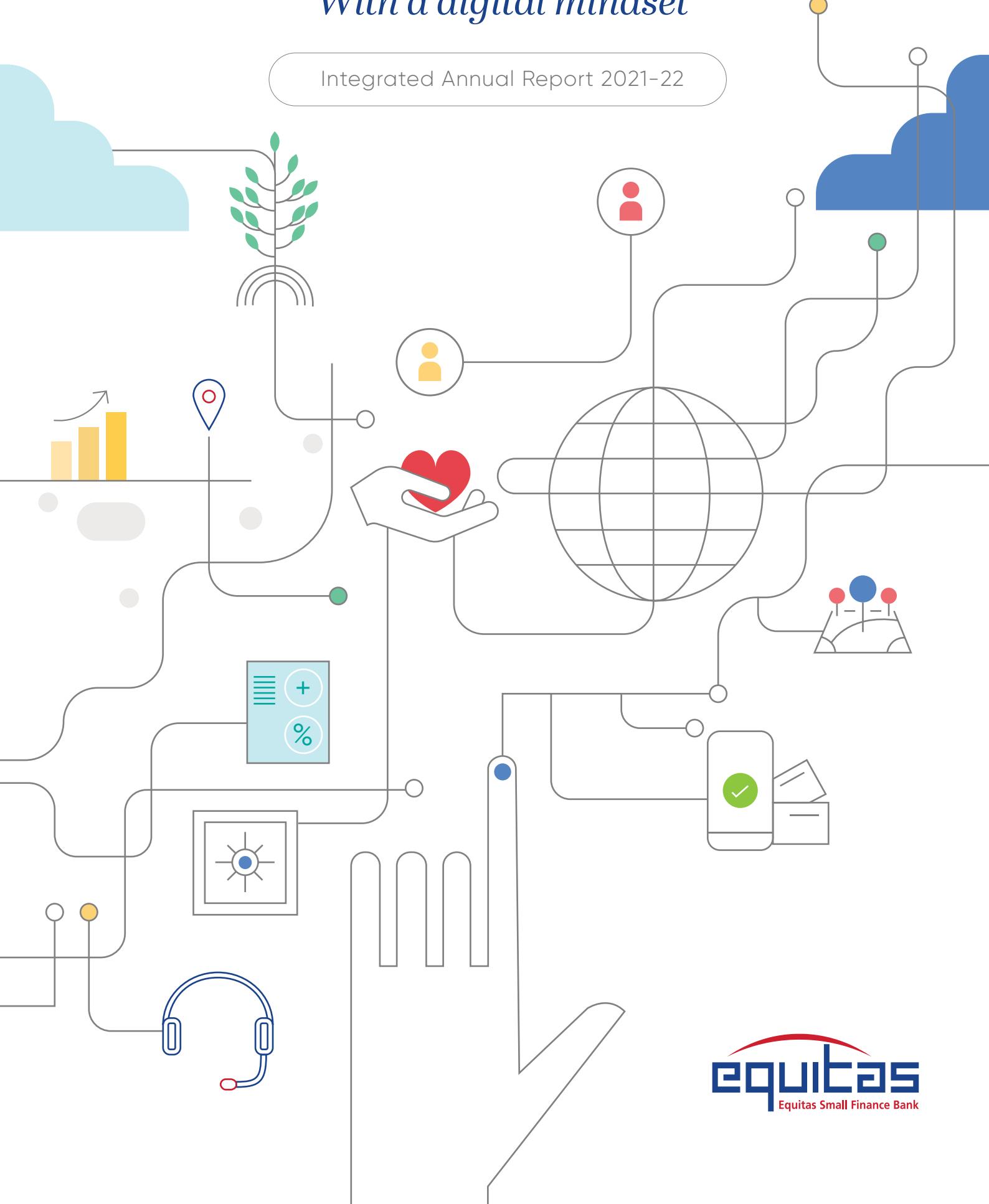


Amplifying scale

With a digital mindset

Integrated Annual Report 2021-22



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Performance snapshot FY22

Net Income

₹ 2,576 Cr

Profit After Tax (PAT)

₹ 281 Cr

Net Interest Margin

8.54%

Capital Adequacy (CRAR)

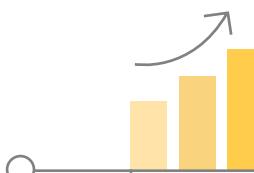
25.16%

ROA

1.10%

ROE

7.75%



Amplifying scale.

With a digital mindset.

In our five-year journey as a small finance bank, we have focused on building a stable, scalable and sustainable bank while creating value for all our stakeholders.

Challenges were aplenty on the way, but we have managed to emerge stronger out of every crisis. Relying on robust governance, ethical and fair practices, and transparency, we have reimaged financial services delivery to the last mile, with technology and talent as key enablers.

Our customers are at the heart of our success story. Their resilience and aspirations for a better future continue to drive us to create innovative solutions tailored to their needs. The past two years have been no different. Today, we are ready to embark on a new phase of our journey to build the bank of the future, by amplifying our scale with a 'digital first' approach. We are also entering win-win partnerships to adopt disruptive technologies developed by fintechs, while extending them the trust and scale enjoyed by a robust banking franchise.

We target to achieve sustainable growth, above the industry average, by

continuing to tap into the fast-transforming informal economy, that remains largely unbanked or underbanked, even today. With operating leverage continuing to play out and cost of funds trending towards large universal banks, we are at a sweet spot to enter new product segments while expanding offerings in the existing ones. With our Beyond Banking consumer brand positioning, we are creating a force multiplier for inclusive progress.



About the report

Equitas Small Finance Bank's third Integrated Annual Report endeavours to provide a holistic assessment of the Bank's financial and non-financial performance for the financial year ending March 31, 2022. This Report also outlines relevant information on the Bank's strategy, governance, risks, and prospects to offer stakeholders better insights into its activities and progress, as well as future preparedness.

Reporting principles and frameworks

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

Reporting period

This Report covers the period between April 1, 2021 and March 31, 2022.

Reporting boundary

The financial and non-financial information contained in this Report largely covers the activities and progress of Equitas Small Finance Bank Limited on a standalone basis. This report provides material information relating to our strategy and business model, operating context, stakeholder interests, performance, prospects and governance.

Responsibility statement

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

Forward-looking statements

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



Mapping capitals and UN Sustainable Development Goal (SDGs)



Financial Capital

Financial capital entails our ability to raise, lend and manage funds prudently. It includes Equity, Assets, Deposits, among others.



Manufactured Capital

Our manufactured capital includes our banking outlets, ATMs, Business Correspondents, Corporate Office, Data Centres and our entire IT infrastructure.



Human Capital

People are our biggest asset, and the diversity of our manpower across skill sets, expertise and knowledge is what enables our growth momentum. It also includes employee benefits, learning & development and engagement activities.

SDGs Impacted



SDGs Impacted



SDGs Impacted



Intellectual Capital

Intellectual capital encompasses the knowledge and expertise embedded within our systems, processes and procedures. It also includes RPA Bots, API Libraries, Data Analytics & Business Intelligence, Underwriting Models and Cyber Security Framework.



SDGs Impacted



Social and Relationship Capital

Maintaining enduring relationship with our communities by indulging in various corporate social responsibility activities is the prime focus of social and relationship capital. This also includes Customers, Business Correspondents (BCs), Fintech Partners.

SDGs Impacted



5 Years of Banking

*Celebrating stability
at scale.*

With prudence.

Since inception, we are on a mission to create the most valuable bank for all our stakeholders, with a prudent approach towards delivering profitable growth. With a one line strategy, we have made significant investments to strengthen our phygital delivery model while diversifying our asset portfolio and building a robust liability franchise. We also brought down our cost of funds.



Launch of our Postal Stamp during our 5th anniversary

From L-R: (P. N. Vasudevan - MD & CEO, Dheeraj M. - Head Strategy, Murali V. - Head Liabilities, Vignesh M. - Head Marketing, Rohit P. - Head Assets, Narayanan E. - CIO, Pallab M. - CPO

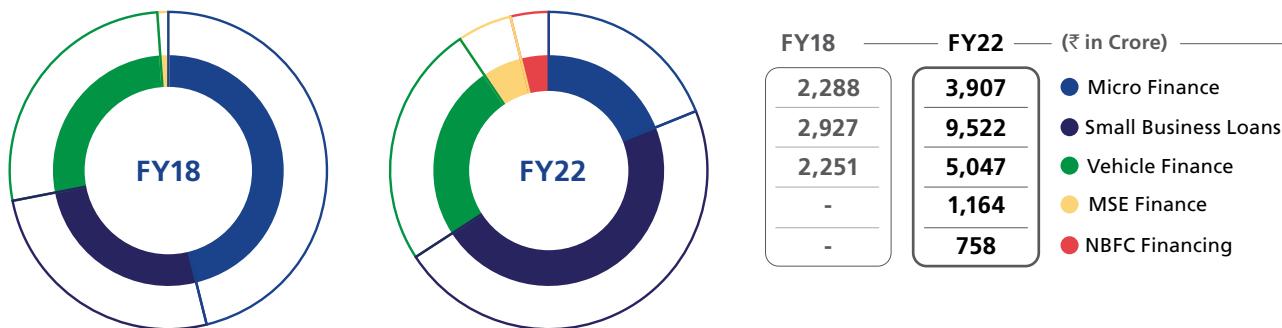
(₹ in Crore)

Deposits***FY18****5,604****FY22****18,951****CASA****FY18****1,638****FY22****9,855****Advances****FY18****8,238****FY22****20,597****Networth****FY18****2,048****FY22****4,246****Cost of Funds %****FY18****8.36****FY22****6.58****Branches****FY18****889****FY22****861****Employees****FY18****13,490****FY22****17,607****Customers****FY18****23,97,986****FY22****56,87,893**

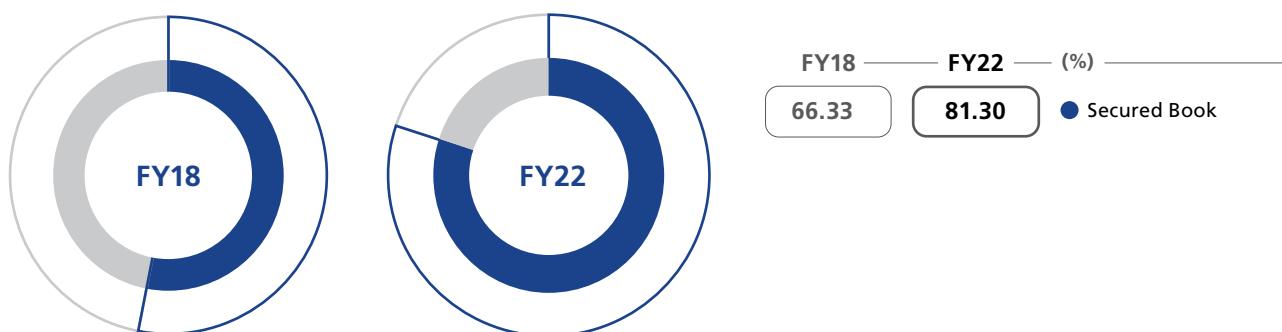
* Total Deposits including Certificate of Deposits

How we built a stable, scalable and sustainable bank...

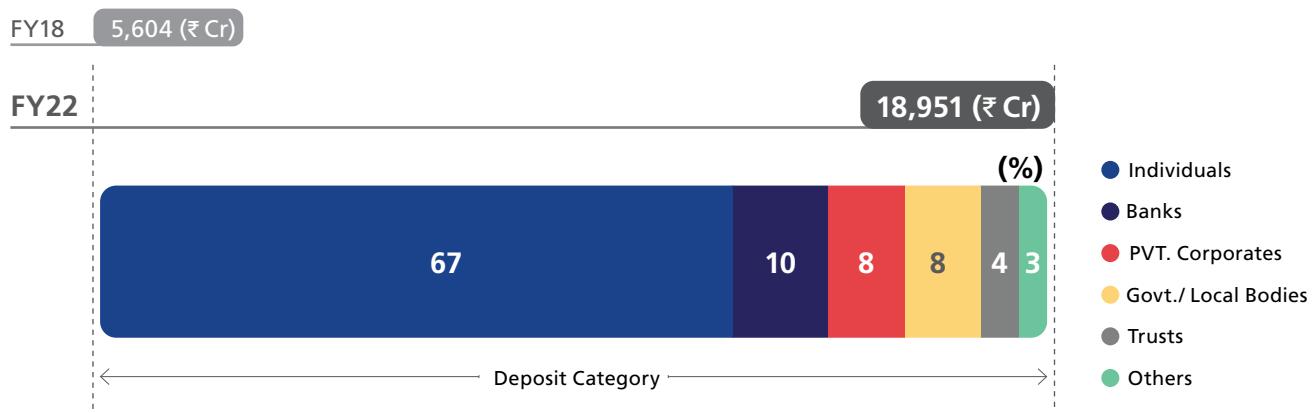
Diversifying our asset portfolio



Growing the share of secured lending (%)



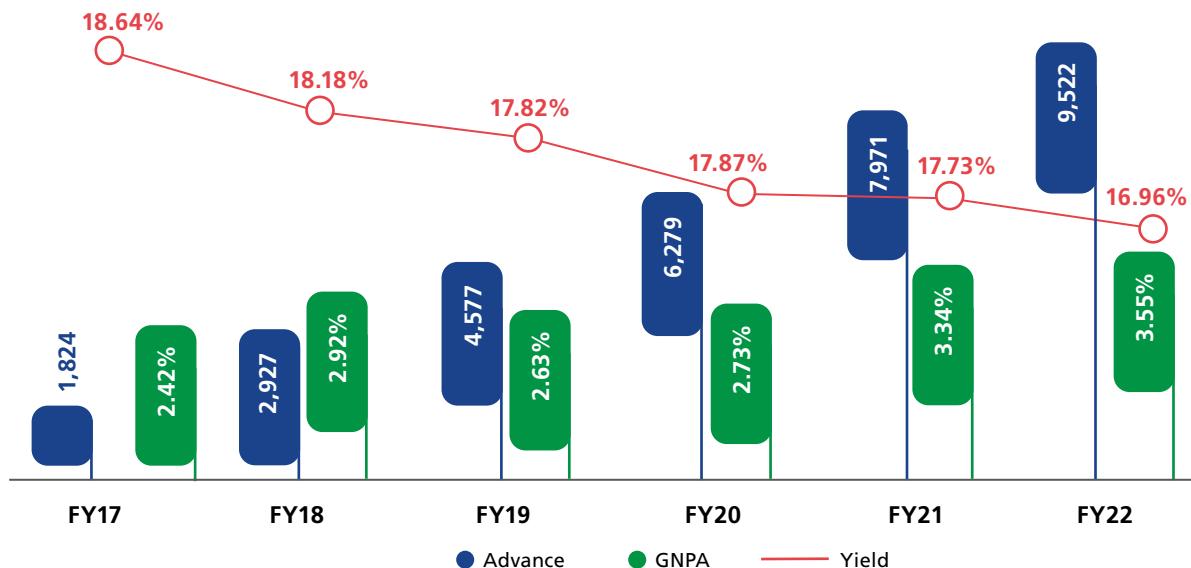
Achieving a healthy depositor mix (%)



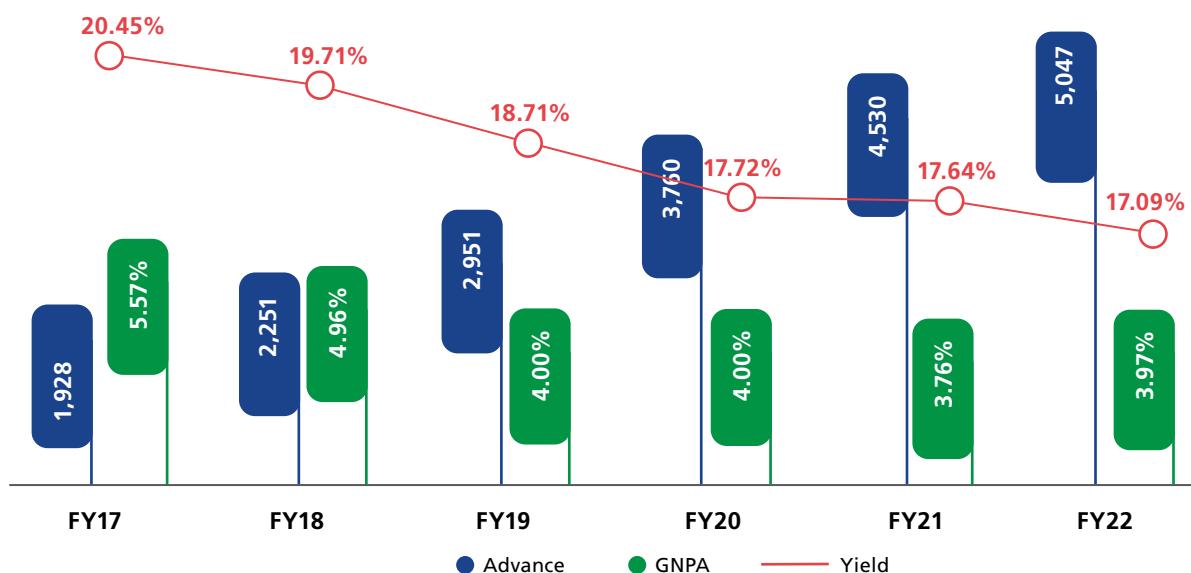


Maturity in asset product segments

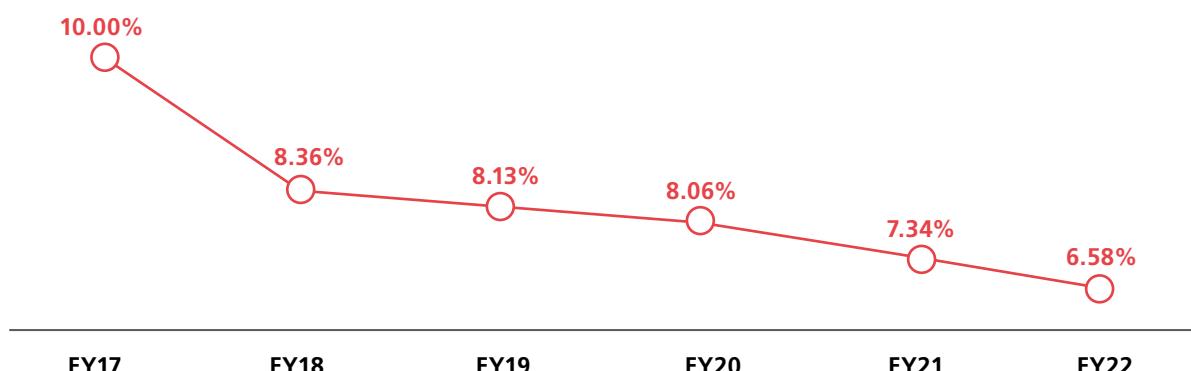
Small Business Loan



Vehicle Finance



Steadily lowering Cost of Funds (CoF)



15

Years of Trust

Redefining purpose. With commitment.

With a purpose to offer financing solutions to India's vast unserved and underserved segment, we developed an innovative credit assessment system which enabled us to extend loans to customers, with limited to no recorded credit or income history. Today, we are leveraging that experience and trust gained over the years, to build a future-ready banking franchise while delivering large-scale social impact.



