	101.50	100.04	100.03	315.11	142.60	838.34	1,393.90	3,094.53	900.55	700.33	7,706.69
Investments	755.27	554.72	89.87	289.65	-	24.58	362.53	723.01	255.85	307.93	493.43	3,856.84
Borrowings	-	877.76	66.18	239.84	26.18	106.94	1,170.71	670.13	1,625.40	389.46	4.61	5,177.21
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

b) As at March 31, 2017

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	36.57	0.87	1.01	13.12	4.04	2.71	106.41	690.54	1,065.10	0.16	0.76	1,921.29
Advances	10.07	67.78	72.98	87.89	265.26	256.60	750.76	1,380.56	2,023.86	437.31	348.75	5,701.82
Investments	-	-	124.77	-	-	123.76	-	331.22	220.35	535.67	554.73	1,890.50
Borrowings	-	117.14	56.26	0.26	152.86	329.28	633.45	670.04	2,440.00	222.82	156.78	4,778.89
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by management of the Bank, which has been relied upon by the auditors.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018
 (All amounts in crore of ₹, unless otherwise specified)

7 Exposures to sensitive sectors

7.1 Exposures to Real Estate Sector

Particulars		As at March 31, 2018	As at March 31, 2017
(a)	Direct Exposures		
	(i) Residential Mortgages	643.62	453.91
	- of which housing loans eligible for inclusion in priority sector advances are rendered	454.17	427.44
	(ii) Commercial Real Estate	28.78	42.69
	(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).	14.84	-
	Total exposure to Real Estate Sector	687.24	496.60

7.2 Exposures to Capital Market

Particulars		As at March 31, 2018	As at March 31, 2017
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;	0.26	0.75
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	0.46	0.95

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018 (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 ₹ 2714.83 crores (Previous year: ₹ 2,725.28 crores) as disclosed in Schedule 9 are without any collateral security.

8 Disclosures relating to Penalties imposed by RBI

Under licensing guidelines issued for Small Finance Banks (SFB), an SFB is required to take prior approval from Reserve Bank of India (RBI) for distribution of third party products like mutual fund units, insurance policies etc.,. However, this was not obtained due to oversight although other requisite approvals from other regulators viz., Insurance Regulatory Development Authority of India (IRDAI), Association of Mutual Funds of India (AMFI) were duly obtained. This was paid by the Bank in March 2018.

Equitas Small Finance Bank Limited (ESFBL), was formed by merger of three NBFC subsidiaries carrying on micro finance, vehicle finance and housing finance businesses respectively. These companies were arranging/ distributing insurance for its borrowers, primarily to secure the loans in the event of their death or incapacitation due to accident or otherwise as well as insuring the asset which is secured to the loan, such as vehicles, property, etc. This legacy arrangement was continued after becoming an SFB however there was an oversight in seeking RBI approval.

Soon after noticing this omission in an internal compliance review, ESFBL reported the matter to RBI admitting its lapse and sought its approval for distribution of third party products. The approval was received from RBI vide letter dated December 29, 2017. Subsequently, RBI vide Press Release dated March 8, 2018, levied a monetary penalty of ₹10 lakhs on ESFBL for the aforesaid omission to obtain prior RBI approval.”

During the previous year ended March 31, 2017, RBI had not imposed any penalties on the Bank.

9 Disclosure on remuneration

Qualitative disclosures

The Remuneration and Nomination Committee is chaired by an Independent Director and comprises of four (4) Independent Directors and one (1) Non-Executive Non-Independent Director.

- (a) 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 and quantum of bonus payable to the members of the staff, including senior management and key management personnel, framing guidelines for the Employee Stock Option Scheme (ESOS) and deciding on the grant of stock options to the employees and Whole Time Directors of the Bank and its subsidiaries.

- (b) **Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:**

Objective of Bank’s compensation policy is:

- a) To maintain fair, consistent and equitable compensation practices in alignment with Bank’s core values and strategic business goals;
- b) To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking
- c) To have mechanisms in place for effective supervisory oversight and Board engagement in compensation.