2007

Launched microfinance lending to the underbanked



2011

Launched vehicle finance and housing finance
GVC rating of Level 3 from CRISIL



2013

Launched Small Business Loans
GVC rating upgraded to Level 2



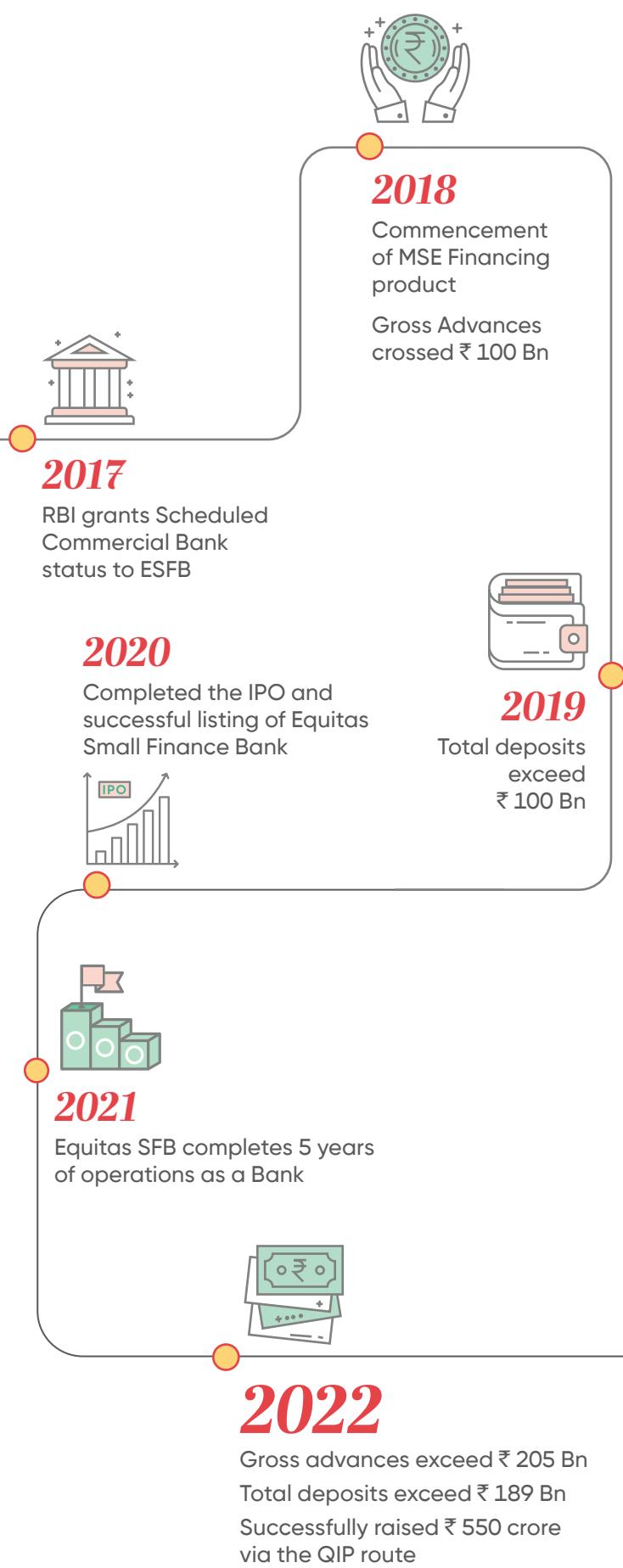
2015

RBI grants in-principle Small Finance Bank license



2016

Commencement of operations as SFB post receipt of final approval from RBI



Awards and accolades

2017

- Award for innovative practice of helping 18,000+ women with disabilities at the UNO, Vienna
- Market Place Solutions for helping 20,000+ women with disabilities, including 3,800 visually challenged, by Disability Matters
- EDIT ranked 2nd among India's Great Mid-Size Workplaces
- Equitas Model presented at European Microfinance Week at Luxembourg

2018

- SKOCH AWARD 2018 for Equitas Model for Top Ranking CSR Project by Banks in India
- EDIT ranked Top 25 Asia's Great Mid-size workplaces
- Winner of National Payments Excellence Awards 2017 (Small Finance Bank Category)

2019

- Top 5 of 50 Companies listed on BSE on Indian Corporate Governance Scorecard
- Equitas Model presented at Global Microfinance Summit at Istanbul in January 2019

2020

Economic Times – Best Brands 2020

2021

- CMO Asia – Award for Excellence in Branding and Marketing – Best Campaign Video award for 'Circle of Life – Identity, Pavement Dwellers Rehabilitation'
- For The Love of Emails Awards 2022 by Netcore – Email campaign of the year
- For The Love of Emails Awards 2022 by Netcore – Runner up for best email strategy award
- BSE Experience of the New award – Top performer in the banks category
- IMA South Awards 2021 – Silver in Branded Content – BFSI for One India One Bank campaign
- National Awards 7th Edition for Excellence in Branding & Marketing – Award for Marketing Excellence in banking, financial services & insurance sector
- National Awards 7th Edition for Excellence in Branding & Marketing – Award for Best use of social media in marketing

2022

E4m – Pride of India Brands – The best of Bharat award 7th edition of BFSI leadership summit – Equitas has won 'leader in digital services' award

5 Year Performance

Delivering profitable growth. With impact.

We have always adopted a conservative approach to lending – focusing on staying adequately capitalised and maintaining stable asset quality. Our advances growth has consistently outpaced balance sheet expansion, indicating fund movement to high-yielding assets and translating to much better net interest margins generated with a similar balance sheet size.



Image used in this page is for representation purpose only


↗ (5-year CAGR)
Balance Sheet Size

(₹ in Crore)

FY22	26,952
FY21	24,708
FY20	19,296
FY19	15,763
FY18	13,310

15% ↗**Gross Advances**

(₹ in Crore)

FY22	20,597
FY21	17,925
FY20	15,367
FY19	11,704
FY18	8,238

20% ↗**Total Deposits***

(₹ in Crore)

FY22	18,951
FY21	16,392
FY20	10,788
FY19	9,007
FY18	5,604

28% ↗**Networth**

(₹ in Crore)

FY22	4,246
FY21	3,396
FY20	2,744
FY19	2,254
FY18	2,044

16% ↗**Capital Adequacy Ratio**

(%)

FY22	25.16
FY21	24.18
FY20	23.61
FY19	22.44
FY18	29.63

Capital Adequacy Ratio – Tier I

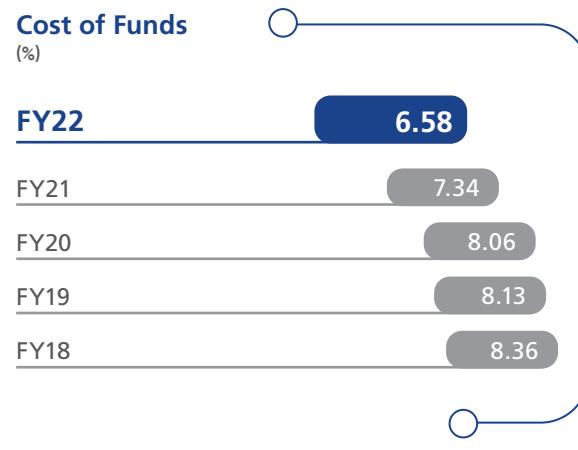
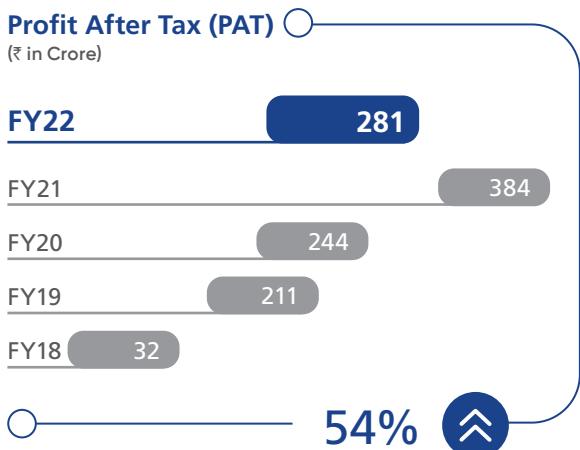
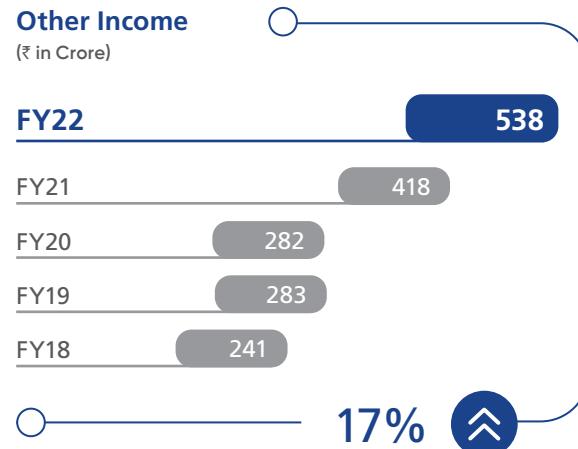
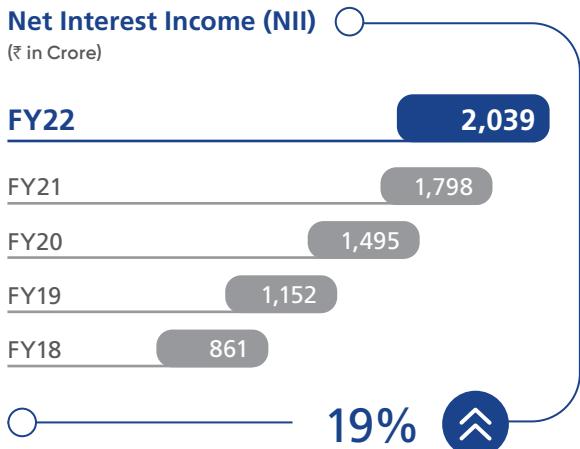
(%)

FY22	24.53
FY21	23.23
FY20	22.44
FY19	20.92
FY18	27.09

* Total Deposits including Certificate of Deposits

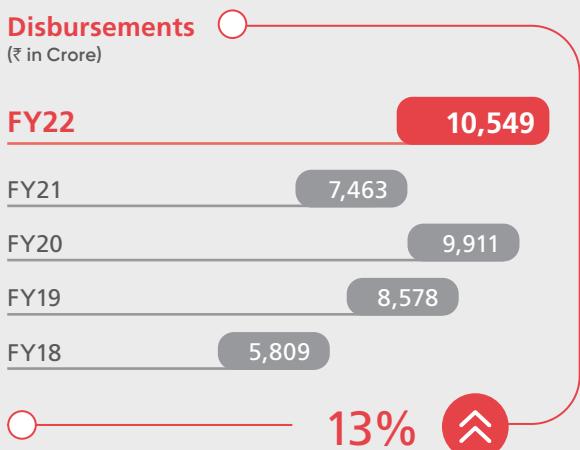
Robust profitability

Profitability has been strengthened by growing Net Interest Income (NII) and falling Cost of Funds.



Comfortable asset quality

The year was characterised by the impact Covid had across multiple quarters. We witnessed strong disbursement growth in the second quarter, the third quarter saw the onset of Omicron which pushed our team to focus on collections. In the fourth quarter, the Bank focused on growth and delivered the highest ever disbursement for the quarter. During the fourth quarter, the Bank started witnessing non-restructured credit cost at 1.26% which is back to the Bank's historical levels.



**Earnings Per Share (EPS)**

(₹)

FY22 2.43

FY21

3.53

FY20

2.39

FY19

2.09

FY18 0.32

50.33% **Book Value (BV)**

(₹)

FY22

33.91

FY21

29.81

FY20

26.05

FY19

22.41

FY18

20.32

10.79% **Return On Equity (ROE)**

(₹)

FY22 7.75

FY21

12.70

FY20

9.84

FY19

9.85

FY18 1.57

Return On Assets (ROA)

(₹)

FY22 1.10

FY21

1.70

FY20

1.39

FY19

1.45

FY18 0.30

NNPA

(%)

FY22 2.37

FY21

1.52

FY20

1.66

FY19

1.44

FY18

1.46

CONSUMER BRANDING

Being a force for good. With Beyond Banking.

At Equitas Bank, we deploy the money that our customers deposit with us, back into communities with limited access to formal credit, making money a force for good, to deliver sustainable social change. Our new consumer branding is designed to showcase that deposits with the Bank go much beyond earning higher interest rates – to changing people's lives and building a better society.

At Equitas, money indeed gets the ability to positively influence the economic well-being for the most deserving segments in our communities. The journey of money and the positive change it makes to the community is captured in our brand video launched last year, depicting what happens to your money when you bank with us.

'Circle of Life' web series

We launched a web series on our social media platforms, named 'Circle of Life'. It features real-life transformative stories of bravery, sacrifice and compassion. The first story narrates Shanthi's journey from being a pavement dweller to a proud, independent parent. The second story is about a transwoman street play artist Dhanalakshmi's self-discovery and rebirth, to a woman of substance and an artist. The third story was about a couple with disabilities, Indra Jitendra, who overcome supposedly insurmountable challenges, every day.





Whistle Podu! Partnership with CSK

Cricket has transcended beyond sport to become a religion in India – an epitome of unity in so much diversity. We continued our partnership with the leading Indian Premier League franchise, Chennai Super Kings. With the launch of Equitas Bank CSK Debit Card and the Super 7 campaign around it, we engaged with a large number of audiences through various channels. We became one of the first banks to launch a debit card in the virtual world – Equiverse – with the gamification of card issuance process.



Brand ambassadors reflect core values

Our choice of brand ambassadors reflect our core values. As an organisation working towards empowering women across India through banking and non-banking initiatives, we decided to associate with national women's field hockey player Rani Rampal and cricketer Smriti Mandhana. They are the true representatives for inspiring women to chase their dreams.



FY22 branding and marketing awards



CMO Asia – Award for Excellence in Branding and Marketing – **Best Campaign Video award for 'Circle of Life – Identity, Pavement Dwellers Rehabilitation'**



For the Love of Emails Awards 2022 by Netcore – **Email campaign of the year**



For the Love of Emails Awards 2022 by Netcore – **Runner up for best email strategy award**



IMA South Awards 2021 – Silver in Branded Content – BFSI for '**One India One Bank**' campaign

BSE Experience of the New award – **Top performer in the banks category**

National Awards 7th Edition for Excellence in Branding & Marketing – **for Best Use of Social Media in Marketing**

National Awards 7th Edition for Excellence in Branding & Marketing – for **Marketing Excellence in banking, financial services & insurance sector**

CHAIRMAN'S COMMUNIQUÉ

Stepping into the future. With confidence.

It would not be an overstatement to say that the Bank has weathered well the pounding of the three waves of the pandemic and its massive ripple effects. I believe we now have a Bank whose foundation is strong and will get stronger as it grows.



Dear stakeholders,

At the last Annual General Meeting, I had mentioned that the caravan of time had carried us over terrains that had been at times undulating for almost five years of banking operations. The period since April 2021 brought greater operational perturbations due to the resurgence of Covid, resultant lockdowns, challenges of disbursement, loan recovery and restructuring. Both regulatory prescriptions and prudent provisioning created a dip in profits in FY22 compared to FY21. But the fundamentals remain robust. It would not be an overstatement to say that the Bank has weathered well the pounding of the three waves of the pandemic and its massive ripple effects. I believe we now have a Bank whose foundation is strong and will get stronger as it grows.

Despite the challenges, the Bank stayed the course on its strategy to reduce the ratio of unsecured to overall advances. Unsecured portfolio fell to 19.45% of the overall portfolio and growth of gross advances was 15% YoY. On a granular basis, small business loans continue to do well, growing 19% YoY and new commercial vehicle financing, which the Bank commenced a couple of years ago, is also doing well and grew 19% YoY. Newly introduced products like used car and affordable housing loans also saw a heartening uptick. The Bank's consistent focus on growing its deposit franchise using digital tools and its ability to raise deposits have enabled it to compete effectively and grow the deposit base by 16% YoY to ₹ 18,951 crore. CASA deposits stood at ₹ 9,855 crore, up 76% YoY, accounting for 52% of total deposits. The robust performance of the liability franchise helped to bring down cost of



funds to 6.58% from 7.34% in the preceding year.

Asset quality remained comfortable with Gross Non-Performing Assets (GNPA) at 4.06% and Net NPA (NNPA) at 2.37%. We expect the asset quality to improve going forward, as cash flows of our customers return to pre-pandemic levels. That said, we remain well capitalised with total CRAR at 25.16% as against the regulatory minimum need of 15%.

The Bank is working towards the merger of the Holding Company, Equitas Holdings Limited (EHL) with Equitas Small Finance Bank and has taken the following steps:

- Approval of the Scheme of Amalgamation by Boards of both the companies
- Submission of the Scheme to the stock exchanges and RBI for their respective NOCs

The Bank and EHL have received conditional NOCs from the RBI and both the stock exchanges.

Steps which remain are:

- Submission of application to National Company Law Tribunal (NCLT) seeking directions for convening meetings of shareholders and creditors of the Bank and EHL
- Convening and holding meetings as mentioned, and obtaining necessary approvals under law
- Submission of final petition to NCLT seeking approval of the Scheme
- Upon the receipt of approval, completion of necessary corporate actions for consummating the merger including but not limited to cancellation of shares held by EHL in the Bank and that held by shareholders of EHL in EHL, allotment of Bank shares to shareholders of EHL based

The Bank's consistent focus on growing its deposit franchise using digital tools and its ability to raise deposits have enabled it to compete effectively and grow the deposit base by 16% YoY to ₹ 18,951 crore.

on the swap ratio determined in the Scheme, preparation of post-merger balance sheet and getting the same audited and submitted to RBI and necessary attention is focused to expedite actions on our part

With the completion of the merger, we believe the Bank's strong fundamentals and Governance will entitle it to stake a claim for conversion to a Universal Bank. But whatever be our nomenclature, our concern towards the unbanked and underbanked would remain undiluted. Inclusiveness in our view, is of trenchant significance if ESFB has to remain a profitable, enduring all-weather edifice, built on the pillars of empathy, responsibility, fairness, and transparency.

We are acutely aware that as technology becomes more pervasive in our life; we need to concentrate on deriving more data-driven insights to deliver frictionless and hyper personalised customer journeys. Our continued investments in developing the best digital tools and platforms will provide a solid foundation to bridge a part of the yawning credit gap in underserved markets. We see the new-age Fintechs as complements and not competitors to our future growth strategy; partnerships could create a collaborative innovation ecosystem with space for start-ups

and developing Open Application Programming Interfaces.

We also continue to focus our energies and resources towards the society we serve with alacrity and sincerity. Equitas Development Initiatives Trust (EDIT) continues to focus on education, training, rehabilitation, and health care. The newly formed Equitas Healthcare Foundation has made significant progress in setting up a hospital focused on affordable cancer treatment. Equitas is proud to be able to say that in the worst phases of the pandemic, it partnered with some state governments/local bodies, and leveraging its grassroot client base, organised 44.62 lakh vaccinations.

There is no doubt that all this has been possible only because of the faith our stakeholders have reposed on us. As we move forward with confidence, we hope to reinforce this faith by continuously raising our customer service benchmarks and overall performance.

Warm regards,

Arun Ramanathan

Part-Time Chairman and
Non-Executive Independent Director

MD & CEO'S COMMUNIQUÉ

Embracing the next. With conviction.



“

Predicting the future is often a tricky proposition, simply because no forecasting model is remotely capable of factoring in the ‘unknown-unknowns’. The pace of technology evolution and human ingenuity have the power to derail the plausible outcomes. However, the one thing that can be said with a degree of certainty is that the bank of the future will be embedded in customer journeys in such a way that it becomes the platform or channel on which their life moves.



Dear Stakeholders,

The world is undergoing a tectonic transformation, where technology has emerged as the primary source of disruption as well as the force multiplier in value creation. Banking is no different. Technology-led innovation is not new in delivering financial services, but the thrust has never been so pronounced. Our focus on technology since inception and continued investments in building digital assets – new-age tools and platforms – stand vindicated.

As we cross an important milestone of completing 5 years as a small finance bank and also leave behind the pandemic-related disruptions, we are ever more confident about the prudent path we have had taken so far, sometimes going against conventional wisdom. Our belief in our customers' resilience and underlying aspirations inspire us to shape the next phase of our journey.

Building the bank of the future

Predicting the future is often a tricky proposition, simply because no forecasting model is remotely capable of factoring in the 'unknown-unknowns'. The pace of technology evolution and human ingenuity have the power to derail the plausible outcomes. However, the one thing that can be said with a degree of certainty is that the bank of the future will be embedded in customer journeys in such a way that it becomes the platform or channel on which their life moves.

Moreover, we are building the bank of the future with a differentiated competitive mindset. In simple words, what conventional thinking sees as competition, we view it as an opportunity for collaboration to create sustainable value. Our roadmap for the future is thus laid out at

We are building on our digital assets to create exciting new product and monetisation opportunities – scaling segment-specific ecosystem in the small/micro merchant space as well as in third-party products such as insurance and wealth management. Further, it enables us to enter new product segments such as Personal Loans, among others.

the intersection of technology, talent and partnerships. We are building on our digital assets to create exciting new product and monetisation opportunities – scaling segment-specific ecosystem in the small/micro merchant space as well as in third-party products such as insurance and wealth management. Further, it enables us to enter new product segments such as Personal Loans, among others.

Solid foundation to propel growth

The second COVID-19 wave, which was more virulent and intense than the first one, came as a major blow to the nation's overstretched healthcare infrastructure and nascent economic recovery. The rural economy that had led the recovery post the first wave was hit hard and continues to be under stress. By leveraging our deep customer engagement and understanding, we offered to restructure the loans of our customers to empower them to tide over the situation.

It gives me immense pleasure to report that we are now witnessing an all-around improvement on our performance, as customers have started generating cash flows similar to their pre-pandemic levels. This is reflected not only in our improved collection efficiencies and stable asset quality, but also in demand for fresh credit. We exited FY22 recording our highest ever growth in disbursements for a year at 41% to ₹ 10,549 crore. Our gross advances grew 15% YoY to ₹ 20,597 crore.

On the liabilities front, we continued to witness robust momentum, especially in retail. Our total deposits grew 16% YoY to ₹ 18,951 crore; CASA deposits grew 76% YoY to ₹ 9,855 crore with its share in total deposits rising significantly to 52.01% at the end of FY22. This played an instrumental role in bringing down our Cost of Funds further by 76 bps to 6.58%.

Our balance sheet remains well capitalised with Total CRAR at 25.16%, Tier I at 24.53% and Tier II at 0.63% (as of March 31, 2022). During the year, we tapped the secondary market to raise ₹ 550 crore through the QIP route to comply with SEBI's requirements on minimum public shareholding. In the process, we have added a few prominent investors to our marquee list, such as the Government of Singapore, SBI Mutual Funds, among others.

Robust capital buffer; Bank-Holdco merger on track

Our balance sheet remains well capitalised with Total CRAR at 25.16%, Tier I at 24.53% and Tier II at 0.63% (as of March 31, 2022). During the year, we tapped the secondary market to raise ₹ 550 crore through the QIP route to comply with SEBI's requirements on minimum public shareholding. In the process, we have added a few prominent investors to our marquee list, such as the Government of Singapore, SBI Mutual Funds, among others.

This was also an important step towards completing the reverse merger of the Holdco with the bank and strengthen our preparedness to apply for a universal banking license as soon as the RBI permits us to do so. At the time of writing this letter, we have received the NoC from RBI and SEBI and have applied to NCLT for approval of the Scheme of Amalgamation.

Building a value-based thriving workforce

With the second and third waves of the pandemic affecting the entire nation, we continued to undertake concerted efforts to support our people tide over these challenges, aligned with our people philosophy – Employee Care and Employee Connect. With the belief that “no one is safe until everyone is”, we worked towards building awareness on and facilitating vaccination across our branches nationwide. I’m happy to share that all our employees are vaccinated, with around 95% of them receiving both the doses. Most importantly, despite the fluid on-ground situation, our people ensured uninterrupted services to our customers.

As a new-age bank with an exciting growth story, we are focusing on attracting and retaining the best in the industry in our talent pool and are also working towards creating future leaders. Aligned with our strategic priorities of inculcating a culture of continuous learning and improvement, we have developed immersive, insightful and structured talent development initiatives (*refer to page 42 in this report to have a detailed understanding of our people initiatives*). It gives me immense pleasure to share with you that the Bank was certified as the ‘Great Place to Work’ by the Great Place to Work Institute this year. We were awarded the Best Place to Work in India 2021 among Mid-size Banking Companies by AmbitionBox. These recognitions validate our efforts and inspire us to do even better going forward.

Emphasising health and financial immunity

We continued to leverage our digital capabilities to deliver impact, as the pandemic situation continued to



evolve with intermittent localised restrictions coming in force. Keeping the external environment in mind, health was our primary focus area this year. Realising the significant vaccine hesitancy among community members, we put our vibrant ecosystem to work to build awareness and organise vaccination camps. More than 4.5 million doses were administered across those camps, with 97% of the vaccinated expressing their satisfaction on the infrastructure support.

I'm happy to share with you that the construction work of our not-for-profit cancer cum multi-speciality hospital, along with the support and blessings of Sringeri Saradha Mutt, is on track for completion in March 2023. We have partnered with Tata Trusts to make the hospital a part of their nationwide effort to bring cancer care closer to those in need through a hub-and-spoke model. Virtual job fairs were a great success this year, and as we return to normalcy, we believe that the hybrid model is the way to go, combining the best of the physical and digital worlds (refer to page 46 of this report for a detailed discussion on our social initiatives).

Beyond Banking

In 2021, we launched a web series 'Beyond Banking' to reposition the consumer branding of Equitas. Through these 'Circle of Life' stories, we highlight how we remain true to our legacy of giving back to the society and how we deliver a positive impact on the overall well-being. When a customer deposits money with us, she earns much more than interest. In the process, we contribute to sustainable social change while bringing more and more people into the economic mainstream.

We continued to leverage our digital capabilities to deliver impact, as the pandemic situation continued to evolve with intermittent localised restrictions coming in force. Keeping the external environment in mind, health was our primary focus area this year. Realising the significant vaccine hesitancy among community members, we put our vibrant ecosystem to work to build awareness and organise vaccination camps.



Looking ahead

We have come a long way in the first five years of banking. We are doubling down to build our second innings of banking, combining a unique cocktail of digital, a very differentiated banking model, an energised team and a social embrace, which makes our growth meaningful for the large excluded population of the country. Sound governance and utmost transparency will continue to be a key differentiator in the next phase.

Transition

I have recently indicated to the Board, my desire to step down to pursue other goals in life, including making our family charitable trust more active in the areas of adoption, early intervention for developmental deficient babies, among others. I would be running the bank till the transition is smoothly completed. My commitment remains towards creating Equitas as a unique banking model in the country, and being the most valuable bank for all its stakeholders.

I take this opportunity to thank you all for being part of our exciting journey. I believe that together with all our stakeholders, we will be on a sustained growth path, driving economic formalisation and building a bank for everyone.

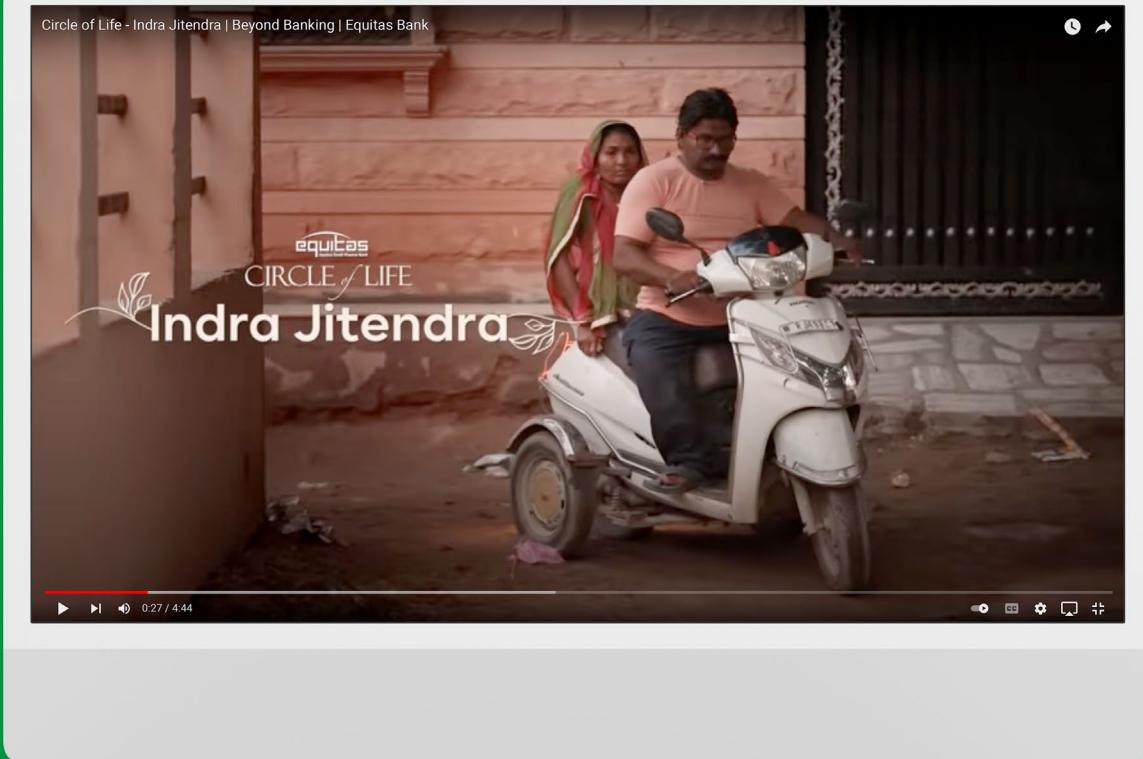
P. N. Vasudevan

MD & CEO



BEYOND BANKING

On wheels determin





of education

○ What is life without challenges? Meet Indra Jitendra, a couple with disabilities, who refuse to resign to their fate and overcome real-life obstacles, every single day. Indra runs a general store along with her husband, to take care of their three little kids and their education. They also deliver essentials to people's doorsteps on a scooter. The only thing that makes them special is

the extra wheels fitted with their ride. Diagnosed with polio at a very young age, they decided to shape their own future. When Indra says, "we can do things better than a normal person," it resonates willpower and immense self-confidence, and demonstrates how money can deliver a multiplier effect in changing people's lives for the better.

Indra Jitendra



THE EQUITAS ECOSYSTEM

Bridging the gap. With innovative solutions.

Equitas is one of the largest small finance banks in India. We provide tailored solutions to individuals with limited access to formal channels and drive financial inclusion to the last mile. Our wide range of products and solutions enable us to address the specific needs of customers, even those with variable and cash-based income profiles.

Quick facts

Banking outlets

869

Customers

56,87,893

Business correspondents

288

ATMs

339

Employees

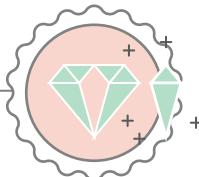
17,607

Balance sheet size

₹ 26,952 Cr



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Mission

To create the most valuable bank
for all stakeholders through
happy employees

Values

- Customer first
- Pride of performance
- Fair and transparent
- Respect for people
- Ownership

A comprehensive banking universe



Inclusive Banking

Small Business Loans

Microfinance

Affordable Housing Loan

Agri Loan



Emerging Enterprise Banking

Use Commercial Vehicle Finance

New Commercial Vehicle Finance

Used Passenger Cars



NBFC Financing & MSE

Term Loans

Working Capital Loans



Consumer Banking

Savings Account

Term Deposits

Bank Locker

Insurance

Mutual Fund

3-in-1 Trading Account

NRI Services

Gold Loans



Commercial Banking

Current Account

Overdraft Facilities

Cash Management Services (CMS)



Channels

Banking Outlets

ATM/Debit Cards

Mobile Banking

Phone Banking

Internet Banking

Call Centre

Video Banking

Bank for all



Children



Students



Millennials



Senior Citizens



NRIs



Women



Entrepreneurs



Farmers



Small Business Owners



MSMEs



TASC*



Government Institutions



Corporates



Self Employees Professionals

*Trust/Association/ Societies/Clubs

PRODUCT SUITE

Addressing diverse needs. With a purpose.

Over the years, our constant focus on technology and customer requirements has helped us develop a diversified product and service portfolio, ranging from loan and deposit products to various third-party products such as insurance across multiple channels.

Asset portfolio

Small business finance (including property loans)

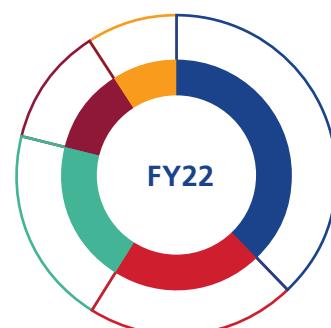
FY22 highlights

AUM	Disbursements	ATS at Portfolio	Yield
₹ 9,522 Cr	₹ 3,586 Cr	₹ 3.86 Lakh	16.96%
Secured Portfolio	GNPA	ATS at Disbursement	
100%	3.55%	₹ 6.23 Lakh	



Customer image used in this page is for representation purpose only.
ATS - Average Ticket Size

SBL Product Mix



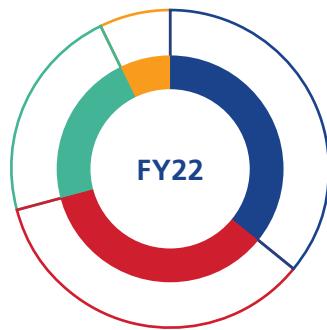
38%	General LAP
21%	Micro LAP
20%	Business Loans
12%	Housing Finance
9%	Agri



Vehicle finance



Vehicle Finance Product Mix



36%	Light Commercial Vehicle
35%	Small Commercial Vehicle
22%	Heavy Commercial Vehicle
7%	Used Passenger Cars

FY22 highlights

AUM ₹ 5,047 Cr	Disbursements ₹ 2,676 Cr	ATS at Portfolio ₹ 3.04 Lakh	Yield 17.09%
Secured Portfolio 100%	GNPA 3.97%	ATS at Disbursement ₹ 4.13 Lakh	

Micro finance

FY22 highlights

AUM ₹ 3,907 Cr	Disbursements ₹ 3,312 Cr
Yield 20.81%	GNPA 5.93%
ATS at Disbursement ₹ 0.34 Lakh	ATS at Portfolio ₹ 0.20 Lakh
Non-Tamil Nadu AUM 46%	Micro Finance customers having RD* 1,79,754

* Recurring Deposits



Customer images used in this page is for representation purpose only.
ATS - Average Ticket Size

MSE finance



FY22 highlights

AUM

₹ 1,164 Cr

Disbursements

₹ 286 Cr

Secured Portfolio

100%

GNPA

4.93%

ATS at Disbursement

₹ 46.04 Lakh

ATS at Portfolio

₹ 31.15 Lakh

Yield

9.97%

NBFC financing

FY22 highlights

AUM

₹ 758 Cr

Disbursements

₹ 514 Cr

Secured Portfolio

100%

GNPA

0.63%

ATS at Disbursement

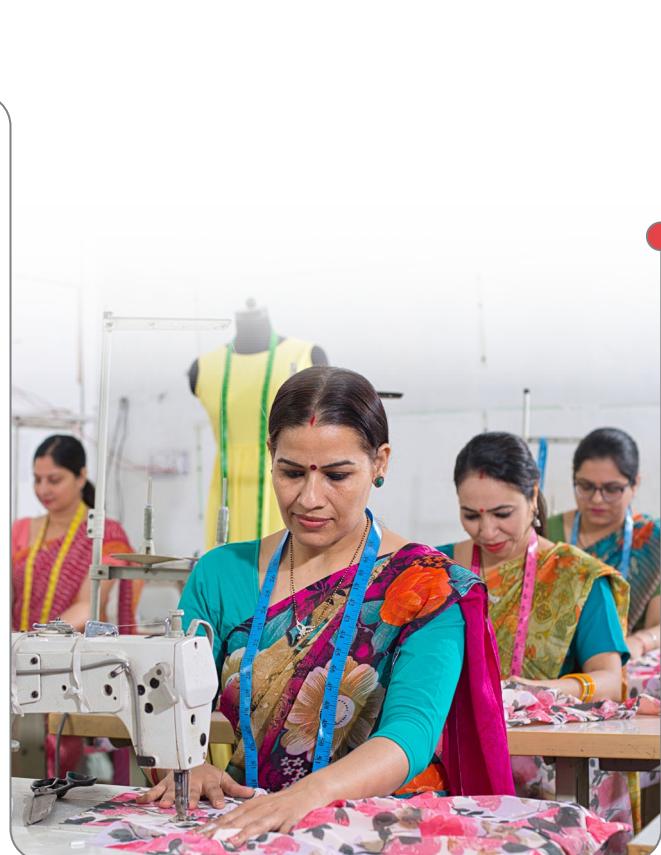
₹ 5,706 Lakh

ATS at Portfolio

₹ 1,896 Lakh

Yield

9.77%



Customer images used in this page is for representation purpose only.
ATS - Average Ticket Size



Liabilities

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

FY22 highlights

Current Account

₹ 772 Cr

Savings Account

₹ 9,083 Cr

CASA

₹ 9,855 Cr

Term Deposits

₹ 9,095 Cr

Retail Term Deposits

78%

Bulk Term Deposits

22%

Consistent reduction in cost of funds (%)



CASA Ratio

52.01%

Third party products

Customers enjoy a one-stop shop for all their investment and insurance needs with us. We enjoy an open architecture where we distribute schemes from multiple asset management companies and insurance companies. Through the distribution of these products, we ensure to service the needs of our customers. We actively cross-sell insurance to our borrowers as a protection to the family, in case of any unforeseen circumstances.

FY22 highlights

Mutual Fund Customers

13,014

Insurance policies sold

74,117

Fast Tag issued

1,26,450

Mutual Fund AUM

₹ 185 Cr

Insurance Premium

₹ 380 Cr*



*Includes fresh business and renewal premium

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SCALE AND REACH

Delivering to the last mile. With phygital.

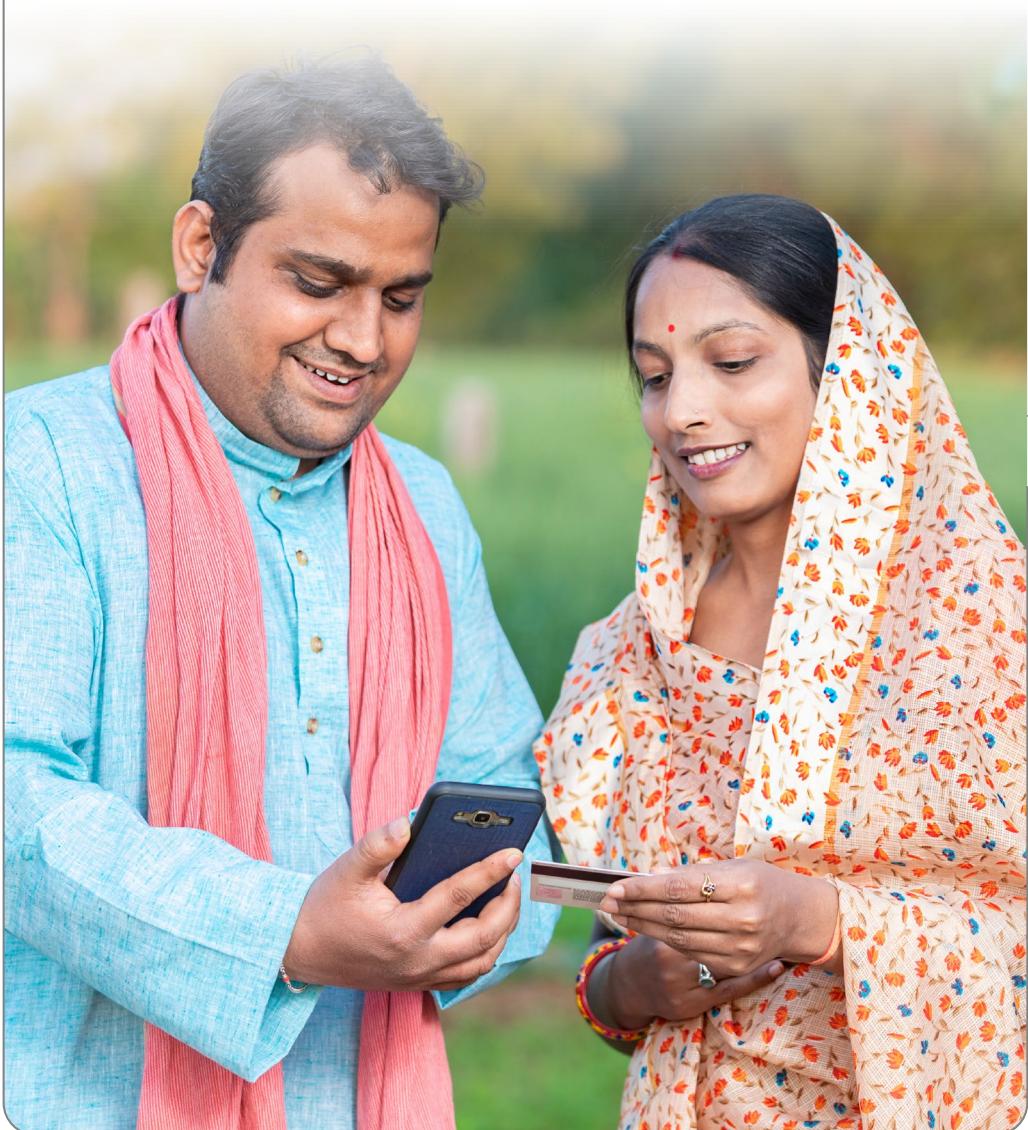
On the back of increasing use of digital infrastructure coupled with our banking outlets, ATMs and POS terminals, we have fortified our presence throughout the country, offering an array of products and services across various channels.

Physical presence

Network of Banking Outlets

Our branch network comprises liability/deposit accepting branches and asset centres (together referred to as 'Banking Outlets'). Our rural Banking Outlets, used primarily for the distribution of asset products, are located in areas with significant growth potential. We also engage business correspondent partners to enhance our reach in unserved and underserved locations.

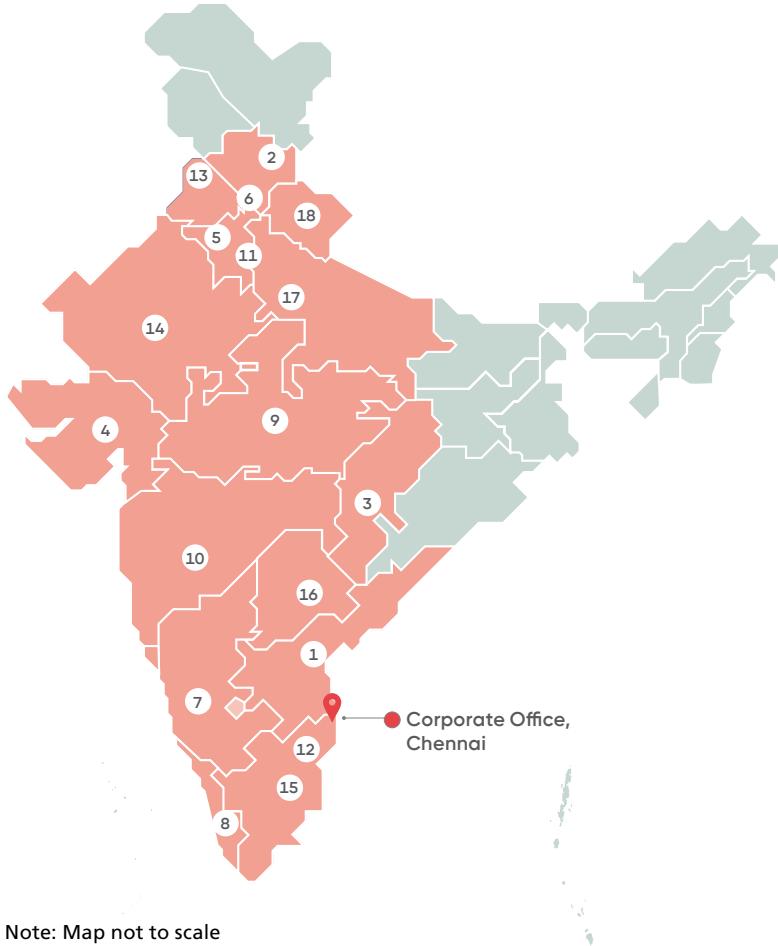
We distribute our liability products through Banking Outlets located at urban and semi-urban areas. In order to attract our target liability customers, i.e., mass and mass-affluent customers, these Banking Outlets are equipped with customer waiting areas, teller counters, lockers and ATMs.