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

The Board of Directors through the R&N Committee shall exercise oversight and effective governance over the framing and implementation of the Compensation Policy. Human Resource Management under the guidance of MD & CEO shall administer the Compensation and Benefit structure in line with the best suited practices and statutory requirements, as applicable.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018**(All amounts in crore of ₹, unless otherwise specified)**

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 financial year calculated as per the provisions of the Companies Act, subject to a ceiling as may be fixed by the Board 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 subject to approval of RBI and the remuneration payable to the Chairman of the Audit & Risk Management 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.

NEDs including Independent Directors shall be reimbursed any out of pocket expenses incurred by them for the purpose of the Bank.

The remuneration payable to Managing Director (MD) and Chief Executive Officer (CEO) shall be based on the scope and responsibility that goes with such positions, shall be comparable to the compensations of MD/CEO of similar profiles in similar organizations and would be performance linked. From time to time, the R&N Committee may fix a maximum ceiling on the fixed/variable component of compensation, subject the approval of Reserve Bank of India.

The MD&CEO would also be eligible for Employee Stock Options of the Holding Company, which would be as determined from time to time by the R&N Committee of the Holding Company.

“Senior Management Group” shall mean those executives reporting directly to MD/CEO. The Bank’s principal focus continues to be the attraction and retention of high-calibre executives, aligning them to the mission and value system of the organisation and engage with them to develop and implement the Bank’s strategy so as to enhance long-term value. A consistent approach is used in determining the remuneration of key functional heads within the Bank (the ‘Senior Management Group’). Both performance and related components of the remuneration packages for the Senior Management Group are therefore set by reference to local market practices in India and in alignment with the Bank’s strategy. In functions which are clearly objective oriented, such as sales, collections etc., a variable component would also be made available, with the variable component typically being about 20-25% of remuneration depending on the position. From time to time, the R&N Committee may fix a maximum ceiling on the fixed component of compensation. In situations, where the fixed component reaches such maximum ceiling, the variable component may be increased year on year above the 20-25% indicated above. Senior Management Group would also be entitled to Employee Stock options of the Holding Company which would be individually determined based on criticality of the function, capabilities of the individual concerned and overall compensation of such persons in similar peer organisations.

Remuneration of middle and lower level employees of the Bank may consist of either fixed compensation only or will consist of both fixed and variable component, depending on the type of role and level. Increase in the remuneration of employees is effected based on an annual review taking into account performance of the employee and the performance of the Bank also.

Further all the employees would be eligible to subscribe to the Employee Stock Option of the Holding Company as per the scheme in force from time to time.

(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 and 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.

As on the reporting date, the Bank does not have any form of variable remuneration that is used. MD/CEO and other senior members are however eligible for Employee Stock Options issued by the Holding Company determined by the R&N Committee of the Holding Company.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

Quantitative disclosures

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Number of meetings held by the Remuneration Committee during the financial year	5	3
Remuneration paid to its members	0.03	0.01
(i) Number of employees having received a variable remuneration award during the financial year.	-	-
(ii) Number and total amount of sign on awards made during the financial 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 financial year.	-	-
<u>Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred:</u>		
(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-
(ii) Total amount of reductions during the financial year due to ex post explicit adjustments.	-	-
(iii) Total amount of reductions during the financial year due to ex post implicit adjustments.	-	-

The quantitative disclosures are provided in respect of Whole Time Directors / Chief Executive Officer/ Other Risk Takers.

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.

FY 2017-18

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	250.92	1,511.65	1.81	19.55	1,783.93
Segment Results	29.13	80.72	(19.93)	2.41	92.33
Unallocated income/(expenses)					(43.82)
Operating profit					48.51
Income taxes					16.68
Net Profit					31.83
Other information					
Segment assets	4,242.92	8,600.32	401.71	-	13,244.95
Unallocated assets					65.01
Total assets					13,309.96
Segment liabilities	3,608.18	7,313.71	341.62	-	11,263.51
Unallocated liabilities					2.70
Total liabilities					11,266.21
Net assets	634.74	1,286.61	60.09	-	1,981.44
Additional information					
Capital expenditure	-	81.28	-	-	81.28