Customer image used in this page is for representation purpose only.



Our footprint as of March 31, 2022



States



Banking outlets



ATMs

States	Banking outlets	ATMs
1 Andhra Pradesh	22	06
2 Chandigarh	01	01
3 Chhattisgarh	24	7
4 Gujarat	58	24
5 Haryana	25	11
6 Himachal Pradesh	01	-
7 Karnataka	82	33
8 Kerala	2	2
9 Madhya Pradesh	53	20
10 Maharashtra	146	51
11 New Delhi	14	13
12 Puducherry	04	1
13 Punjab	26	9
14 Rajasthan	62	31
15 Tamil Nadu	328	119
16 Telangana	14	06
17 Uttar Pradesh	06	05
18 Uttarakhand	01	-

Digital expansion

Digitally sourced accounts

21.4 Lakh *9X growth*

Digitally sourced balance as a % of CASA

6.03% *5X growth*

Virtually managed accounts

1 Lakh *₹ 1,000 Cr book*

We are enabling access to banking channels across India by leveraging our robust physical network and a comprehensive bouquet of digital channels



BEYOND BANKING

A journey self dis

Any transgender who comes to me
with a passion for art

▶ ▶ 3:17 / 4:18

cleaned by Adblock for Youtube Share

Circle of Life - Dhanalakshmi | Equitas Small Finance Bank | Beyond Banking



in covery



● Have you ever thought about how uneasy it could be to live in a body that doesn't resonate with the mind? Dhanalakshmi was bold enough to break the shackles of society and reveal her true self as a transgender and an artist. Right from earning money to pursue her education till the 10th standard, to choosing her career as a theatre artist, she has navigated the trials

and tribulations of life with elan. Today, she has charted an inspiring journey, and on the way, transformed herself from being an artist looking for opportunities to helping others like her realise their dreams. When she says, "an artist is more than what gender can define", it reflects her true persona. Equitas is proud to play a small part in her life.

Dhanalakshmi



VALUE CREATION MODEL

Maximising value. With capital optimisation.

Our capitals



Financial

- Equity
- Assets
- Deposits



Manufactured

- Banking Outlets
- Business Correspondents
- ATMs
- Corporate Office and data centres



Human

- Employee base
- Employee benefits
- Learning & Development
- Employee engagement initiatives



Intellectual

- RPA Bots
- API libraries
- Data analytics and Business intelligence
- Underwriting model
- Cyber Security Framework



Social and Relationship

- Customer base
- CSR beneficiaries
- Business Correspondents (BC)
- Fintech partners

Core business activities



Growth enablers

- Large market with ample scope of growth
- Strong and diversified array of products and services
- Customer-centric approach with a deep understanding of the unbanked and underbanked masses
- A strong infrastructure of vast banking outlets and ATMs underpinning the growth of SFBs
- Customised credit assessment procedures for effective credit risk management
- Digitalisation leading to rapid growth
- Professional management, experienced leadership and trained employee base

Net savers

Mass and mass-affluent customers



DEPOSITS

**Our
value
chain**



Mission

To create the most valuable bank for all stakeholders through happy employees



Values



Customer first



Pride of performance



Fair and transparent



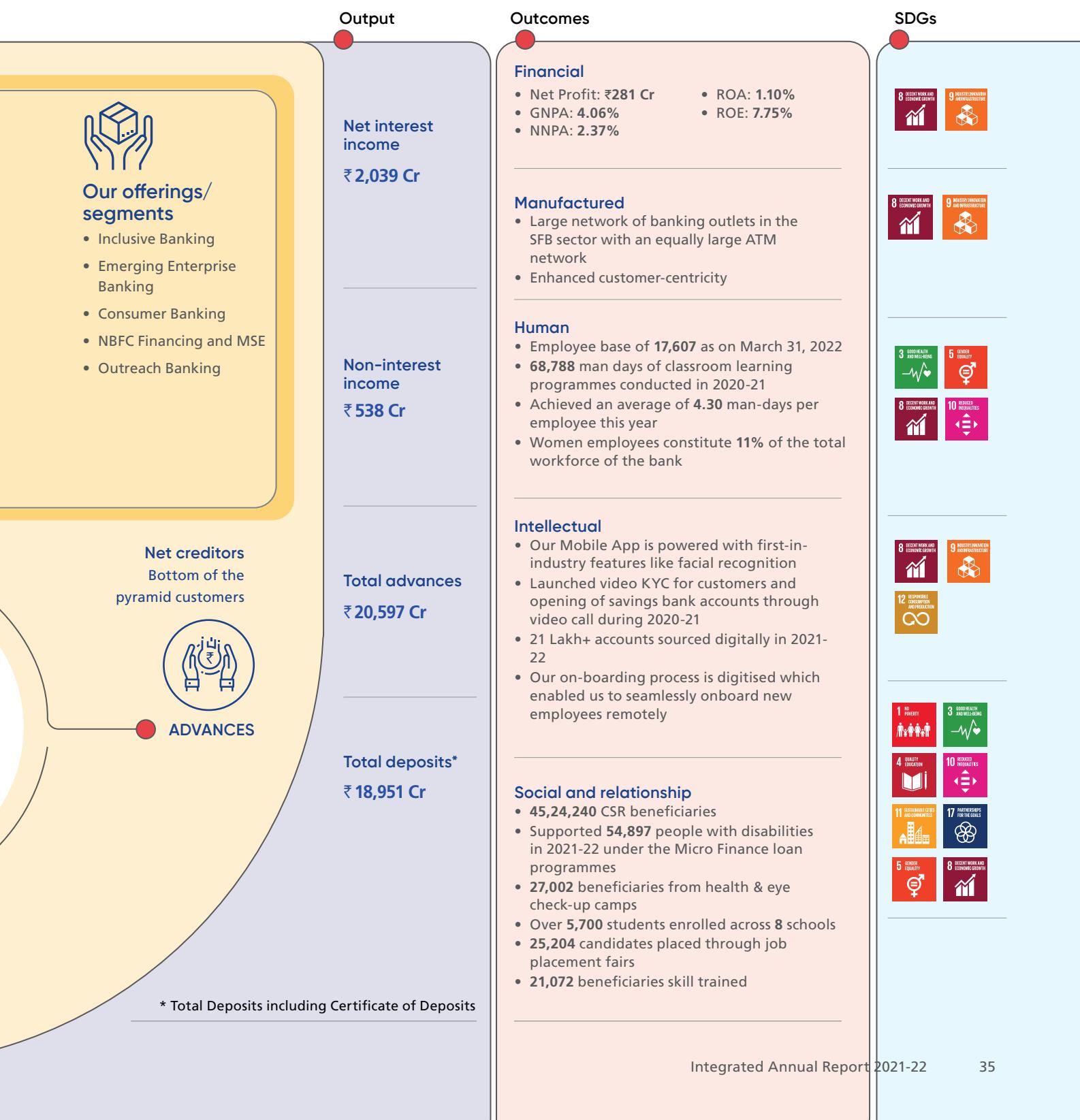
Ownership



Respect for people

Strategic focus areas

- S1
- S4
- S2
- S5
- S3
- S6



STRATEGY

Fortifying the future. With digital prowess.

At Equitas, we are building the bank of the future by deploying key growth levers, leveraging the changing technology landscape and sharpening competitive edge in borrowing costs. We view fintechs as complements to our own strengths, and not as competitors, thereby entering into robust partnerships to drive innovation and engagement at scale.

Focus areas



Become a dominant lender in formalising economy

- Widen penetration of existing product segments
- Introduce consumer loans as liability franchise scales up



Leverage changing technology landscape to drive growth

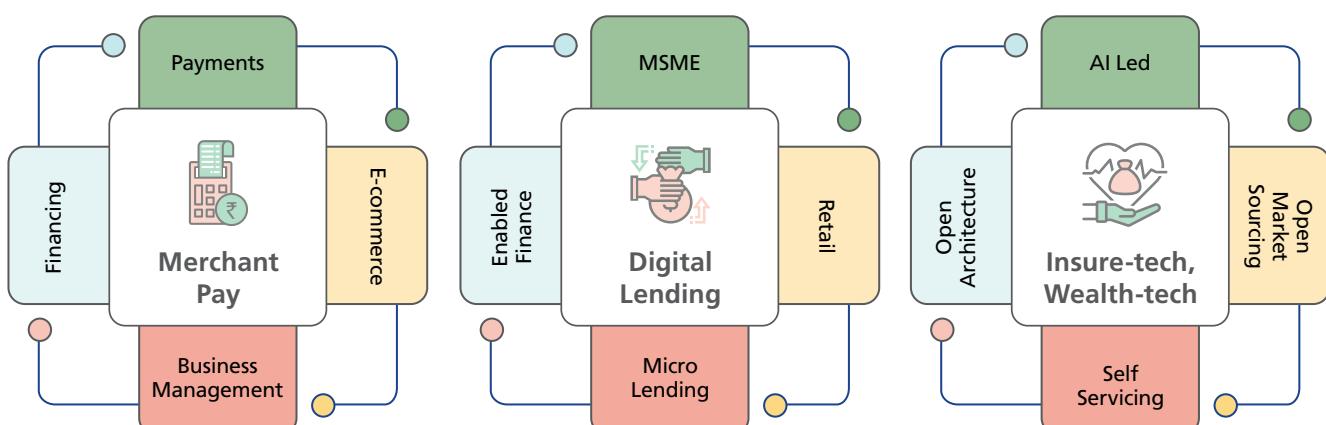
- Think like a fintech to propel innovation and engagement
- Develop a truly seamless phygital business model



Sharpen competitive advantage with lowering cost of funds

Digital theme in focus

Each theme to accelerate acquisition, customer revenue accretion and cross sell opportunity:



Technology Enablers → API Factory → Product to Platform approach → Cloud & Data Analysis



Digital banking

NeoBanking

The programme was launched to facilitate completely digital, instant and hassle-free customer onboarding, seamless payments and investment options. We have launched some remarkable programmes within a short span of time, with a few others in the pipeline. [refer to page 44 for details on partnerships]

Digital payments and acquisitions

Our digital payments and acquisitions business continue to demonstrate strong traction, driven by identification and implementation of varied use-cases through partnerships. We have identified new business models with our partners and have implemented a minimum business guarantee model to ensure product viability and operational efficiency. Further, we have brought down the operational cost for payment products through commercial renegotiations with vendors and technology service providers.

Digital transformation

We have automated key customer journeys for seamless execution. We have a dedicated Centre of Excellence for internal digitisation and innovations, with a focus on key business products. The goal of the transformation will be to make Equitas a more agile and nimble-footed processor.

Digital channels

We will continue to improve our Internet banking (retail and corporate), Mobile banking, Social Media banking, Bot banking etc., through technological innovations and with the addition of newer features. A three-step approach to improve Mobile and Internet banking applications:

- Consistent delivery of basic services
- Improvement in UX at par with best-in-class apps
- Additional features/services

Digital and Transaction Banking products

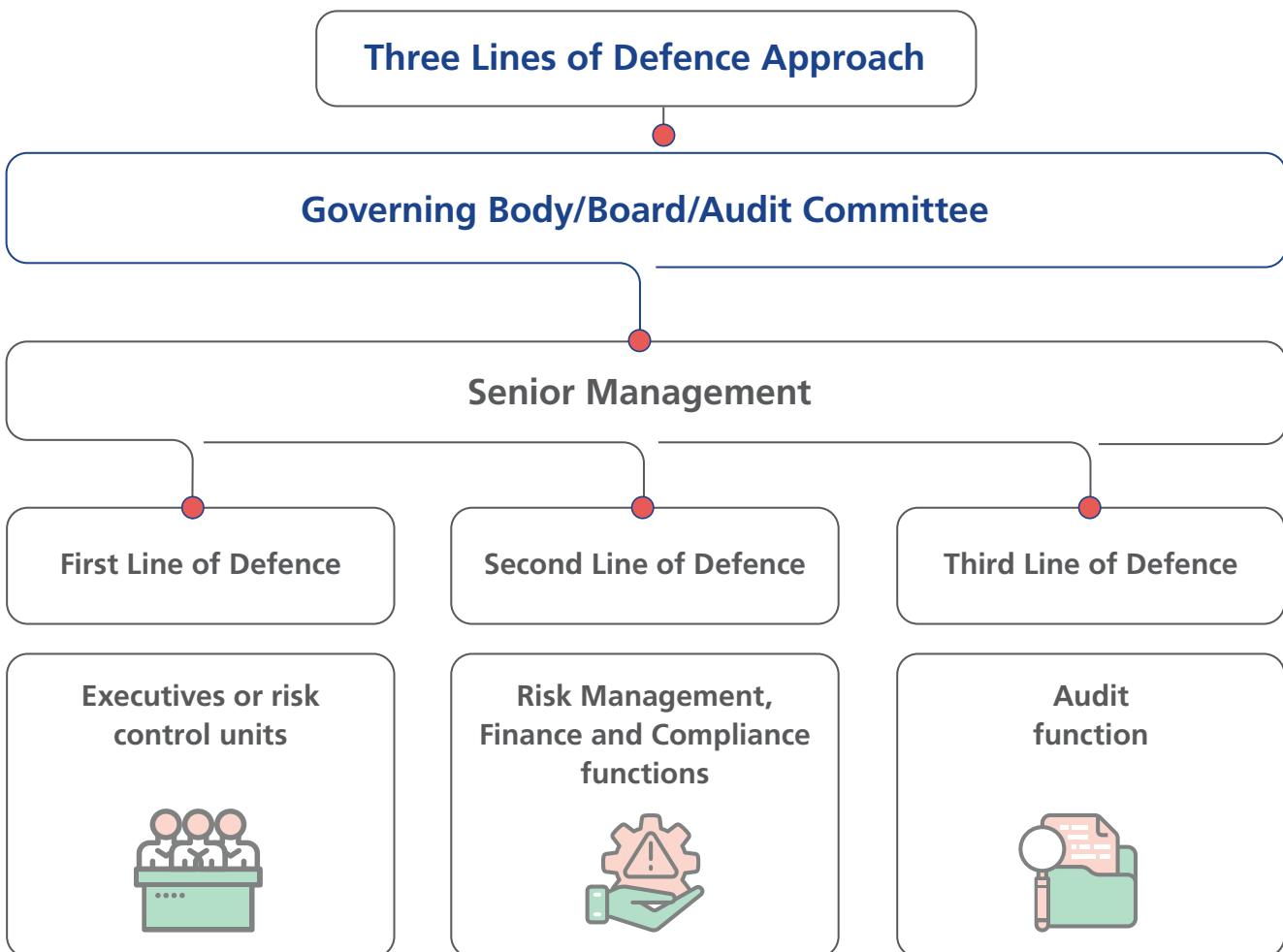
Digital as well as Transaction Banking products include all use case-driven products such as Transit solution, Smart City solution, Electronic Public Distribution system, government subsidy programmes, Public Fund Management System (PFMS), cashless campus, fees payment bridge and other ecosystem banking-based solutions. These products form a key pillar in our digital strategy.

RISK MANAGEMENT

Mitigating challenges. With agile response.

At Equitas, we have adopted an integrated and balanced approach to risk and reward, mitigating potential loss or damage while optimising growth opportunities. We aim to align capital to business strategy, to protect our financial strength, reputation and ensure support to various business activities, while enhancing stakeholder value.

Our risk management comprises 'three lines of defence', which ensures that risk management is part of the culture, and is effectively cascaded throughout the organisation. This multi-layered structure augments our risk evaluation and management capabilities while providing the flexibility to adapt effectively to the changing business and regulatory environment.





Risk Management

The Risk Management department is headed by the Chief Risk Officer (CRO) who reports directly to the Managing Director and is responsible for identifying, measuring, monitoring and managing risks. The function primarily addresses credit risk, operational risk, ALM and market risk, and information security risk. We have built a risk management framework for each of the key risk areas as per the guidelines laid down by the banking regulator RBI.

Risk governance

The Board supervises the Risk Management Committee (RMC) and other management level committees as part of the Risk Governance framework. The RMC is a Board-level sub-committee, which decides risk policies and strategy for integrated risk management containing various risk exposures of the Bank. We have management level committees to address various risks including credit risk, ALM and market risk, operational risk and information security risk.

The Audit Committee assists the Board in carrying out its oversight responsibilities as they relate to our financial and other reporting practices, internal control, and compliance with laws, regulations, and ethics. From a risk management perspective, it reviews the adequacy of the Bank's risk management policies and processes and reports to the Board of Directors.





BEYOND BANKING

Win against all



#CircleOfLife #BankBehindChampions #EquitasBank

Circle of Life - A Pavement Dweller's Journey for Identity | Beyond Banking | Equitas Bank



inning odds



- Did you know that your money is powerful enough to create a positive impact on the society? Here is a life story of Shanthi – a pavement dweller and sole breadwinner of her family, who has fought against all odds to raise her daughter and create an identity of her own in life and in the society. Shanthi is not just a name; she is an epitome of resilience and hard work.

When we saw the difference that your money could make in people's life by providing them an identity, shelter and more, we could feel the power of collective good that we are spreading all around.



Shanthi

SOCIAL – EMPLOYEES

• *Building a talent pool. With the future in mind.*

Staying true to our DNA, we continue to institutionalise and internalise the Bank's mission and core values among our people. We strive to attract, develop and retain top talent based on the two pillars of our people philosophy – Employee Care and Employee Connect – to imbibe a culture of continuous learning and improvement.





Attracting talent

We have digitised our onboarding process to seamlessly onboard new employees remotely. A Management Trainee programme was introduced in FY22. The entire Campus Connect and Hiring programme was conducted virtually in leading business schools including IIMs. We look forward to welcoming these dynamic Management Trainees in exciting roles at our Corporate Office.

Developing talent

During FY22, we developed a robust Training Architecture to identify the key learning needs across diverse business roles. The architecture captured the key learning priorities across various stages of their career. Further, regulatory mandated trainings are provided and completed through continuous monitoring across the areas of Risk, Finance, Credit, Treasury, POSH Compliance, Information Security, Code of Conduct, Prevention of Insider Trading and Prevention of Fraud.

Employees completed mandated KYC training

100 %






Equitas Small Finance Bank Limited

For inspiring trust among your people, instilling pride in them, creating an environment that promotes camaraderie, and delivering a great workplace experience for all your employees

Yashmin R
Yashmin R
Vice Chairman & CEO
Great Places to Work India



Specialised Trainings

We designed and developed a series of training programmes focusing on two broad areas – behavioural and functional. These programmes were delivered using in-house capability as well as external partners. Some key external interventions include – programmes for Regional Managers and the Digital Solutions team.

Functional training programmes were focused on Selling Skills, Products, Digital Solutions, Process, Systems & Software, Risk, Credit and Legal aspects. We also collaborated with the Manipal Institute of Banking and Confluence Learning to strengthen the capabilities of our branch staff in the areas of Relationship Management, Cross Selling, Wealth Management, Productivity Enhancement and Regulatory Compliance, among others.

Participants across 44 behavioural sessions

525

Training man-days recorded in FY22, up 30% from FY21

68,788

Great Place to Work certified

Our relentless efforts to build a values-based thriving workforce was recognised in the industry. Equitas was certified as a Great Place to Work by the Great Place to Work Institute for the period February 2021 - February 2022. It was also awarded the Best Place to Work in India 2021 in the category of Mid-size Banking Companies by AmbitionBox.

Average man-days per employee clocked

4.3

Culture 'awareness' workshop

Our HR team has delivered 361 culture workshops comprising 6,428 employees till date. We institutionalised two special cultural awards that were launched and rolled out during FY22.

[For more details on our people initiatives, please refer to Management Discussion and Analysis section of this report.]

SOCIAL – PARTNERS

Forging alliances. With a win-win proposition.

At Equitas, we recognise the need for strategic alliances and partnerships to drive sustainable growth. With digitalisation at the heart of our business strategy, we forge partnerships of mutual benefit with fintech companies, which provides ready access to disruptive technologies while driving growth across business segments.



Customer image used in this page is for representation purpose only.



Major partnerships

FinTech

In addition to partnering with Groww and Open in the fintech space, we tied up with Niyo to offer our customers a 2x1 investment-cum-savings account, where the banking products are offered by us and the mutual fund account is provided by Niyo, at zero commission. The primary target group of this product are millennials.



Infrastructure

We have partnered with 2-3 major players for micro-ATM services, such as Paynearby and Spice Money, to up our digital game across our primary markets. Further, in order to provide prepaid card to our customers, we are collaborating with another FinTech company. We are also working on improving our API banking with the help of 5 such collaborative partners.



Partnership Highlights

Neo Banking - Live Partnerships

NiyoX

- 13.8 Lakh accounts opened
- CASA balance of ₹ 343 Cr

Groww

- 1,700+ FDs opened
- Balance of ₹ 8 Cr

freo

- 328 accounts opened

Digital Payments and Acquisitions

bijlipay

PayNearby

NETC - FASTag

- 1.26 Lakh new Fastags issued
- 500 Cr issuer transaction value processed

novopay

Spice money तो Life बनी

Micro ATM

- 5.3 Cr transactions
- 15,500 Cr transaction value processed

Prepaid Engagement

- 20 Lakh+ new cards issued
- 6.8 Cr transactions
- 2,433 Cr transactions value processed

BANKIT बैंकइट

DECENTRO

canopi

muvin.

bijlipay

DigiPe

Equitech – The Fintech Accelerator Programme

Equitech is a visionary initiative to build a collaborative platform for co-creating meaningful and innovative financial solutions with new-age fintechs/startups. We have selected 7 start-ups for the cohort, which will conclude in FY23. Each start-up has been assigned a unique problem statement to come up with innovative product offerings in a differentiated customer segment.