Geographic segments

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

FY 2016-17

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	122.76	1,089.18	0.24	2.14	1,214.32
Segment Results	11.51	201.30	(3.65)	(8.37)	200.79
Unallocated income/(expenses)					(39.35)
Operating profit					161.44
Income taxes					(57.31)
Net Profit					104.13
Other information					
Segment assets	2,134.43	6,984.37	80.00	-	9,198.80
Unallocated assets					46.60
Total assets					9,245.40
Segment liabilities	1,678.41	5,492.16	62.91	-	7,233.48
Unallocated liabilities					-
Total liabilities					7,233.48
Net assets	456.02	1,492.21	17.09	-	1,965.32
Additional information					
Capital expenditure	-	293.77	-	-	293.77

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. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

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
	V.S. Murthy, Chief Executive Officer (upto September 3, 2016)
	S Vasudevan, Chief Financial Officer (upto September 3, 2016)
	Sridevi Surender, Company Secretary (upto September 3, 2016)
Entities under the same Management	Equitas Development Initiatives Trust
	Equitas Dhanyakosha India
	Equitas Healthcare Foundation from March 13, 2018

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018
(All amounts in crore of ₹, unless otherwise specified)

ii. Transactions with the Related Parties

Transaction	Name of the Related Party	For the year ended March 31, 2018	For the year ended March 31, 2017
Expenses			
Other expenses	Equitas Dhanyakosha India	-	0.01
CSR Contribution	Equitas Development Initiatives Trust	2.39	3.05
	Equitas Dhanyakosha India	-	3.13
Deposits			
Term deposits received	Equitas Holdings Limited	27.56	35.60
	Equitas Technologies Private Limited	9.35	-
	Equitas Development Initiatives Trust	0.04	0.01
	Key Managerial Personnel	0.01	1.35
Term deposits closed	Equitas Holdings Limited	17.11	0.60
	Equitas Technologies Private Limited	5.85	-
	Key Managerial Personnel	0.59	0.79
Interest on Term Deposits	Equitas Holdings Limited	3.46	1.29
	Equitas Development Initiatives Trust	0.00	-
	Key Managerial Personnel	0.02	-
	Equitas Technologies Private Limited	0.07	-
Saving Deposits and Interest	Equitas Development Initiatives Trust	15.73	0.00
	Key Managerial Personnel	1.64	1.55
Demand Deposits	Equitas Technologies Private Limited	17.65	0.01
	Equitas Holdings Limited	70.73	9.89
	Equitas Dhanyakosha India	0.52	0.25
Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	15.51	0.00
	Key Managerial Personnel	1.35	1.26
Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	68.16	9.13
	Equitas Dhanyakosha India	0.52	0.23
	Equitas Technologies Private Limited	17.19	-
Borrowings			
Borrowings Availed	Equitas Holdings Limited	-	161.70
Borrowings Repaid	Equitas Holdings Limited	-	40.00
Interest on Borrowings	Equitas Holdings Limited	9.74	7.75
Other Transactions			
Issue of Equity Shares	Equitas Holdings Limited	-	582.94
Share Premium	Equitas Holdings Limited	-	168.79
Purchase of Fixed Assets	Equitas Technologies Private Limited	-	0.65
	Equitas Holdings Limited	-	0.15
Staff Loan transferred in	Equitas Technologies Private Limited	0.00	0.03
	Equitas Dhanyakosha India	0.01	-
Staff Loan transferred out	Equitas Technologies Private Limited	0.00	-
	Equitas Development Initiatives Trust	0.00	-
Guarantees issued / (released) during the Year (net)	Equitas Holdings Limited	(223.00)	(838.00)
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)	Vasudevan PN, MD & CEO	0.49	0.32
	N Sridharan, Chief Financial Officer	0.71	0.34
	Sampathkumar KR, Company Secretary	0.15	0.08
	V.S. Murthy, Chief Executive Officer	-	0.32
	S Vasudevan, Chief Financial Officer	-	0.17
	Sridevi Surender, Company Secretary	-	0.05

Under the Employee Stock Option Scheme (ESOS) 2015 of the Holding company, Equitas Holdings Limited the Key Managerial Personnel were allotted 11,574 shares during the year (Previous year 22,374 shares).