SOCIAL - COMMUNITY

• *Empowering progress. With responsibility.*

When we started our journey 15 years back, we made a commitment to spend 5% of net profit on social initiatives. The vision of the founding team was to provide holistic empowerment to women at the bottom of the pyramid by improving the quality of their lives and those of their families, providing access to better healthcare and educational opportunities for their children. We have not only stayed true to that vision, but our reach and impact have expanded multi-fold.

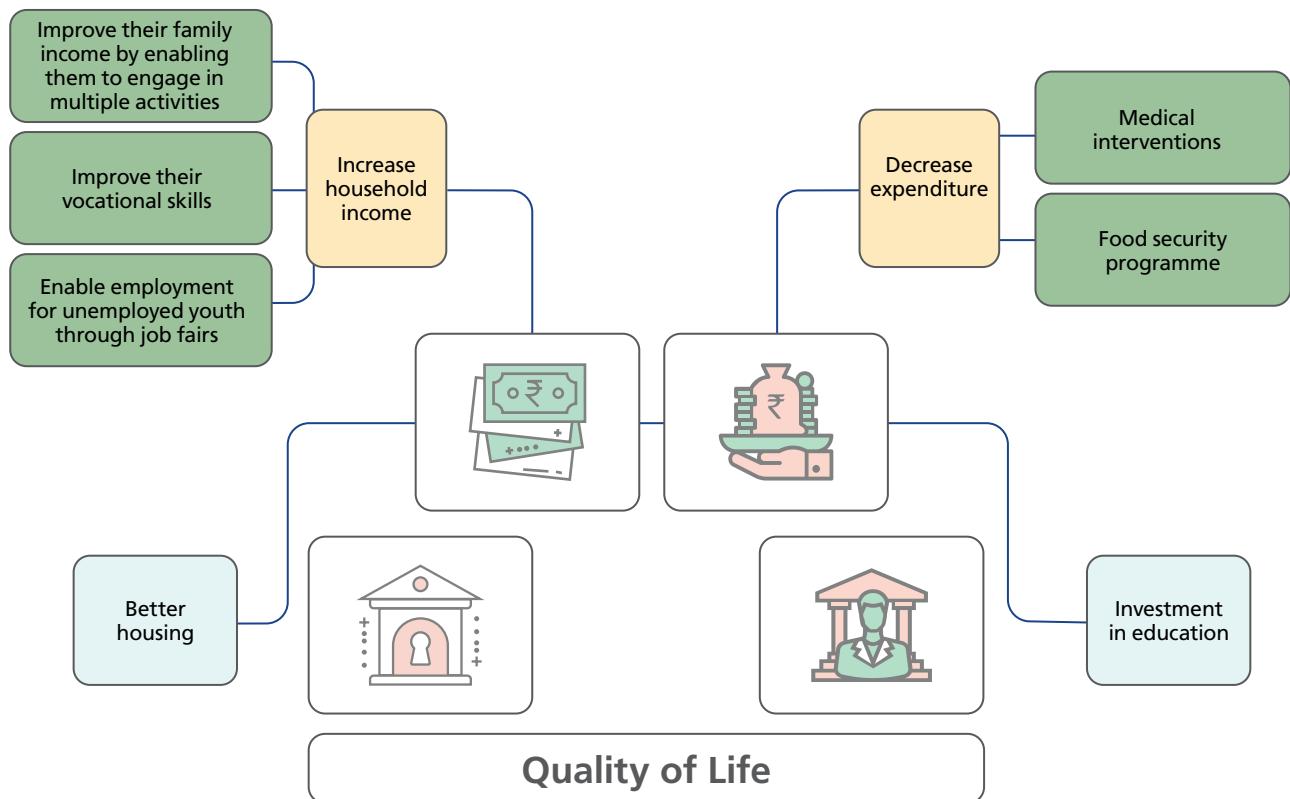


● *Decoding the vision*

Based on its extensive work experience, the founding team realised that while improving income is critical to empowerment, it could be derailed by sudden expenditures on medical interventions. We thus focused on preventive health programmes, along with education and employment related interventions, to deliver the desired impact. We believe such initiatives will go a long way in addressing the inherent vulnerability of such societies.



Social Framework



The Equitas Development Initiative Trust (EDIT) was set up to undertake our social and community development initiatives.

• ***EDIT focus areas***

Health

Objective: Amidst the pandemic, the importance of a healthy and hygienic lifestyle has only become more relevant. At Equitas, we realise the adverse impact of an unhealthy lifestyle, especially for people earning daily wages. It can be extensive, even leading to loss of income.

Activities

- Health education and health camps to raise awareness
- Sugam Clinics

Education

Objective: At Equitas, we recognise the importance of education. Education forms the base of a strong community. Hence, providing quality education plays a pivotal role in creating a self-sustained and strong society.

Activities

- Equitas Gurukul Schools
- Centres of Academic Excellence
- Partner Schools

Employment

Objective: With the increasing population across the country, employment has been of the biggest concern. At Equitas, we recognise this concern and try to address it by generating employment opportunities for the young population.

Activities

- Home-based skill training for women
- Job fairs for unemployed youth





Supporting the world's largest vaccination drive

With the belief that no one is safe from the pandemic until everyone is, the Government of India, along with state governments, decided to accelerate the vaccination drive. However, vaccinating a nation of almost 1.4 billion in record time required concerted efforts across every echelon of the society. Further, due to lack of awareness, there was significant vaccine hesitancy among community members. As we were unable to hold regular medical and health camps on the ground due COVID-related restrictions, we converted the health camps into vaccination camps across Tamil Nadu, while the state government provided vaccines free of cost, along with health workers to administer the doses. Further, we leveraged our ecosystem to drive vaccine awareness.

41,000+

Vaccination camps organised in FY22

44,62,729

People vaccinated across the camps through FY22



EDIT impact since inception

25,60,939

Eye-camp participants

1,18,186

Spectacles distributed for free

32,712

Cataract operations sponsored

38,60,389

Other medical camps organised

5,84,014

Participants in skill training programmes

2,23,929

Placements for unemployed youth

3,11,890

Swasth Mahila Health Education

2,229

Equitas Birds Nest (pavement dwellers' rehabilitation programme)

For more details refer to Management Discussion and Analysis section of this report.

GOVERNANCE

Leading into the future. With experience.

Board of Directors



Arun Ramanathan

Part-time Chairman and Non-Executive Independent Director (AR)

Committees M

Skills/Expertise ① ② ③ ⑧



**Vasudevan Pathangi
Narasimhan**

MD & CEO (VPN))

Committees M M M

Skills/Expertise ② ③ ④



Arun Kumar Verma

Non-Executive Independent Director (AKV)

Committees C M M M

Skills/Expertise ② ③ ④



**Narayanaswamy
Balakrishnan**

Non-Executive Independent Director (NB)

Committees C M

Skills/Expertise ⑥ ⑦



Navin Avinashchander Puri

Non-Executive Independent Director (NAP)

Committees C M

Skills/Expertise ① ② ⑥ ⑦



Narasimhan Srinivasan

Non-Executive Independent Director (NS)

Committees C M M

Skills/Expertise ① ② ⑧



Board demographics

Number of board meetings

18

Board attendance

95.54%

Board committee attendance

96.13%

Board independence

Number of independent directors

9

Number of non-management directors

9

Term limit of independent directors

8 Years



Vinod Kumar Sharma

Non-executive Independent Director (VKS)

Committees C M M M

Skills/Expertise ① ③ ⑤ ⑥ ⑦



Ramesh Rangan

Non-executive Independent Director (RR)

Committees C M M

Skills/Expertise ① ② ⑧



Geeta Dutta Goel

Non-executive Independent Director (GDG)

Committees M

Skills/Expertise ① ② ③ ⑧



Samir Kumar Barua

Non-executive Independent Director (SKB)

Committees M M M

Skills/Expertise ① ② ③ ⑦ ⑧

Committees of the Board

- Audit Committee
 - Nomination and Remuneration Committee
 - Stakeholders' Relationship Committee
 - Corporate Social Responsibility Committee
 - Risk Management Committee
 - Merger Committee
- Chairperson ● Member

Skills/Expertise

- ① Banking
- ② Business Strategy, Sales, Marketing & Administration
- ③ Accounting & Finance, Taxation
- ④ Law
- ⑤ Human Resources
- ⑥ Information Technology
- ⑦ Research & Risk management
- ⑧ Rural Economy, Small Scale Industry & Agriculture

Other committees of our Bank

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

Leadership Team



**Vasudevan Pathangi
Narasimhan**
MD & CEO



Sridharan N
Chief Financial Officer



Murali Vaidyanathan
Senior President & Country Head
Branch Banking, Liabilities,
Products & Wealth



Rohit Phadke
Senior President &
Head Assets

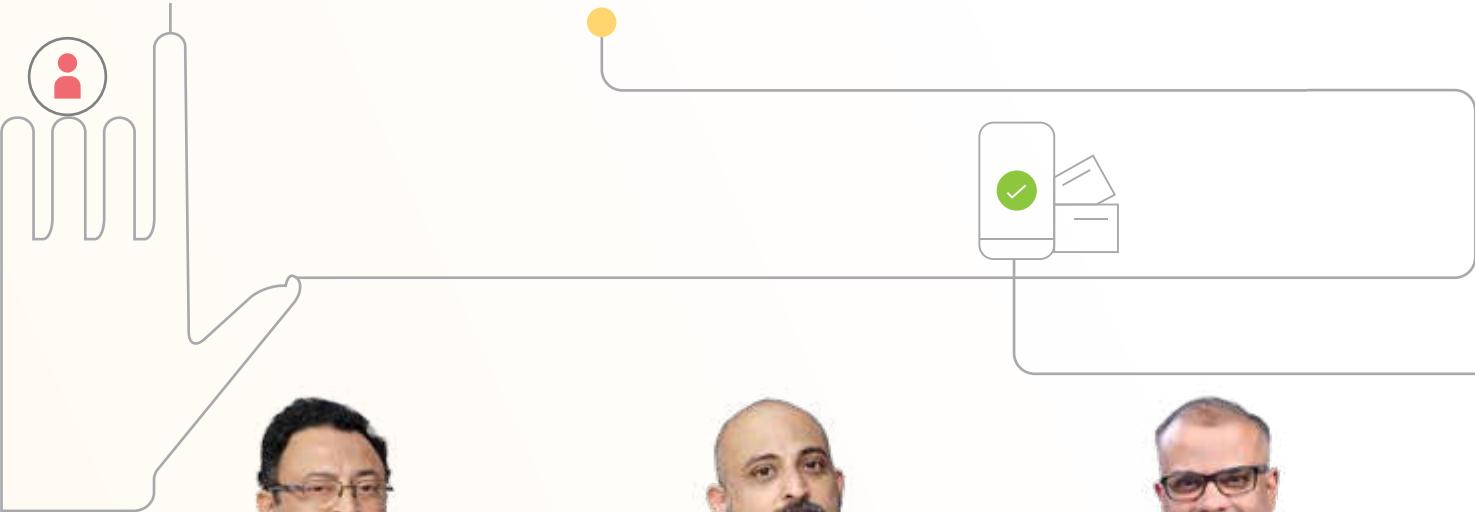


**Natarajan
Muthusubramanian**
Head Treasury



Sibi PM
Chief Risk Officer





Pallab Mukherji

Chief People Officer



Dheeraj Mohan

Head of Strategy,
Investor Relations, BI and CX



Narayanan E

Chief Information Officer



Vivek Dhavale

Chief Technology Officer



Sivapprakash VS

Head – Internal Audit



Siby Sebastian

President & Head –
Operations & Infrastructure



Sethupathy S

President – Process and
Quality Assurance



Srinivasan Purohit

Chief Compliance Officer



**Sampathkumar K.
Raghunathan**

Company Secretary and
Compliance Officer

Management Discussion & Analysis



Global Economic Overview

The year 2021 was characterised by uncertainty and volatility as the pandemic continued to shift shape and form and impacted life with varied intensity. Although global economic output grew by 5.5% in 2021, recording the sharpest post-recession rebound in decades, the recovery remained non-uniform across advanced, emerging and developing economies. The divergence in recovery could be attributed to the varied pace of vaccination and the magnitude of fiscal or monetary policy support extended by Central Banks and Governments.

As the world prepared to leave the worst of the pandemic behind in the first quarter of 2022, the Russia-Ukraine conflict significantly pushed up global crude oil prices and dampened trade sentiment with the imposition of economic sanctions by western nations on Russia, one of the world's largest producers of oil and gas. Further, rising inflation on the back of continued supply chain challenges, elevated commodity and freight costs, coupled with the emergence of new virus variants, poses significant threat to the fragile economic recovery. The possible acceleration in the US rate hike cycle to rein in inflation could increase volatility in the forex markets.



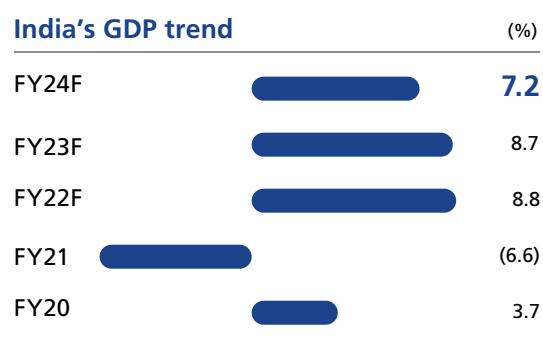
Indian Economic Overview

In FY22, India's economic output rebounded sharply by 8.8%, after contracting 6.6% in FY21 following the pandemic-induced disruptions. Despite the overwhelming negative impact of the second wave of the pandemic especially in rural India, the economy demonstrated resilience and returned to growth path, aided by rapid vaccination and continued policy support through various initiatives of Government

Further, the government's focus on public investment-led capex to crowd in private investment, bodes well for overall sentiment.

However, the rural economy that had led the recovery following the first wave remains under stress while soaring oil prices, high cost of raw materials, supply chain constraints weigh heavily on the growth trajectory. The RBI in its April 2022 Monetary Policy Committee (MPC) meeting revised its FY23 inflation forecast to 5.5% from 4.5% but kept its policy rate unchanged. The Central Bank, however, returned with a 40 bps off-cycle rate hike in May, 2022 ending its accommodative policy stance adopted since March 2020 to support the economy caught in the pandemic storm. The RBI is likely to adjust rates "in coordination with government's fiscal measures" to check inflation.

The Indian economy has demonstrated its resilience over the past two years of the pandemic and is on a firmer foundation to maintain a growth path and, at the same time, deal with future external shocks. The near-term is likely to be volatile.





Small Finance Bank (SFB) Industry Overview

Despite banking sector liberalisation in 1991 and a series of new bank license issuances since then, financial penetration in India remained low. The RBI formed a committee led by Dr. Nachiket Mor to boost financial penetration and provide banking services to the nation's underserved and unserved population and solicited its recommendations. The Committee recommended differential licensing in the form of Payment Banks and Small Financing Banks. In 2014, in line with the recommendations, the RBI released guidelines for a new class of banking entity called 'Small Finance Banks'. On September 16, 2015, the central bank awarded 10 SFB licenses of which 8 were NBFCs. As of March 2022, twelve SFBs were operational in the country.

With years of experience in servicing underserved and unserved

population (including individuals and small businesses) since their NBFC days, SFBs have carved a niche in financing the low-income self-employed segment. SFBs operate in four major segments with strong growth potential – MSME finance, vehicle finance, microfinance and affordable housing loans. There are 6.3 crores MSMEs in India, employing 11.1 crores and contributing ~30% to GDP. As per Industry estimates (*MicroSave Report*), total addressable demand for loans is ₹56 trillion while supply is about ₹30 trillion, leaving a significant credit gap and thus an untapped opportunity for SFBs.

With a digital first mindset, deep distribution reach, focus on secured, small-ticket loans, SFBs are not only expanding the market size but are also attracting market share from the larger and more experienced private and public sector incumbents at a rapid pace. They are well positioned to address the outsized credit gap in small-ticket loans across customer segments.

Addressable credit gap

₹25.8 trillion
Credit gap in MSME space

₹8.0 trillion
Credit cap in micro enterprises

₹16.8 trillion
Credit gap in small enterprises

Source - IFC

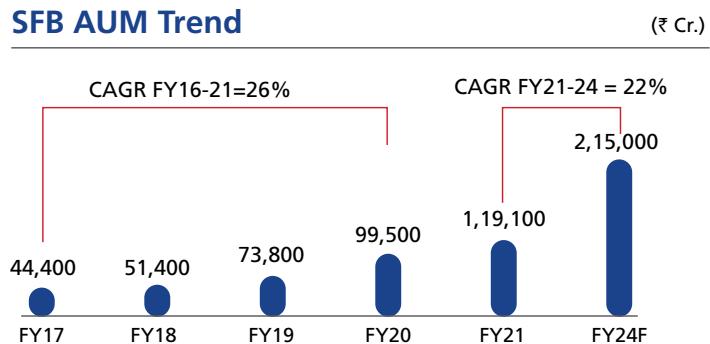
Performance

SFBs' total advances clocked a 26% CAGR during FY16-21. The top three (Equitas, AU & Ujjivan SFB) accounted for ~60% of the aggregate AUM as of FY21, up from 55% as of FY17. These three players logged a 29% CAGR during the period. According to *CRISIL Research*, the sector's loan portfolio is likely to see a strong ~22% CAGR in the near term as most of the SFBs have completed their transition phase and are likely to benefit from operating leverage.

Immediately after commencing operations, all SFBs focussed on increasing their deposit base. Their overall deposit base doubled to around ₹375 billion, as of FY19, and further to ₹877 billion in FY21. Share of CASA deposits increased from ~20% in FY20 to ~30% in FY21.

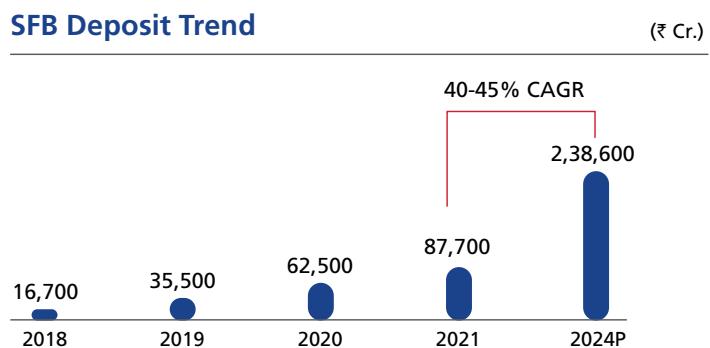
During FY21, SFBs' aggregate deposits grew by 40%. *CRISIL Research* expects SFBs' deposit to record a 40-45% CAGR over FY21-24 as players focus on popularising convenient banking habits to cover the last mile and widen financial inclusion by deepening penetration in untapped geographies.

SFB AUM Trend



Source – Report on Trend and Progress of Banking in India 2020-21, Crisil Research

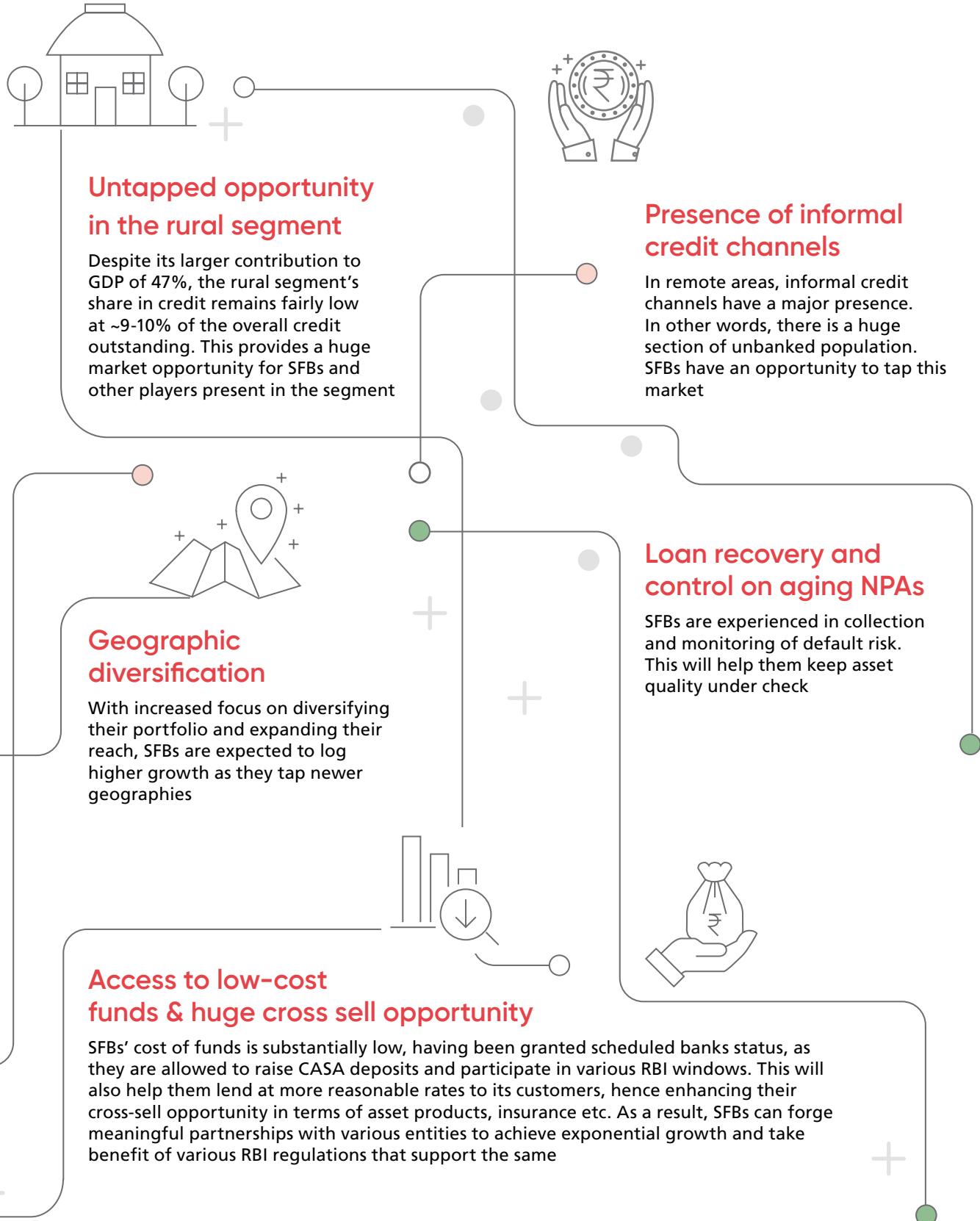
SFB Deposit Trend



Source: Company reports, CRISIL Research

Management Discussion & Analysis (Contd.)

Industry Growth Drivers



Performance of Key Segments



Small Business Loans

The sheer size of the gap between the supply and demand of credit and the number of enterprises impacted indicates a veritable opportunity in financing. According to *CRISIL Research* small ticket size secured (SORP – self occupied residential property) small business loan market potential is estimated at ₹22 trillion. Examples of such businesses include provision stores, building materials stores, tea shops, vegetable vendors and others.

The small business in manufacturing and services include small fabrication units, machine tools manufacturers (using lathe machines), tailors, saloons, gym owners, vehicle service centres, etc.

Small Business Loans of less than ₹10 lakhs ticket size

- CRISIL Research* estimates outstanding small business loans given out by banks and NBFCs to be around ₹1.7 trillion as of March 2021
- Small business loans grew at a fast pace with the portfolio registering a CAGR of 36% over fiscal 2017 and 2020

- Disbursements of small business loans of lower than ₹10 lakhs ticket size declined by as much as 57% year-on-year to ₹468 billion in fiscal 2021 on account of Covid-19

Penetration of small business loans is increasing in smaller cities

- Over the years, share of smaller cities has increased in the small business loans segment owing to increasing penetration of financial services and players focusing on the underserved customer segment.
- Share of loans outside top 50 cities increased from 58% in fiscal 2017 to 64% in fiscal 2021. Small business loans portfolio in smaller cities has grown at a relatively high CAGR compared to that in top 50 cities.

Share of new to credit customers has been increasing in small business loans segment

- Share of new to credit (NTC) customers has increased over the years, indicating rising penetration of small business loans. Overall, share of new to credit customers in the small business loan segment with ticket size less than ₹10 lakhs increased from 9% in fiscal 2017 to 25% in fiscal 2020.



Vehicle Finance

- In FY21, the Commercial Vehicles (CV) industry faced its biggest challenge in the form of COVID-19. The COVID-19 outbreak hit freight demand, significantly impacting CV sales volume in FY21. In addition, weak private consumption hampered demand for both LCVs and MHCVs. In FY22, volumes were to improve over a low base; however, the recovery was lower than anticipated due to the continued effect of the pandemic as well as chip shortage.
- The second wave of COVID-19 led to lockdowns in key affected regions in Q1FY22. This impacted volumes across segments post a healthy Q4FY21. Consequently, LCV, MHCV and bus volumes declined ~42%, ~63% and ~43% quarter-on-quarter in Q1FY22, resulting in ~50% sequential decline in overall CV volumes.

- In Q2FY22, chip shortage impacted pickup sales with volumes declining 9% year-on-year limiting LCV sales volumes to increase marginally by ~2% year-on-year (pickups account for ~55-60% of total LCV volumes) and ~49% quarter-on-quarter. MHCV volumes, however, fared better with ~82% quarter-on-quarter and ~117% year-on-year growth in volumes in Q2FY22.
- Volumes remained robust in Q3FY22 amidst the festive season with ~18% and ~17% q-o-q growth, respectively, in the LCV and MHCV segments.
- Volumes in Q4FY22 improved marginally on a sequential basis, aided by recovery in infrastructure activities in line with the economic recovery.

Domestic CV sales trend

Domestic Sales Segments	FY20 Volume	FY20 Growth	FY21 Growth	FY22P Growth	FY23P Growth
LCV	3,95,783	-21%	-12%	9-14%	9-14%
MHCV	1,53,366	-47%	-17%	37-42%	12-19%
Bus	19,388	-6%	-77%	50-55%	87-92%
Total CV	5,68,537	-29%	-21%	18-23%	13-18%

Management Discussion & Analysis (Contd.)



Affordable Housing Finance

The housing shortage in India is estimated to increase to 100mn units by 2022 as compared to ~25mn units in FY07 where in 95% of the housing shortage is expected to be in EWS and LIG segment. The total incremental housing

credit opportunity if the entire housing shortage is addressed is estimated at ₹50-60 TN i.e. approximately 3 times the existing housing finance market.

Category	Shortage (mn)	Value of units (₹ tn)	Aggregate loan demand (₹ tn)
EWS	45	34	5
LIG	50	75	30
MIG & Above	5	40	22
Total	100	149	58

Historically, companies in the Affordable Housing Finance segment had been growing at high rates in comparison to overall housing credit, partly aided by the lower base and support from the Government's thrust on 'housing for all'

The long-term growth outlook for the segment remains favorable, given the large underserved market, favorable demographic profile, housing shortage and Government support in the form of tax sops and subsidies.



Micro Finance

The industry loan portfolio stands at ₹2.85 Lakh Crore, as of March 31, 2022, with 11.3 Crore active loan accounts and 5.8 Crore unique borrowers. Banks hold the largest share at 40% in the micro credit universe with total loans outstanding at ₹1,14,051 Crore. NBFC-MFIs are second largest providers with a 35.2% share and total loans outstanding of ₹1,00,407 Crore. SFBs, with total loans outstanding at ₹48,314 Crore account for 16.9% while NBFCs and Other MFIs constitute 6.9% and 1.0% of the micro lending universe, respectively.

In addition, NABARD SHG Bank Linkage Programme (SBLP) makes significant contribution, with around 57.8 Lakh SHGs having an outstanding loan portfolio of ₹1,03,290 Cr. The Top 10 states constitute 82.4% of the gross loan portfolio (GLP), with Tamil Nadu being the largest in terms of portfolio outstanding followed by Bihar and West Bengal. With regard to average loan outstanding per unique borrower, West Bengal leads with ₹53,708 followed by Kerala with ₹46,074.



MSE Finance

The MSME segment was hit the hardest by the pandemic. The government stepped up support, along with the RBI, to enable these businesses tide over the crisis. In 2021, the definition of MSMEs was modified while the ECLGS was extended till March 31, 2023. Further, proposed changes in CGTMSE, restructuring, stressed MSME scheme and current account opening guidelines relaxation bode well for the sector. The implementation of ECLGS led to an increase in credit within the 'existing to bank' customer segment, with ₹2.3 Lakh Crore disbursed as part of the Aatmanirbhar Scheme.

Public Sector Banks (PSBs) have traditionally been the dominant lenders to MSMEs. In the last few years, private banks and NBFCs have managed to get a larger share of MSMEs from PSBs. PSBs, domestic private banks and NBFCs+HFCs have ~50%, ~32% and ~7.5% share, respectively, as on November 2021.

Formal sources of funding

MSME lending accounted for ~25% (₹23 Lakh Crore) of the total commercial credit exposure in the Indian banking system, as on November 30, 2021.



On balance sheet commercial credit exposure

Type	Amount (₹ Lakh Cr)	Delinquency
Very Small (<₹10 Lakh)	1.02	16.75%
Micro	4.40	10.77%
Small	9.07	11.07%
Medium	8.32	16.30%
Large	71.95	15.66%
Total	94.72	15.82%

Source: TransUnion CIBIL Commercial Lending Overview

About Equitas Small Finance Bank

Equitas Small Finance Bank (Equitas Bank) is one of the largest small finance banks in India. As a new-age bank in one of the fastest growing economies, Equitas Bank offers a bouquet of products and services tailored to meet the needs of its customers – individuals with limited access to formal financing channels, as well as affluent and mass affluent, Micro, Small & Medium Enterprises (MSMEs) and corporates. The Bank's firmly entrenched strategy focuses on providing credit to the unbanked and underbanked micro and small entrepreneurs, developing products to address the growing aspirations at the 'bottom of the pyramid', fuelled by granular deposits and 'value for money' banking relationships.

The Bank's asset products are suited to a range of customers with varying profiles. These include provision of small business loans comprising loan against property, housing loans, and agriculture loans to micro entrepreneurs, microfinance to joint liability groups predominantly comprising women, used and new commercial vehicle loans to drivers and micro-entrepreneurs, MSE loans to proprietorships, and loans to non-banking financial companies (NBFCs). On the liability side, the Bank's target customers comprise mass and mass-affluent individuals to whom it offers current accounts, salary accounts, savings accounts, and a variety of deposit accounts. In addition, the Bank provides non-credit offerings comprising ATM-cum-debit cards, third party insurance, mutual fund products, and issuance of FASTag.

Besides being technologically agile, the Bank has gained a pan-India presence, impacting the lives of its customers through diversified loan portfolios, comprehensive banking services and non-credit offerings. While the Bank's business model has transitioned over the years, providing sustainable credit to the unserved and

underserved segments continues to be its core focus. The Bank is well positioned to capitalise on exponential industry growth potential while contributing to the national.



Financial Performance

The Bank delivered a robust performance in FY22. Net interest income increased 13.38% y-o-y to ₹2,038.53 crores, from ₹1,797.96 crores. Non-interest income grew by 28.59% y-o-y to reach ₹537.56 crores from ₹418.05 crores.

Operating expenses rose to ₹1,704.14 crores from ₹1,329.43 crores. The Bank increased its employee strength, which resulted in higher staff expenses. The cost-to-income ratio came in at 66.15% compared to 59.99% in the year earlier. Total provisions and contingencies were at ₹493.84 crores, compared to ₹375.32 crores. The provision coverage ratio stood at 42.73%.

As the second wave of pandemic dealt a strong blow to economic activities in the first quarter of FY22 and in the absence of moratorium available during the first wave, the Bank restructured loans (RSL), which accounted for 9% of the loan book. High-risk RSL stood at 0.18% of Gross Advances, with no further stress in asset quality expected outside the RSL pool. Gross Non-Performing Assets (GNPA)* were at 4.06%, as against 3.59% in FY21. Net NPA stood at 2.37%, as against 1.52%.

*GNPA on advances including IBPC

Management Discussion & Analysis (Contd.)

Profit before tax came in at ₹378.11 crores. After providing for Income Tax of ₹97.38 crores, net profit came in at ₹280.73 crores compared to ₹384.22 crores during the previous year. RoA was at 1.10% and RoE was at 7.75%. As on March 31, 2022, the Bank's total balance sheet size stood at ₹26,951.90 crores, up from ₹24,708.47 crores, as on March 31, 2021.

Profit & Loss Summary

	₹ Cr	
	FY22	FY21
Net interest income	2,038.53	1,797.96
Non-interest income	537.56	418.05
Operating revenue	2,576.09	2,216.01
Operating expenses	1,704.14	1,329.43
Operating profit	871.95	886.58
Provisions	493.84	375.32
Profit before tax (PBT)	378.11	511.26
Provision for tax	97.38	127.04
Profit after tax (PAT)	280.73	384.22

Key Ratios

	%	
	FY22	FY21
Yield on advances	17.62	18.66
Cost of funds*	6.78	7.43
Spread	10.84	11.23
Net interest margin (NIM)	8.54	8.44
GNPA	4.06	3.59
Credit cost	2.60	2.26
Provision coverage	42.73	58.59
NNPA	2.37	1.52
ROA	1.10	1.70
ROE	7.75	12.70

Balance Sheet

	₹ Cr	
	FY22	FY21
Capital and liabilities		
Capital	1,252.03	1,139.28
Reserves and surplus	2,994.14	2,257.06
Deposits	18,950.80	16,391.97
Borrowings	2,616.40	4,165.32
Other liabilities and provisions	1,138.53	754.84
Total	26,951.90	24,708.47
Assets		
Cash and balances with RBI	956.99	514.81
Balances with banks and money at Call and short notice	1,175.52	2,863.90
Investments	4,449.85	3,705.17
Advances	19,374.21	16,848.19
Fixed assets	200.44	185.05
Other assets	794.89	591.35
Total	26,951.90	24,708.47

*Opening + closing average



Business Review

Advances

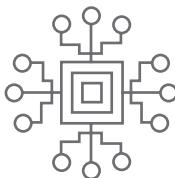
Particulars (₹ Cr)	FY22	FY21	YoY %
Small Business Loans (incl. Housing Finance)	9,521.91	7,971.14	19.46%
Vehicle Finance	5,046.97	4,530.11	11.41%
Micro Finance	3,906.81	3,235.73	20.74%
MSE Finance (Working Capital)	1,163.94	1,179.91	(1.36%)
Corporate Loans	758.42	782.66	(3.10%)
Others*	198.86	225.25	(11.72%)
Total	20,596.91	17,924.80	14.91%

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

Liabilities

Particulars (₹ Cr)	FY22	FY21	YoY %
Demand Deposits	772.15	520.07	48.47%
Savings Bank Deposits	9,083.22	5,093.76	78.32%
Term Deposits	9,095.43	10,778.14	(15.62%)
Retail Deposits	7,093.02	5,868.83	20.86%
Bulk Deposits	2,002.41	4,909.31	(59.22%)
Total Deposits	18,950.80	16,391.97	15.61%

Management Discussion & Analysis (Contd.)



Information Technology

The banking industry is moving towards a customer-centric business model where leaders are looking at scaling volumes using partner-driven businesses; this can be delivered using a service-oriented architecture. Open banking is also gaining popularity. It is necessary for Equitas now to embark on new technology trends to leverage the power of social, mobile, analytics and cloud. Envisaging the above, the Technology team at Equitas has chosen a path towards architectural transformation for infrastructure, applications and information security using cutting-edge tools.

Increased digital footprint has resulted in more and more online, non-physical interactions with customers, which emphasises the need to provide a safe and secure platform to build customer confidence. The Bank has laid a strong foundation for ensuring information and cyber security, which it aspires to take to the next level. The team is in the process of defining a risk approach that focuses on enabling quick delivery, near zero vulnerabilities during deployment, addressing data leakage in channels, advanced system behaviour-based detection, threatless end devices, frameworks for upcoming technologies and regulatory compliance. The key projects include – Big Data & Analytics, Cloud Initiatives, Customer 360, and Loan Origination Systems.

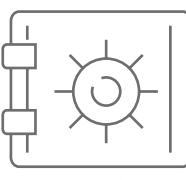
Initiatives – FY22

- Technology innovation, state-of-the-art infra with ample network bandwidth for scalability, futuristic partnerships and disruptive business models

- Adoption of agile development methodologies to stay ahead in digital/ FinTech space
- Improving network efficiency and availability across branches
- Improving speed and efficiency of accessing varied datasets, empowering corporate decision-makers with insights to formulate business and marketing strategies
- Effective customer acquisition system to automate decisions and allow straight through loan processing
- Upgrade of core banking software, environment software and hardware (nearing end of life/end of support) around core banking
- Further strengthening risk-weight scoring in line with BASEL II norms as per NCAF guidelines
- Early warning signal implementation for customer exposure above ₹3 crore basis loan data as well as data in public domain

Focus areas – FY23:

- Private and public cloud initiatives
- State-of-the-art unified CRM (Sales + Service)
- Enhance customer experience (CX) for internet banking and mobile banking
- Rehash ESB – for seamless API integration and API monetisation

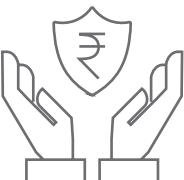


Treasury Operations

Treasury primarily focuses on funds management and maintenance of statutory reserve ratios and Basel ratios comprising Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Treasury manages liquidity risk by maintaining sufficient liquidity under the LCR framework set out by ALCO. Investments in SLR securities and non-SLR securities are maintained in compliance with regulatory norms as well as the Bank's Treasury and Investment Policy. Treasury is active in SLR trading and investments, generating incremental revenue in addition to interest income earned with focus on maximising portfolio yield. Treasury also participates in the equity market (both primary and

secondary), focusing on additional revenue generation and diversification. During the year under review, Treasury raised funds using a mix of instruments such as Inter Bank Participatory Certificates (IBPCs) and refinance from financial institutions at optimal cost. Treasury functions as the Bank's interface with market counterparts and has successfully leveraged excellent relationships with them, to aid fund raising and other activities. Treasury also closely works with the Liabilities team to aid deposit mobilisation while optimising cost of funds and seeking to broaden the Bank's liabilities profile. Treasury raised funds of ₹1,875 crores at an average rate of 4.22% as against the average funding cost of 6.58%* for the year.

*daily average cost of fund



Risk Management

Managing risk is fundamental for ensuring sustained profitability and stability of an organisation. Risk management is the process of identifying, assessing, and controlling threats to an organisation's capital and earnings and focuses on proactive approach to manage both existing and emerging risks.

The Bank views risk management as one of its core competencies and endeavours 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; aims to protect its financial strength and reputation; and ensures support to business activities for adding value to customers while creating sustainable shareholder value.

The Bank has risk management structure that augments the risk evaluation and management capabilities while staying nimble to adapt to the changing business and regulatory environment in an efficient and effective manner. The Board of Directors has the overall responsibility for management and governance of risk and approves the risk management policies. To ensure dedicated focus, the Board has delegated the responsibility to a sub-committee (Risk Management Committee of the Board), which reviews the implementation of Risk Management in the Bank and monitors the risk mitigation measures. The Bank has management-level committees – Executive

Risk Management Committee, Asset Liability Management Committee, Credit Risk Management Committee, Operational Risk Management Committee and Information Security & Cyber Risk Committee – which meet on a periodic basis to review the risks comprehensively in the respective areas. The bank has an independent risk management function headed by Chief Risk Officer.

During FY22, the Bank focused on further strengthening its risk management framework and implemented several steps to improve the processes. The Bank carried out periodic stress testing to measure the effect of the pandemic in order to gain insights on the impact of extreme situations on the Bank's risk profile and capital position. The Bank further enhanced its portfolio monitoring and analytics, data management and information reporting capabilities. Assessment of liquidity and other risks was carried out daily, fortnightly and monthly for effective liquidity planning and funding strategies. The Bank's operational risk management focused on adequate internal controls through the Risk and Control Self-Assessment process to strengthen the controls effectively. The Bank's Information Security management extended its focus on strengthening data security measures to protect information from cyber threats. The Bank participated in the Category A of the cyber drill conducted by the Institute for Development and Research in Banking Technology, an establishment by the RBI, and achieved 100% detection of all cyber-attacks.



Compliance

The Bank is committed to adhering to the highest standards of regulatory compliance, governance and ethics. The Compliance Department, headed by the Chief Compliance Officer (CCO), functions as an independent unit to assist the Management team in identifying compliance risks across the Bank and mitigating them by framing appropriate policies, procedures and oversight. The

Compliance Department also provides advisory support by reviewing policies and products rolled out by the Bank and has in place the required framework for transaction monitoring and testing the implementation of regulations. It also oversees Governance structures and handles regulatory relationships, including proactively engaging with the regulators for industry-level initiatives.

Management Discussion & Analysis (Contd.)



Internal Audit

The Bank's Internal Audit function provides independent assurance to the Board of Directors on an ongoing basis on the quality and effectiveness of its internal controls, risk management, governance systems and processes. Internal Audit Department undertakes various Audits like Risk Based Internal Audit (RBIA) of the branches, Credit Audit, Revenue Audit, Information System Audit, Thematic Audits and Management

Audit of the Head Office Departments. Concurrent Audit is being carried out for various areas like Treasury operations, KYC compliance, Payroll, Operations of central processing units, other expenditure etc., based on the risk assessment and regulatory requirements. Despite the restricted mobility during the year, Internal Audit was carried out diligently and the reports were reviewed at appropriate levels and remedial actions were taken.



Human Resources

The Human Resources (HR) function equips the diverse businesses and functions of the Bank through relevant people policies, processes and services. At the forefront of all HR services delivery stand the Core Values of the Bank. FY22 was an equally challenging year as the previous year with the second and third waves of Covid affecting the entire nation. The Human Resources (HR) function of the Bank continued to demonstrate and deliver through the pillars of its People Philosophy – Employee Care and Employee Connect.

Overcoming the Pandemic

The Bank adopted a two-pronged approach of medical treatment and support for employees and their family members while facilitating and building awareness on vaccination across its branches pan-India. Almost all the employees are vaccinated with around 95% of them being double vaccinated. The Bank's nimble and empathetic approach to the fast-developing situation on the ground helped employees overcome the challenges of the second and third waves of the pandemic with minimal disruption to banking services.