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.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

iii. Balances outstanding at the end of the year

Particulars	Name of the Related Party	As at March 31, 2018	As at March 31, 2017
Payables			
Borrowings outstanding	Equitas Holdings Limited	121.70	121.70
Term Deposit outstanding	Equitas Holdings Limited	45.47	35.00
	Equitas Technologies Private Limited	3.50	-
	Equitas Development Initiatives Trust	0.04	0.01
	Key Managerial Personnel	-	0.58
Interest Payable on term deposits	Equitas Holdings Limited	0.19	0.08
	Equitas Technologies Private Limited	0.06	-
	Equitas Development Initiatives Trust	0.00	-
	Key Managerial Personnel	-	0.00
Demand Deposits	Equitas Holdings Limited	3.33	0.76
	Equitas Dhanyakosha India	0.02	0.02
	Equitas Technologies Private Limited	0.47	0.01
Savings Deposit	Equitas Development Initiatives Trust	0.32	0.00
	Key Managerial Personnel	0.44	0.29
Others			
Corporate Guarantees issued	Equitas Holdings Limited	202.00	425.00

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	For the year ended March 31, 2018	For the year ended March 31, 2017
Future lease rentals payable at the end of the year		
- Not later than one year	47.21	36.02
- Later than one year but not later than five years	183.24	129.36
- Later than five years	126.23	122.12
Total minimum lease payments recognised in the Profit and loss account	56.91	26.09
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	For the year ended March 31, 2018	For the year ended March 31, 2017
Net profit after tax	31.83	104.13
Basic weighted average number of equity shares	1,005,943,363	803,752,218
Diluted weighted average number of equity shares	1,005,943,363	803,752,218
Nominal value of Equity shares (₹)	10.00	10.00
Basic Earnings per share (₹)	0.32	1.30
Diluted Earnings per share (₹)	0.32	1.30

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018
(All amounts in crore of ₹, unless otherwise specified)

10.5 Deferred Taxes (AS 22)

The major components of deferred tax assets/liabilities are as follows:

Particulars	31-Mar-18		March 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Impact of difference between tax depreciation and depreciation/amortization for financial reporting	-	2.29	-	12.00
Expenditure charged to the profit and loss account in the current year but allowed for tax purposes on payment basis	25.24	-	19.21	-
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viiia) of Income Tax Act, 1961	21.73	-	20.65	-
Provision for advances	14.00	-	12.01	-
Others	5.34	-	4.72	-
Provision for special reserve u/s 36(i)(viii) of Income Tax Act, 1961	-	1.14	-	0.90
Net closing balance carried to the Balance Sheet (included in Schedule 11 - Others)	66.31	3.43	56.59	12.90

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 ₹ 27.12 crores (Previous Year: ₹ 16.09 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	March 31, 2018	March 31, 2017
Change in defined benefit obligations during the Year		
Present value of defined benefit obligation at beginning of the year	13.53	2.19
Current service cost	6.37	4.72
Interest cost	0.87	0.45
Benefits paid	(1.39)	(0.47)
Actuarial (gains)	(1.50)	6.64
Present value of Defined Benefit Obligation at End of the Year	17.88	13.53
Change in Fair Value of Assets during the Year		
Plan Assets at beginning of the year	10.49	2.99
Add: Adjustments to the opening balance	1.36	0.24
Expected return on plan assets	0.95	0.57
Actual company contributions	0.00	7.73
Benefits paid out of the asset	0.00	0.00
Actuarial gain / (loss)	(0.95)	(1.04)
Plan Assets at End of the Year	11.85	10.49

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018
(All amounts in crore of ₹, unless otherwise specified)

Particulars	March 31, 2018	March 31, 2017
Liability Recognised in the Balance Sheet		
Present value of defined benefit obligation	(17.88)	(13.53)
Fair value of plan assets	11.85	10.49
Unrecognized actuarial (gain) / loss	0.00	0.00
Net Liability Recognised in the Balance Sheet	(6.03)	(3.04)
Cost of Defined Benefit Plan for the Year		
Current service cost	6.37	4.72
Interest cost	0.87	0.45
Expected return on plan assets	(0.95)	(0.57)
Net actuarial gains	(0.55)	7.68
Net Cost Recognized in the Profit and Loss account*	5.74	12.28
Return on Plan Assets	0.95	0.57
Assumptions		
Discount rate (Refer Note (b))	7.28%	6.77%
Interest rate (Estimated rate of return on assets)	8.05%	8.05%
Future salary increase (Refer Note (a))	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%

*Net cost recognised in the profit and loss account for the previous year as per the table above includes ₹ 2.67 crore debited to reserves of merged entities prior to amalgamation.

Note:

- 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.
- Experience Adjustments:

Particulars	For the Year Ended 31 March 2018	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016	For the Year Ended 31 March 2015
Projected benefit obligation	17.88	13.53	2.19	1.17
Fair value of plan assets	11.85	10.49	2.99	1.63
Surplus/ (Deficit)	(6.03)	(3.04)	0.80	0.46
Experience adjustments on plan liabilities - gains	(1.50)	6.64	(0.04)	(0.01)
Experience adjustments on plan assets - gains / (losses)	(0.95)	(1.04)	(0.25)	-

The details of experience adjustments for the financial years prior to FY 2014-15 have not been disclosed in the absence of necessary information.

- Category of Plan Assets

Particulars	% of fair value to total plan assets March 31, 2018	% of fair value to total plan assets March 31, 2017
Government securities	0%	0%
Debenture and bonds	0%	0%
Equity shares	0%	0%
Others	100%	100%

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018 (All amounts in crore of ₹, unless otherwise specified)

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	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Assumptions:		
Discount Rate	7.28%	6.77%
Future Salary Increase	10.00%	10.00%
Attrition rate	20.00%	20.00%

11 Additional disclosures

11.1 Provisions and Contingencies

The breakup of provisions and contingencies debited to profit and loss account is given below:

Particulars	March 31, 2018	March 31, 2017
Provisions for depreciation on Investment	(4.66)	4.66
Provision for NPA (including write off) (Also refer Note below)	169.73	108.95
Net Provision / (reversal) towards Standard assets	5.37	(37.51)
Floating provision	-	19.00
Provision for taxes (net)	35.87	59.80
Deferred tax (net)	(19.18)	(2.48)
Other Provision and Contingencies	1.68	1.33
Total	188.81	153.75

Note: During FY 2016-17, in respect of instalments due during the period between November 1, 2016 and December 31, 2016 on advances made, the Bank has availed extended period of 90 days (60 days in case of housing finance loans), in determining the classification of existing standard assets as sub-standard, as permitted by RBI's circular DBR.No.BP.BC.37/21.04.048/2016-17 and DBR.No.BP.BC.49/21.04.048/2016-17 dated November 21, 2016 and December 28, 2016 respectively.

a) Movement in provision for credit card and debit card reward points

Particulars	March 31, 2018	March 31, 2017
Opening provision for reward points	-	-
Provision for reward points made during the year	0.08	-
Utilisation / Write back of provision for reward points	-	-
Effect of change in rate for accrual of reward points	-	-
Effect of change in cost of reward points	-	-
Closing provision for reward points	0.08	NA

b) Movement in provision for frauds included under Other Liabilities

Particulars	March 31, 2018	March 31, 2017
Opening provision	0.29	-
Provision during the year	0.11	0.29
Utilisation/Write back of provision	0.13	-
Closing provision	0.27	0.29

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

11.2 Floating provision

Particulars	March 31, 2018	March 31, 2017
Opening Balance at the beginning of the year	19.00	-
Provisions made during the year	-	19.00
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 undertaken any drawdown from reserves during the year.

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 ₹ 7.96 crore (Previous year ₹ 26.03 crore) 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 ₹ 0.67 crore (Previous year ₹ 1.42 crore) to Special Reserve.