Headcount details:

ESFB Headcount Details (as of March 31, 2022)	
Total employees	17,607
Employees on contractual basis for the year	6
Women employees	1,897



Talent Attraction

The Bank ended the year with an employee strength of 17,607, up by about 6.2% from last year. Women comprised 11% of the total workforce of the Bank. The Bank has digitised its onboarding process to seamlessly onboard new employees remotely. All new employees are contacted by HR periodically from their date of selection in a structured manner to help them settle down in their workplace and address any challenges they may face. HR continued to help cement a strong value-based people culture across the organisation through various learning interventions for new employees.

The Management Trainee programme was introduced in the Bank in FY22. The entire Campus Connect and Hiring programme was conducted virtually in leading business schools including IIMs. The Bank looks forward to welcoming these dynamic Management Trainees during the first quarter in diverse and exciting roles at its Corporate Office.



Talent Management

The Bank completed the Annual Performance Review in June 2021 for FY21 covering around 12,000 eligible employees. The Performance Review process is based on the Bank's Core Values of Fairness & Transparency and Pride of Performance. Its High Achiever's Club (HAC) had around 950 employees in the year with consistent high-performance ratings, up from about 650 the previous year.

As part of the Connect Program, the HR team ensured that every branch in the country was visited by HR at least once during the year, either virtually or physically. They interacted with employees and helped provide solutions through collaboration with other functions. In FY22, the Bank continued the second year of 'Sampark' where HR telephonically connected with every employee in the Bank to enquire about their and their family's well-being and offer support wherever required. In the Assets Division, the Potential Hero Program helped employees at the branches improve their performance through focussed group discussions, mentoring and support.

The Bank hosted a series of programmes such as health camps for women employees, guest talks by prominent women achievers, self-defence sessions and exciting contests to celebrate Women's Day. Women entrepreneurs from diverse marginalised communities who were provided Skill Training by Equitas and supported with Micro Finance loans were invited to the Corporate Office to showcase their products. The 'SHEROS' initiative was launched for hiring women for specific roles in the Bank.

Talent Development

Learning & Organisational Development (L&OD) continued to create a culture of continuous learning and improvement by designing and delivering immersive, insightful and structured Talent Development initiatives:

- **Training Architecture (TA):** During FY22, a robust Training Architecture was developed to identify the key learning needs catering to diverse business roles constituting from Branch (Assets and Liabilities) and Centralised Processing Centre (CPC) teams. The architecture captured the key learning priorities of the Bank's employees across various stages of their career.

- **Induction and Regulatory Mandated Training:**

Induction Campaigns: Every on-boarded new joiner undergoes the 'Induction program' that facilitates them in their quick integration with the Bank and fast tracks their settling process with their respective teams. 99% of new joiners completed their induction within 30 days from their date of joining.

Regulatory Mandated Training: Continuous monitoring ensured the successful completion of Regulatory Mandated training requirements. These trainings focus on areas such as Risk, Finance, Credit, Treasury, POSH Compliance, Information Security, Code of Conduct, Prevention of Insider Trading, Prevention of Fraud, among others. 100% of the Bank's eligible employees successfully completed their mandated KYC training.

- **Specialised Training**

The training content and interventions focuses on two broad areas i.e., Behavioural and Functional. The organisation possesses the in-house capability to develop and deliver the learning content as well as seamlessly collaborate with external learning partners wherever deemed necessary.

Behavioural: An array of behavioural interventions was designed and delivered by tapping both in-house and external capabilities. Some key external interventions delivered include – programmes for Regional Managers and the Digital Solutions team. The Bank designed and delivered 44 in-house behavioural sessions covering 525 learners.

Functional: The market dynamics and evolving job roles determine the functional learning agenda. In-house functional interventions were focused more on Selling Skills, Products, Digital Solutions, Process, Systems & Software, Risk, Credit and Legal aspects.

The Bank's collaboration with the Manipal Institute of Banking and Confluence Learning has strengthened the capabilities of its branch staff in the areas of Relationship Management, Cross Selling, Wealth Management, Productivity Enhancement, Regulatory Compliance, among others. The Bank also partnered with a world leader in the sector, Skillsoft to digitally deliver key training initiatives.

- **Training Man-days**

The Bank clocked 68,788 training man-days in FY22, an improvement of about 30% as over the previous year. An average of 4.30 man-days per employee was achieved this year, of which nearly 60% of the trainings were delivered through the e-learning platform and 40% were delivered through instructor-led programmes. In FY22, training was provided to 15,722 unique employees.

- **Culture Initiatives**

Equitas Bank is built on the bedrock of 'Value Based Culture'. Having a shared belief and core values system has become an integral part of the Equitas DNA and work structure ever since its inception. The team continued to help institutionalise and internalise the Bank's Mission and Core Values among its employees by designing and implementing various culture developmental initiatives.

Management Discussion & Analysis (Contd.)

- Culture 'awareness' workshop:**

The HR team stepped up its momentum and delivered 361 culture workshops comprising 6,428 employees till date. The Bank institutionalised two special cultural award programmes that were launched and rolled out during the year.

High Five Champion: A monthly recognition event of the top five branches, which highlights and rewards the collective demonstration of core values behaviours at the branch level

Value Victor Award: A quarterly event, which recognises an individual employee's contribution above and beyond the call of duty through nomination and evaluation by value champions. Till date, the programme has

recognised 15 trophy winners and 26 certificates of appreciation.

Celebration moments and the winning experience of these culture award winners were captured and circulated across Bank to create buzz and visibility.

Recognitions

The efforts of the Bank to build a values-based thriving workforce was recognised in the industry. Equitas was certified as Great Place to Work by the Great Place to Work Institute for the period February 2022–February 2023. It was also awarded the Best Place to Work in India 2021 in the category of Mid-size Banking Companies by AmbitionBox.



Corporate Social Responsibility

The Mission of Equitas Group is 'Empowering through Financial Inclusion'. In line with this Mission, besides providing quality and affordable financial services to underserved and unserved people, Equitas has developed a wide range of initiatives towards improving the quality of life of its low-income constituents. These initiatives are carried out through a 'not-for-profit' Trust – Equitas Development Initiatives Trust [EDIT] – established by the Company.

As per the CSR Policy, contributions up to 5% of net profit in each financial year, subject to minimum contribution stipulated under the Companies Act, 2013, are made to EDIT to carry out CSR initiatives. The various CSR activities undertaken include: i) running eight schools (seven owned schools and one belonging to the VSKD Trust). Student strength for the 2021-22 academic year stands at around 5,700; ii) skill development of women through training in tailoring and

embroidery, doll making, artificial jewellery making, candle making etc.; iii) pavement dwellers rehabilitation programmes (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.

The Bank through EDIT joined hands with local state government agencies to accelerate the nationwide vaccination drive and ensure vaccine access to the last mile. While the government provided vaccines free of cost and health workers to administer the doses, the Bank set up the vaccination camps equipped with communications materials, water and face masks, and transport for health workers, and leveraged its ecosystem to address hesitancy and create awareness. More than 41,000 vaccination camps were organised immunising 5 million people by July 2021.





Advances

Nature of activity	FY22	Cumulative
No. of eye-camp participants [A]	27,002	25,60,939
No. of spectacles [free of cost]	1,023	1,18,186
No. of cataract operations [free of cost]	58	32,712
People covered in other Medical Camps [B]	34,509	38,60,389
People covered in Vaccination Camps [C]	44,62,729	44,62,729
Total [Eye camps + Med. Camps+ Vaccination Camps[A]+[B]+[C]	45,24,240	1,08,84,057
Veterinary camps in Rural areas	2,800	12,028
Participants in skill training programs	21,072	5,84,014
No. of people accessing Health Helpline	68	32,263
Placements for Unemployed youth	25,204	2,23,929
SwasthMahila Health Education	21,790	3,11,890
Equitas Birds Nest [Pavement Dwellers Rehabilitation program]	128	2,229

Support to women with Disabilities and Transgender

In addition, the Bank through its Micro Finance loan programme supported 54,897 persons with disabilities during FY22 and cumulatively 1,28,051 persons. Of these, 33,447 visually challenged persons were supported during the year and cumulatively 54,764. Encouraged by this inclusive model, the Bank has mainstreamed 282 transgenders in the women's group.



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. Actual results could differ materially from those suggested by the 'forward looking statements' as those statements involve a number of risks, uncertainties and other factors. These risks and uncertainties include, but are not limited to, the Bank's ability to successfully implement its strategies, future levels of non-performing advances, growth and expansion, the adequacy of allowance for credit losses, provisioning policies, technological changes, regulatory changes, investment income, cash flow projections, exposure to market risks, uncertainties arising out of the COVID-19 pandemic or other risks.

For and on behalf of the Board of Directors

Chennai
May 19, 2022

P N Vasudevan
MD & CEO

Arun Ramanathan
Chairman

Directors' Report

To
The Members
Equitas Small Finance Bank limited

Your Directors have pleasure in presenting the Sixth Annual Report on the business and operation of the Bank, together with the audited Accounts of the Bank for the financial year ended March 31, 2022 (FY 2021-22).

1. Summary of Financial Performance

The summary of Bank's financial performance for the FY 2021-22 compared to the previous year 2020-21 is given below:

Particulars	For the Year ended March 31, 2022	For the Year ended March 31, 2021	(₹ in lakhs) Y-o-Y %
Deposits & Other Borrowings	21,56,719.73	20,55,729.17	4.92%
Advances	19,37,420.60	16,84,818.90	15.00%
Total Income	3,99,722.58	3,61,246.79	10.65%
Operating Profits (Profits before Provision, Depreciation and Taxation)	94,723.00	96,301.96	(1.64%)
Less: Depreciation	7,528.31	7,643.32	(1.51%)
Less: Provision and contingencies	49,383.69	37,531.96	31.58%
Less: Provision for Taxation	9,737.82	12,704.36	(23.35%)
Net Profit	28,073.18*	38,422.32	(26.94%)
Add: Profit brought forward from previous year	89,823.86	64,313.84	39.67%
Total Profit Available for Appropriation	1,17,897.04	1,02,736.16	14.76%
Appropriations			
Transfer to Statutory Reserve	7,018.30	9,605.58	(26.94%)
Transfer to Special Reserve	968.43	742.44	30.44%
Transfer to Capital Reserve	105.63	2,366.08	(95.54%)
Transfer to/ (from) Investment Reserve	Nil	Nil	Nil
Transfer to/ (from) Investment Fluctuation Reserve	124.71	198.20	(37.08%)
Proposed Dividend	Nil	Nil	Nil
Tax including Surcharge and Education cess on Dividend	Nil	Nil	Nil
Balance carried over to Balance Sheet	1,09,679.97	89,823.86	22.11%

*The Net profit of the Bank for FY 21-22 was lower compared to previous FY 20-21 due to increase in credit cost resulting primarily from higher provisioning for restructured advances and increase in Gross NPA during the year.

2. Dividend

Considering the need to preserve capital to support growth and expansion, the Board of Directors did not recommend any dividend for the financial year ended March 31, 2022. The Dividend distribution policy of the Bank is available in our website [click here](#)

3. Transfer to Reserves

As per the requirement of RBI Regulations, the Bank has transferred the following amounts to various reserves during year ended March 31, 2022.

Amount transferred to	₹ in lakhs
Statutory Reserve	7,018.30
Special Reserve	968.43
Capital Reserve	105.63
Investment Fluctuation Reserve	124.71

4. Deposits

Being a Banking Company, the Bank receives and accepts deposits. The details of the deposits are enumerated in the financial statements for FY 2021-22.

5. Capital Adequacy

The Capital Adequacy ratio stood at 25.16% as on March 31, 2022 as against the minimum requirement of 15% stipulated by RBI. The Net Worth of the Bank as on the said date was ₹4,24,616.86 lakhs.

6. Material changes after the Balance Sheet Date as at March 31, 2022

There have been no material changes and commitments between the end of FY 2021-22 and the date of this report, affecting the financial position of the Bank.



Directors' Report (Contd.)

7. Share Capital

During the year, there has been no change in the Authorised share capital of the Bank.

The Bank has allotted in aggregate 1,01,18,318 Equity Shares to employees of the Bank under the ESFB Employees Stock Option Scheme, 2019.

Except for issue of 10,26,31,087 Equity shares through QIP as detailed under paragraph 12 below, there was no capital infusion during the year. Total paid up share capital of the Bank was increased by ₹112,74,94,050 (One Hundred and Twelve crores seventy four lakhs ninety four thousand and fifty) and as on March 31, 2022 it stood at ₹1252,02,76,550 (One thousand two Hundred and Fifty two crores two lakhs seventy six thousand five hundred and fifty) comprising of 125,20,27,655 equity shares with face value of ₹10 each.

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

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

9. Operational highlights

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

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

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

11. Corporate Social Responsibility (CSR)

The Bank has laid down a Corporate Social Responsibility (CSR) Policy, which is available on our website [click here](#)

The Bank contributes the higher of 5% of its previous year net profits or 2% of average net profits made during the preceding three financial years to Equitas Development Initiatives Trust (EDIT) and Equitas Healthcare Foundation (EHF), registered Public Charitable Trusts for carrying out CSR activities on its behalf. A report is enclosed as Annexure I.

The Bank has constituted a CSR Committee which

- a) recommends to the Board an Annual activity plan in line with the CSR policy and CSR contribution of the Bank for the year.
- b) monitors the implementation of the Plan as approved.
- c) Reviews and recommends changes to the policy from time to time.

12. Scheme of amalgamation between Equitas Holdings Limited (EHL) and Equitas Small Finance Bank Limited (the Bank)

The Board of Directors of Equitas Small Finance Bank Limited (ESFBL) and Equitas Holdings Limited (EHL) at their respective Meetings held on July 26, 2021 approved a Scheme of Amalgamation between EHL, ESFBL and their respective shareholders, contemplating amalgamation of EHL with ESFBL under applicable provisions of the Companies Act 2013. The Scheme was designed to achieve the RBI licensing requirement of dilution of promoter shareholding in the Bank and minimum public shareholding (MPS) requirements prescribed by SEBI Regulations, in a manner that is in the best interests of and without being prejudicial to EHL, ESFBL, their respective shareholders or any other stakeholders.

Subsequently, ESFBL achieved the MPS through a Qualified Institutions Placement (QIP) of its shares, in February 2022, after obtaining the necessary approvals. QIP comprised issue of 10,26,31,087 equity shares of ₹10/ each at premium of ₹43.59 per share, aggregating to a fund raise of ₹ 550 crore utilised 100% for augmenting the Tier 1 capital of the Bank during the year. As a result of this QIP, the public shareholding in the Bank increased from 18.70% to 25.37%, thereby complying with the Minimum Public Shareholding (MPS) requirements prescribed by SEBI Regulations.

Consequently, the aforesaid Scheme was revised to include the change in capital structure arising from QIP as well as the necessary change in objects of the Scheme. The Scheme, so revised was approved by the Boards of EHL and ESFBL in their respective Meetings held on March 21, 2022. The Scheme has been filed with the Stock Exchanges and RBI for necessary approvals/sanctions. The RBI vide its letter dated May 6, 2022 has granted its conditional NOC to the Scheme while other approvals are awaited.

Upon coming into effect of this Scheme and in consideration of the amalgamation of EHL with ESFBL, without any further application, act or deed,

Directors' Report (Contd.)

shall issue and allot to each of the equity shareholders of EHL as on the Record Date defined in the Scheme, 231 equity Shares of ₹ 10/- each credited as fully paid up of ESFBL, in respect of every 100 Equity Shares of ₹ 10/- each fully paid up held by them in EHL.

13. Meetings of the Board

During FY 2021-22, our Board met Eighteen (18) 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 Companies Act 2013.

14. Directors and Key Managerial Personnel

As on the date of this Report, the Bank has Ten Directors out of which there are nine Independent Directors including a Woman Independent Director.

Change in Directors

14.1 Section 152 of the Companies Act 2013 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) of the Companies Act 2013, 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 one Director viz., Mr. Vasudevan P N, MD & CEO liable to retire by rotation. Mr. Vasudevan P N will retire in the ensuing AGM of the Bank and being eligible, offers himself for reappointment. The Directors recommend his re-appointment and the same is being placed for approval of the shareholders at the ensuing Annual General Meeting.

14.2 During the year, Mr Sridhar Ganesh and Ms Tabassum Inamdar, Independent Directors ceased to be Directors of the Bank upon expiry of their term w.e.f. September 04, 2021 and October 21, 2021 respectively.

The Board of Directors place on record its appreciation for the valuable services rendered by Mr Sridhar Ganesh and Ms Tabassum Inamdar during their tenure as Directors of the Bank.

Pursuant to recommendation of Nomination & Remuneration Committee (NRC), the Board of Directors of the Bank at its Meeting held on December 27, 2021, appointed Ms Geeta Dutta Goel and Prof Samir Kumar Barua as Additional Director (Independent) of the Bank w.e.f. close of business hours on December 27, 2021. NRC recommendation was made after evaluating various candidates as per the Criteria set out at its meeting held on December 23, 2021.

The terms and conditions of appointment of Independent Directors are also available on the website of the Bank, [click here](#).

The appointment of Independent Director during the year was made with satisfaction of the Board after ascertaining the integrity, expertise, experience and proficiency of the Directors. Appropriate resolution recommending their appointment as Independent Director with effect from December 27, 2021 with brief profile and explanatory statement is placed for approval of shareholders at the ensuing Annual General Meeting.

14.3 Pursuant to recommendation of Nomination & Remuneration Committee and subject to approval of RBI and shareholders, the Board in its Meeting held on May 4, 2022 has approved the appointment of Mr Rohit Gangadharao Phadke, Sr President- Retail Assets and Mr Murali Vaidyanathan, Sr President & Country Head- Branch Banking- Liabilities as Whole-time Directors of the Bank to be designated as Executive Directors, to take effect from the date of approval of proposal by RBI. The appointment shall be for a period of three years or for such other period as may be approved by RBI.

Familiarisation Programme

The Bank has familiarised the Independent Directors of the Bank of their roles and responsibilities in the Bank, nature of industry in which the Bank operates, business model of the Bank, etc. The details of the familiarisation programme imparted to Independent Directors are available on the website of the Bank [click here](#)

Key Managerial Personnel (KMP)

There were no changes in KMPs during the Financial Year 2021-22. As at March 31, 2022, 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)

There were no change in the Key Managerial Personnel during the year.

15. Declaration from Independent Directors

The Board has received declarations from the Independent Directors as required under Section 149(7) of the Companies Act 2013 and the Board is satisfied that the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Companies Act 2013.



Directors' Report (Contd.)

16. Evaluation of Board Performance

The performance of the Board, Committees of the Board, Chairman, Individual Directors & the Key Managerial Personnel, were evaluated on the basis of criteria as approved by the Board for the FY 2021-22. All the Directors were provided the criteria for evaluation and forms, which were duly filled. The feedback from the Directors was collated. Feedback relating to the Directors were shared with the respective Directors and feedback relating to the Committees and the Board were discussed in the Board.

17. Policy on Directors' appointment, remuneration and other details

Pursuant to the provisions of Section 178 of the Companies Act, 2013, the Bank has formulated and adopted Policy on selection of Directors and Remuneration Policy, which are disclosed in our website, Click [here](#) and [here](#).

18. Directors' Responsibility Statement

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

- i) in the preparation of the annual accounts for the year ended March 31, 2022, the applicable accounting standards have been followed along

with proper explanation relating to material departures,

- ii) such accounting policies as specified in Schedule 17 to the Financial Statements have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2022 and of the profit of the Bank for the year ended on that date,
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities,
- iv) annual accounts have been prepared on a going concern basis,
- v) internal financial controls to be followed by the Bank were laid down and that the same were adequate and were operating effectively, and
- vi) proper systems to ensure compliance with the provisions of all applicable laws was in place and the same were adequate and operating effectively.

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.

The ratio of remuneration of each Director to median employee remuneration is as below:

Chairman	4.12:1
Chairman, Audit Committee	3.09:1
MD & CEO	58.32:1
Other Independent Directors except Prof Samir Kumar Barua and Ms Geeta Dutta Goel*	2.06:1
Prof Samir Kumar Barua (who joined on December 27, 2021)	0.54:1

*Ms Geeta Dutta Goel has waived her right to receive remuneration for FY 2021-22

Directors' Report (Contd.)

(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;	There has been no increase in remuneration* of Independent Directors during FY 2021-22 as compared to FY 2020-21. The increase in remuneration of Key Managerial Personnel is provided below: Chief Executive Officer - 28% Chief Financial Officer – 31%** Company Secretary - 25% *does not include sitting fees #excluding the variable pay component as the separate application needs to be made to RBI every year seeking approval. During the year 2021-22, the Board approved an increase in remuneration of MD & CEO. The proposal is submitted to RBI and awaiting approval. **does not include perquisite value arising out of exercise of options by the employee
(iii) the percentage increase in the median remuneration of employees in the financial year;	15%
(iv) the number of permanent employees on the rolls of the Bank as on March 31, 2022	17,607
(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.	The average percentage increase in salaries of employees other than the managerial personnel in the last financial year was 12%.
(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 Companies Act, 2013, the report and accounts is being sent to the Members and others entitled thereto, excluding the statement prescribed under rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The aforesaid information is available for inspection at the registered office of the Bank during the business hours on working days of the Bank. If any member is interested in obtaining a copy, such member may write to the Company Secretary in this regard.