Investment reserve

In accordance with Reserve Bank of India guidelines ,the bank has created Investement Reserve during the current year on account of reversal of excess depreciation on Investments to the profit and loss account, net of taxes and transfer to Statutory reserves, amounting to ₹ 2.30 crore (Previous year : Nil).

11.4 Disclosure relating to Complaints**A). a) Customer complaints****[Nos.]**

Particulars	March 31, 2018	March 31, 2017
No. of complaints pending at the beginning of the year	63	NIL
No. of complaints received during the year	2826	2017
No. of complaints redressed during the year	2808	1954
No. of complaints pending at the end of the year	81	63

b) ATM transaction disputes relating to the Bank's customers on the Bank's ATMs**[Nos.]**

Particulars	March 31, 2018	March 31, 2017
No. of complaints pending at the beginning of the year	NIL	NIL
No. of complaints received during the year	523	8
No. of complaints redressed during the year	523	8
No. of complaints pending at the end of the year	NIL	NIL

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018
(All amounts in crore of ₹, unless otherwise specified)

c) ATM transaction disputes relating to the Bank's customers on other banks' ATMs [Nos.]

Particulars	March 31, 2018	March 31, 2017
No. of complaints pending at the beginning of the year	NIL	NIL
No. of complaints received during the year	2210	20
No. of complaints redressed during the year	2210	20
No. of complaints pending at the end of the year	NIL	NIL

d) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above] [Nos.]

Particulars	March 31, 2018	March 31, 2017
No. of complaints pending at the beginning of the year	63	NIL
No. of complaints received during the year	5559	2045
No. of complaints redressed during the year	5541	1982
No. of complaints pending at the end of the year	81	63

B Awards Passed by the Banking Ombudsman [Nos.]

Particulars	March 31, 2018	March 31, 2017
No. of unimplemented Awards at the beginning of the year	NIL	NIL
No. of Awards passed by the Banking Ombudsmen during the year	NIL	NIL
No. of Awards implemented during the year	NIL	NIL
No. of unimplemented Awards at the end of the year	NIL	NIL

The above details are as furnished by the Management and relied upon by the Auditors.

11.5 Letters of Comfort

The Bank has not issued any letters of comfort. (Previous year Nil)

11.6 Provision Coverage ratio

Provision coverage ratio as at March 31, 2018 is 47.07% (as at March 31, 2017 is 58.37%). 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	March 31, 2018	March 31, 2017
On Insurance products	8.92	0.81
On Mutual Fund products	1.22	0.08
Total	10.14	0.89

11.8 Concentration of Deposits, Advances, Exposures and NPAs

11.8.1 Concentration of Deposits

Particulars	As at March 31, 2018	As at March 31, 2017
Total Deposits of twenty largest depositors	2,077.86	1,095.99
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	37.08%	57.04%

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

11.8.2 Concentration of Advances*

Particulars	As at March 31, 2018	As at March 31, 2017
Total advances of twenty largest borrowers	421.20	101.34
Percentage of advances of twenty largest borrowers to Total advances of the bank	5.41%	1.75%

*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, 2018	As at March 31, 2017
Total Exposure of twenty largest borrowers/customers	424.20	111.08
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	5.32%	1.46%

*Exposure is based on Credit and investment Exposure as prescribed in RBI's Master Circular on Exposure Norms. Advances against banks own term deposit is not considered for above exposure computation.

11.8.4 Concentration of NPA

Particulars	As at March 31, 2018	As at March 31, 2017
Total exposure of top four NPA accounts	2.72	2.89

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 as at March 31, 2018 ₹150 crore (Previous year - ₹455 crore).

11.8.6 Priority Sector Lending Certificate (PSLCs)

Particulars	Fy 2017-18	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	-	-
Small and Marginal Farmers	-	950.00
Micro Enterprises	-	1,474.25
General	-	1,781.25
Total	-	4,205.50

Particulars	Fy 2016-17	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	-	-
Small and Marginal Farmers	-	1,098.75
Micro Enterprises	-	1,096.25
General	-	1,455.00
Total	-	3,650.00

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018
(All amounts in crore of ₹, unless otherwise specified)

12 Sector-wise advances

Sector	As at March 31, 2018			As at March 31, 2017		
	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	5,479.74	188.77	3.44%	5,113.76	204.27	3.99%
Agriculture and allied activities	1,604.84	6.71	0.42%	1,310.69	17.34	1.32%
Industries	235.89	1.48	0.63%	46.25	0.28	0.61%
Services	3,427.22	170.14	4.96%	3,560.88	176.02	4.94%
Personal loans	211.79	10.44	4.93%	195.94	10.63	5.43%
B. Non-priority sector	2,307.97	23.76	1.03%	689.59	2.21	0.32%
Agriculture and allied activities	1.18	-	0.00%	2.70	-	0.00%
Industries	9.83	-	0.00%	5.04	-	0.00%
Services	2,204.31	14.44	0.66%	669.98	1.65	0.25%
Personal loans	92.65	9.32	10.06%	11.87	0.56	4.72%
Total	7,787.71	212.53	2.73%	5,803.35	206.48	3.56%

The Bank has compiled and furnished the data for the purpose of this disclosure from its internal MIS system / reports, which has been relied upon by the Auditors.

13 Securitisation/Assignment

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	March 31, 2018	March 31, 2017
No of SPVs sponsored by the bank for securitisation transactions	5	16
Total amount of securitised assets as per books of the SPVs sponsored by the Bank	487.28	1,827.06
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR) --	-	-
a) Off-balance sheet exposures	-	-
First loss (Corporate Guarantee)	28.89	41.01
Others (Corporate Guarantee)	-	2.25
b) On-balance sheet exposures	-	-
First loss (Cash Collateral)	3.53	144.96
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	2.78	7.46
Others	-	-
ii) Exposure to third party securitisation	-	-
First loss	-	-
Others	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018
 (All amounts in crore of ₹, unless otherwise specified)

14 Credit Default Swaps

The Bank has not undertaken any Credit Default Swaps (CDS) during the year (PY: Nil).

15 Intra-Group Exposure

The Bank does not have any exposure (advances/investments) within the group (PY: Nil).

16 Delay in transferring to Depositor Education and Awareness Fund (DEAF):

There were no amounts that were required to be transferred to Depositor Education and Awareness Fund during the year (PY: Nil).

17 Unhedged foreign currency exposure

As of March 31, 2018, there is no provision for unhedged foreign currency exposure as required by RBI guidelines (Previous year Nil).

18 Liquidity Coverage Ratio (LCR)

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

		Quarter ended June 30, 2017		Quarter ended September 30, 2017		Quarter ended December 31, 2017		Quarter ended March 31, 2018	
		Total Un weighted Value (average)	Total Weighted Value (average)	Total Un weighted Value (average)	Total Weighted Value (average)	Total Un weighted Value (average)	Total Weighted Value (average)	Total Un weighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)	1,551.77	1,551.77	1,534.00	1,534.00	1,485.79	1,485.79	1,660.79	1,660.79
	Cash Outflows	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Retail deposits and deposits from small business customers, of which:	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(i)	Stable deposits	166.99	8.35	244.70	12.23	326.21	16.31	364.86	18.24
(ii)	Less stable deposits	586.06	58.61	772.61	77.26	917.72	91.77	1,042.28	104.23
3	Unsecured wholesale funding, of which:	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(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)	64.73	49.09	224.59	159.07	351.70	237.71	942.89	605.69
(iii)	Unsecured debt	329.93	329.93	391.14	391.14	343.00	343.00	423.68	423.68
4	Secured wholesale funding	0.00	0.00	0.00	0.00	523.18	0.00	815.76	0.00
5	Additional requirements, of which	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(i)	Outflows related to derivative exposures and other collateral requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(iii)	Credit and liquidity facilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Other contractual funding obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Other contingent funding obligations	134.94	5.78	104.90	4.30	109.89	4.63	211.02	9.78
8	TOTAL CASH OUTFLOWS	1,282.65	451.76	1,737.94	644.00	2,571.71	693.42	3,800.49	1,161.62

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018
(All amounts in crore of ₹, unless otherwise specified)

		Quarter ended June 30, 2017		Quarter ended September 30, 2017		Quarter ended December 31, 2017		Quarter ended March 31, 2018	
		Total Un weighted Value (average)	Total Weighted Value (average)	Total Un weighted Value (average)	Total Weighted Value (average)	Total Un weighted Value (average)	Total Weighted Value (average)	Total Un weighted Value (average)	Total Weighted Value (average)
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	0.00	0.00	0.00	0.00	40.00	0.00	156.00	0.00
10	Inflows from fully performing exposures	263.64	131.82	280.11	140.06	202.47	101.24	312.71	156.35
11	Other cash inflows	232.54	232.54	125.67	125.67	168.03	168.03	225.90	225.90
12	TOTAL CASH INFLOWS	496.18	364.36	405.78	265.73	410.50	269.27	694.61	382.25
13	TOTAL HQLA		1,551.77		1,534.00		1,485.79		1,660.79
14	TOTAL NET CASH OUTFLOWS	786.47	87.39	1,332.16	378.28	2,161.20	424.15	3,105.88	779.36
15	LIQUIDITY COVERAGE RATIO (%)		1,373.99		405.52		350.30		213.10

The disclosures relating to quarters disclosed above are based on Quarterly LCR return filed with RBI, and has been relied upon by the auditors.

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, 2018

(All amounts in crore of ₹, unless otherwise specified)

18 Liquidity Coverage Ratio (LCR) Continued

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

S. No.	Particulars	As at March 31, 2017	
		Total unweighted value (average)*	Total weighted value (average)*
	High Quality Liquid Assets		
1	Total High Quality Liquid Assets (HQLA)	1,374.85	1,374.85
	Cash Outflows	-	-
2	Retail deposits and deposits from small business customers, of which:	-	-
(i)	Stable deposits	127.40	6.37
(ii)	Less stable deposits	475.72	47.57
3	Unsecured wholesale funding, of which:		
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	46.24	29.82
(iii)	Unsecured debt	173.67	173.67
4	Secured wholesale funding	-	-
5	Additional requirements, of which	-	-
(i)	Outflows related to derivative exposures and other collateral requirement	-	-
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligation	-	-
7	Other contingent funding obligations	187.20	8.36
8	Total cash outflows	1,010.23	265.79
	Cash Inflows	-	-
9	Secured lending (e.g. reverse repo)	-	-
10	Inflows from fully performing exposures	-	-
11	Other cash inflows	986.61	700.75
12	Total cash inflows	986.61	700.75
13	Total HQLA	1,374.85	1,374.85
14	Total Net Cash Outflows	252.56	66.45
15	Liquidity Coverage Ratio (%)	2070.29%	

19 Fixed Assets - details of software

Particulars	As at March 31, 2018	As at March 31, 2017
Opening cost	73.44	5.44
Additions on amalgamation (Refer Schedule 17.1b)	-	8.84
Additions during the year	11.90	80.60
Less: Deletions	-	-
Less: Amortization to date	19.10	21.44
Closing balance	66.24	73.44

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts in crore of ₹, unless otherwise specified)

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 ₹2.39 crore (Previous year ₹6.42 crore) for the year ended March 31, 2018 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. The Bank has spent 2.00% (Previous Year 13.38%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2018.

Particulars	March 31, 2018	March 31, 2017
Gross amount required to be spent by the Bank during the year	2.39	0.96
Amount actually spent	2.39	6.42

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

Under the Employee Stock Option Scheme (ESOS) - 2015 of the Holding Company, Equitas Holdings Limited, 17,942,970 options (As at 31 March 2017 - 26,728,741 options) granted to some of the employees of the Bank are outstanding as at March 31, 2018. 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 and outstanding as at March 31, 2018.

As per our report of even date

For **S.R.Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.:101049W/E300004

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

per **Aniruddh Sankaran**
Partner
Membership No.211107

Arun Ramanathan
Chairman
DIN:00308848

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885

Arun Kumar Verma
Director
DIN:03220124

Place: Chennai
Date: April 26, 2018

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

Place: Chennai
Date: April 26, 2018



Equitas Small Finance Bank

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