21. Whistle Blower Policy/ Vigil Mechanism

The Bank has adopted a Whistle Blower Policy and Vigil Mechanism in compliance with the relevant provisions of Companies Act, 2013 and Rules thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Policy provides an opportunity to address concerns of employees & Directors relating to fraud, malpractice or any other activity or event which is against the interest of the Bank or society as a whole. The Policy is available in the Bank's website, [click here](#).

During the year under review, the Bank received six complaints under the Whistle Blower Policy of the Bank, all of which were redressed and reported to Audit Committee. The functioning of the Mechanism is reviewed by the Audit Committee from time to time. No employee of the Bank has been denied

access to the Audit Committee for raising a whistle blower complaint.

22. Ratings of Debt Instruments

Instrument	Nature	Rating	Rating Agency	Amount
Non-Convertible Debentures / Subordinated Debt	Long Term	CRISIL A+ / Stable	CRISIL Ratings Ltd	₹ 150 Crores
Certificate of Deposit	Short Term	CRISIL A1 +	CRISIL Ratings Ltd	₹ 1,000 Crores
Issuer Rating	Short Term	Ind A1+	India Ratings & Research P Ltd	NA

23. Auditors & their Report

Reserve Bank of India ("RBI") has on April 27, 2021, issued the Guidelines for Appointment of Statutory Central Auditors/Statutory Auditors of Commercial banks which are applicable for the FY 2021-22 ("RBI Guidelines"). The RBI Guidelines has capped the term of statutory auditors at three years, replacing the earlier cap of four years.



Directors' Report (Contd.)

The Board of Directors of the Bank in their Meetings held on April 29, 2021 and June 01, 2021 had appointed M/s T R Chadha & Co LLP (TRC), Chartered Accountants and M/s Varma and Varma, Chartered Accountants as Joint Statutory Auditors of the Bank till 2023-24 in accordance to the RBI guidelines. Subsequently, the said appointment was approved by the Shareholders at the Fifth AGM on August 12, 2021. The appointment was approved by RBI for FY 2021-22 vide letter dated June 13, 2022.

As per the RBI guidelines, the appointment of Joint statutory auditors should be subject to annual approval from Reserve Bank of India. The Audit Committee of the Board had reviewed the performance of the Auditors during the financial year 2021-22 and their Independence by taking note of the eligibility letters received from the Auditors stating that they continue to satisfy the criteria provided in Section 141 of the Companies Act, 2013 and RBI Regulations, their continuance, if approved, will be in accordance with the conditions prescribed under the Companies Act, 2013 and Rules thereunder as well as the applicable RBI Regulations and recommended their continuance to the Board. Board of Directors at its Meeting on May 04, 2022 considered the recommendation and approved the continuance of the Joint Statutory Auditors for the FY 2022-23 as they satisfy with the eligibility Norms as per the RBI guidelines.

Auditor's Report

There are no qualifications, reservations or adverse remarks made by the Joint Statutory Auditors of the Bank, M/s. Varma & Varma and T R Chadha & Co LLP, Chartered Accountants (ICAI Firm Registration No. 006711N/N500028,) in their report on the financial statements for the FY 2021-22. Further, pursuant

Information as required under Section 62 of the Companies Act, 2013 and Rule 12 of the Companies (Share Based Employee Benefits) and the SEBI SBEB & SE Regulations 2021:

Particulars	Total
Number of options granted during the year	81,61,946
Number of options forfeited / lapsed during the year	41,22,261
Number of options vested during the year	1,00,92,124
Number of options exercised during the year	1,01,18,318
Number of shares arising as a result of exercise of options	1,01,18,318
Money realized by exercise of options (INR), if scheme is implemented directly by the Company	₹ 28,96,93,068
Loan repaid by the Trust during the year from exercise price received	Not Applicable
Option Granted but not vested	1,02,19,214
Options Vested but not exercised	2,75,20,273
Options Available for Grant	6,11,14,031

to Section 143(12) of the Companies Act, 2013, the Statutory Auditors of the Bank have not reported any instances of frauds committed in the Bank by its officers or employees.

24. Details of Employee Stock Options Scheme (ESOS)

The Bank, pursuant to the resolutions passed by the Board and the Shareholders of the Bank on January 31, 2019, adopted the ESFB Employee Stock Option Scheme (ESOS), 2019 ("ESFB ESOP 2019"). The Bank has amended the ESFB ESOP 2019 pursuant to the resolutions of the Board and Shareholders of our Bank dated November 7, 2019 & November 22, 2019 respectively.

Post listing of Equity shares of the Bank the ESFB ESOP 2019 was ratified by the Shareholders by way of a special resolution dated February 08, 2021 as required by Regulation 12 of erstwhile SEBI (Share Based Employee Benefits) Regulations 2014. Further, as recommended by NRC, the Board of Directors at its Meeting dated January 28, 2022 had approved modifications to the ESFB ESOP 2019 aligning the scheme as per the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

The Bank may grant an aggregate number of up to 11,00,00,000 employee stock options under ESFB ESOP 2019. The objective is to enable the Bank to attract and retain the best available talent to contribute and share in the growth of the Bank.

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

Directors' Report (Contd.)

Employee Wise details of the options granted to

A) Key Managerial Personnel

S. No	Name of Employee	Designation	No of options granted	Exercise Price	% of options granted
1	Sridharan N	CFO	72,680	64	0.89
2	Sampathkumar KR	Company Secretary	9,280	64	0.11

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

S. No	Name of Employee	Designation	No of options granted	Exercise Price	% of options granted
1	Vasudevan P N	Managing Director & CEO	16,85,489	57.85	20.65%
2	Rohit Phadke	Senior President and Head Retail Assets	4,44,708	60.00	5.45%

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

25. Secretarial Auditors

The Secretarial Audit Report of M/s B Ravi & Associates, Practising Company Secretaries (C.P. 3318) is enclosed as Annexure – II. The Bank has complied with the applicable Secretarial Standards relating to 'Meetings of the Board of Directors' and 'General Meetings' during the year. There are no qualifications, reservations, adverse remarks or disclaimers made by the Secretarial Auditors.

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.

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 2021-22, the Bank had no activity relating to conservation of energy or technology absorption.
- 26.2 During FY 2021-22, the Bank incurred foreign currency expenditure of ₹ 45.19 lakhs.

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.

27. Particulars of contracts or arrangements with Related Parties

During FY 2021-22, there were no transactions requiring reporting under Section 188(1) of the Companies Act, 2013 in Form AOC-2. The Policy on dealing with material Related party transactions is available at [Click here](#)

28. Risk Management

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

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



Directors' Report (Contd.)

statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter.

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

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 2021-22, six complaints were received under the Policy which were dealt with as per the process laid down and disposed of.

33. Depository System

As the Members are aware, the Bank's Equity Shares are tradable in electronic form. As on March 31, 2022, out of the Bank's total equity paid up share capital comprising of Equity Shares, only 115 equity shares were in physical form and the remaining shares were in electronic form. In view of the numerous advantages offered by the Depository System, the Members holding shares in physical form are advised to avail themselves of the facility of dematerialisation.

34. The Annual Return MGT-7 as required under the Companies Act, 2013 is available at the website of the Bank, [click here](#).

35. 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.

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 guidance provided to the various activities of the Bank by the Board of the Holding company. The Directors place on record their sincere thanks to the valued constituent of the Bank, for their support and patronage and their deep sense of appreciation to all the employees of the Bank for their unstinted commitment to the growth of the Bank.

For and on behalf of the Board of Directors

Place: Chennai

Date: May 19, 2022

Vasudevan P N Arun Ramanathan

MD & CEO

Chairman

Directors' Report (Contd.)

Annexure -I

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 on the Bank's CSR policy

CSR Policy of the Bank is available in our website, [click here](#). As per the CSR Policy, the Bank makes contribution upto higher of 5% of its net profits of the immediately preceding financial year or 2% of average profits of the Bank for the past three years for undertaking such CSR projects or activities as approved for the year. The CSR Committee and the Board oversees the projects undertaken by implementing agencies, is done by the CSR Committee and the Board. A brief note on various projects undertaken by the Bank is enclosed as annexure.

2. The Composition of the CSR Committee is as follows:

S No	Name of the Director	Designation/ Nature of directorship	No of Meetings of CSR Committee during the year	No of Meetings attended
1	Ms Tabassum Inamdar*	Independent Director	2	1
2	Mr Sridhar Ganesh*	Independent Director	2	1
3	Ms. Geeta Dutta Goel#	Independent Director	No meetings were held from Jan to March 2022.	
4	Mr. Vinod Kumar Sharma	Independent Director	2	1
5	Mr Srinivasan N	Independent Director	2	2
6	Mr Navin Puri#	Independent Director	2	2
7	Mr Vasudevan P N	MD & CEO	2	2

*Ms. Tabassum Inamdar & Mr. Sridhar Ganesh ceased to be Directors of the Bank upon expiry of their term w.e.f September 04, 2021 and October 21, 2021 respectively and Mr. Vinod Kumar Sharma was inducted as a Member of the Committee w.e.f October 18, 2021.

Mr Navin Puri stepped down as a Member of the Committee and Ms Geeta Dutta Goel was inducted as a Member of the Committee w.e.f January 28, 2022

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

3. The composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the Bank at [Click here](#) and [here](#).

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report).

Discussions are underway with four agencies to carry out impact assessment of key projects during the period 2019-2022. This was delayed due to the Pandemic and is planned to commence from August 2022. The last such study was conducted for the period 2016-18.

5. Details of amount available for set off in pursuant of sub-rule (3) of rule 7 of Companies (Corporate Social Responsibility) Rules, 2014 and amount required for set off for the financial year, if any

S No	Financial Year	Amount available for set-off from preceding financial year (₹in lakhs)	Amount required to be set-off for the financial year, if any (₹in lakhs)
1	2020-21	974.79	Nil
2	2019-20	959.45	Nil
3	2018-19	660.36	Nil



Directors' Report (Contd.)

Annexure -I

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

Particulars	₹ in lakhs
Profit –2020-21	52,695.96
Profit –2019-20	36,447.01
Profit –2018-19	33,259.73
Average Profit for CSR purpose	40,800.90

7. CSR Obligation for the financial year

Particulars	₹ in lakhs
a. 2% of average profits for the past three years	816.02
b. Surplus arising out of the CSR projects or programmes or activities of the previous financial years.	Nil
c. Amount required to be set off for the financial year, if any	Nil
Total CSR obligation for the financial year (a + b - c).	816.02

8. CSR Expenditure during the year

a) CSR Amount spent or unspent for the financial year

Total Amount spent for the financial year (₹ in lakhs)	Amount Unspent (₹ in lakhs)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of Transfer	Name of fund	Amount	Date of Transfer
	Nil	NA	Nil	Nil	NA

b) Details of CSR amount spent against ongoing projects for the financial year

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
S No	Name of project	Item from list of activities in Sch VII	Local Area (Y/N)	Location of project	Project duration	Amount allocated (₹ lakhs)	Amount spent in current financial year (₹ lakhs)	Amount transferred to unspent CSR Account	Mode of Implementation Direct or through implementing agency	Direct Name	CSR Number
1	Hospital construction	Health care	Y	TN Kanchipuram	2020-21 to 2022-23	901.00	770.81	NA	Direct	Equitas Healthcare Foundation	CSR00002381
Total						901.00	770.81				

The unspent amount on the ongoing project would be utilized by the implementing agency within the next three financial years.

Directors' Report (Contd.)

Annexure -I

c) Details of CSR Amount spent against other than ongoing project for the Financial Year

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
S No	Name of project	Item from list of activities in Sch VII	Local Area (Y/N)	Location of project	Amount spent for the project (₹ lakhs)	Mode of Implementation Direct or through implementing agency		
				State District		Direct	Name	CSR Number
1	Equitas Gurukul School - Trichy	Education	Y	TN Trichy	140.55	Imple- menting agency	Equitas Development Initiatives Trust	CSR00001339
2	Equitas Gurukul School - Dindigul	Education	Y	TN Dindigul	124.89			
3	Equitas Gurukul School - Coimbatore	Education	Y	TN Coimbatore	123.44			
4	Equitas Gurukul School - Salem	Education	Y	TN Salem	105.41			
5	Equitas Gurukul School - Karur	Education	Y	TN Karur	155.33			
6	Equitas Gurukul School - Cuddalore	Education	Y	TN Cuddalore	109.54			
7	Equitas Gurukul School - Kumbakonam	Education	Y	TN Kumbakonam	109.94			
8	Equitas Health Camp	Health care	Y	TN Camp	150.90			
Total					1020.00			

d) Amount spent in administrative overheads

- Nil**

**The expenditure by the Bank incurred on monitoring of CSR activities is not included in the CSR expenditure of the Bank.

e) Amount spent on impact assessment, if applicable

- Nil

f) Total Amount spent by implementing agencies in financial year (b+c+d+e)

- ₹. 1,790.81 lakhs

(Total CSR contribution to the implementing agencies during the year was ₹ 1,921 lakhs)

g)	Sl.No Particulars	Amount (₹ in lakhs)
i)	Two percent of average net profit of the company as per section 135(5)	816.02
ii)	Total amount spent for the Financial Year	1790.81
iii)	Excess amount spent for the financial year [(ii)-(i)]	974.79
iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	0
v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	974.79

9. (a) Details of unspent CSR amount for the preceding three financial years

S No	Preceding financial year	Amount transferred to Unspent CSR Account under section 135(6) ₹ in lakhs	Amount spent in the reporting financial year ₹ in lakhs	Amount transferred to any fund specified under Schedule VII as per section 135 (6), if applicable			Amount remaining to be spent in the succeeding financial year ₹ in lakhs
				Name of fund	Amount ₹ in lakhs	Date of transfer	
1	2019-20	Nil	NA	NA	NA	NA	Nil
2	2018-19	Nil	NA	NA	NA	NA	Nil
3	2017-18	Nil	NA	NA	NA	NA	Nil



Directors' Report (Contd.)

Annexure -I

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
S No	Name of project	Financial year in which project was commenced	Project duration	Total amount allocated for the project (₹ in lakhs)	Amount spent on the project in the reporting financial year (₹ in lakhs)	Cumulative Amount spent at the end of reporting financial year (₹ in lakhs)	Status of the project – Completed/ongoing
1	Hospital construction	2020-21	Three Years	3,500	770.81	968.27	Ongoing

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year

There was no asset created or acquired through CSR spend during the financial year

(a) Date of creation or acquisition of capital asset(s)	NA
(b) Amount of CSR spent for creation or acquisition of capital asset	NA
(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc	NA
(d) details of the capital asset(s) created or acquired including complete address and location of the capital asset	NA

11. Specify the reason(s), if the company has failed to spend two percent of the average net profits as per section 135 (5)

Not applicable as the CSR spend of the Bank has always been in excess of the minimum CSR obligation prescribed under the Act.

Vasudevan P N

MD & CEO

N.Srinivasan

Chairperson – CSR Committee

Place: Chennai

Date: May 19, 2022

Annexure to CSR Report – FY 2021-22

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 ecosystem initiatives towards improving the quality of life of people belonging to Economically Weaker Sections (EWS) and Low Income Groups (LIG).

These initiatives are carried out through two not-for-profit trusts viz., Equitas Development Initiatives Trust (EDIT) and Equitas Healthcare Foundation (EHF), registered Public Charitable Trusts established by Equitas Holdings Limited.

As per the CSR Policy, the Bank contributes upto 5% of its net profits of the previous financial year to EDIT and EHF to carry on CSR initiatives on behalf of the Bank.

CSR activities carried out through the implementing agencies are detailed below:

A. Educational Initiatives

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

EDIT is currently running seven such schools at Trichy, Dindigul, Salem, Karur, Cuddalore, Coimbatore and Kumbakonam with around 5,800 students. More than three fourths of the students are from Economically Weaker Sections and socially disadvantaged sections of the society.

B. Skill development

Equitas has imparted training to 5,84,014 Self Help Group women members in skills such as tailoring & embroidery, agarbatti / candle making, detergent / phenyl manufacturing and preparing processed foods such as pickles & jams. These training programs are structured as week-long programs.

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

C. Pavement dwellers rehabilitation program (Equitas Birds Nest)

This programme was commenced in 2010 for "Rehabilitation of Pavement Dwellers" in Chennai. Under this program, the Trust pays the rent on their behalf for 6 months during which they are taught livelihood skills and linked to local markets. From the 7th month onwards, they are required to make the rent payment by themselves. These families have attained self-sustenance status through this intervention from Equitas. Many people have received Voter ID cards and have applied for ration cards for the first time in their lives. In FY 2021-22, 128 families have been moved into houses, taking the cumulative beneficiaries under the program to about 2,231 families.

Out of these rehabilitated families, under a graduation program, members were formed into a group. After inputs on financial literacy and counselling, following all the regular MF process, MFI loan was sanctioned. 100% collection was observed in those loans till date. Encouraged by this positive response, 12 more groups have been included in the program, thus mainstreaming them into the community and fulfilling their dream of economic empowerment.

D. Placement Cell:

In another proactive step, Equitas facilitates conduct of job fairs for unemployed youth of low income communities, with the help of recruiters and employers. Till date, gainful employment to over 2,23,929 youth has been arranged in companies and retail outlets like textile showrooms, malls, hospitals, BPOs etc.

E. Health care services

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

- 1. Health Education for Healthy living:** A team of 500 women skill trainers have been trained with Technical support from "Freedom from Hunger" to impart Health Education to Members which would help in early detection of non-communicable diseases. Cumulatively imparted to over 3.11 lakh women.



- 2. Medical Camps:** Through a tie up with about 900 hospitals spread across 7 states, Equitas conducts nearly 400 medical camps every month, benefiting about 20,000 people every month. Using the same model we were able to collaborate with the Govt in conducting vaccination camps and were able to vaccinate 44,62,729 doses, with financial assistance from Opportunity International, Australia. In health camps cumulatively nearly 6.42 million people have benefited so far under this program.
- 3. Hospital Project:** Equitas has identified lack of access to affordable healthcare as a key pain point for the marginalized sections of the society. Accordingly, a separate trust – Equitas Healthcare Foundation (EHF) has been established to provide access to affordable healthcare to the underprivileged sections with an emphasis on cancer care. During the year, EHF has initiated the construction of a cancer-cum-multi specialty hospital, which is expected to be completed in the next two years.
- 4. Equitas Sugam Clinics**
- Equitas has piloted this new service, specifically to address the need among families belonging to Low Income Households (LIH) for doctors' consultation. Under this model at EDIT clinic, a qualified doctor will be available from 10 am to 1 pm. The patient's history is documented and medicines are prescribed as per the need. EDIT is running one such clinic and 74,916 people benefitted from this initiative.
- 5. Secondary Health Care & Health Help line:** Equitas has also tied up with a large number of hospitals to help our clients get inpatient treatment for serious illnesses at a discount to normal cost. This initiative has benefited nearly 32,263 members.

COMPOSITION OF BOARD OF TRUSTEES OF THE TRUSTS AS ON 31ST MARCH 2022

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

Annexure -II

The Members,
EQUITAS SMALL FINANCE BANK LIMITED
CIN: L65191TN1993PLC025280
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.

Signature:

Name of Company Secretary in practice: CS Dr. B Ravi

FCS No.: 1810 CP No.: 3318

MANAGING PARTNER

B RAVI & ASSOCIATES

Firm Registration Number: P2016TN052400

Place : Chennai

Date : 26.04.2022



SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2022

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

To
The Members,
EQUITAS SMALL FINANCE BANK LIMITED
CIN: L65191TN1993PLC025280
4th Floor, Phase II, Spencer Plaza,
No.769, Mount Road,
Anna Salai,
Chennai-600002.

Dear Members,

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

Based on our verification of Company's books, papers, minutes, 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, 2022 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, minutes, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2022 according to the provisions to the extent applicable of:

- (i) The Companies Act 2013 ("the Act") and the rules made thereunder 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;
- (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 (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR");
 - b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - e) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat equity) Regulations, 2021;
 - f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; (was not applicable to the Company during the period under review);

- h) The Securities and Exchange Board of India (Buyback of Securities), Regulations, 2018; (was not applicable to the Company during the period under review);
 - i) 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).
- (vi) The Following Industry Specific Laws and the rules, regulations, directions, guidelines, circulars and instructions framed thereunder:
 - a) Reserve Bank of India Act (RBI), 1934, The Banking Regulation Act, 1949 read with the rules, regulations, directions, guidelines, licenses and circulars issued by RBI for compliance by Small Finance Bank;
 - b) Prevention of Money-Laundering Act (PMLA), 2002 and The Prevention of Money-Laundering (Maintenance of Records, etc) Rules, 2005;
 - c) Negotiable Instruments Act, 1881.
 - d) Insurance Regulatory and Development Authority of India Act, 1999 read with the rules, regulations and notifications thereon.

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 and committee on quarterly basis, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable labour laws, Goods and Service Tax laws and other applicable Laws, rules, regulations and guidelines including the returns to be filed with the Reserve Bank India framed by the statutory authorities from time to time. The Company is regular in making statutory payments and there have been no prosecution or notices issued to the Company or its officers.

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

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

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

During the period under review, the Company has reported lapses under SEBI (Prohibition of Insider Trading) Regulations, 2015 and the Company's Internal Code of Conduct for Prohibition of Insider Trading and has taken necessary disciplinary actions against the erring employees and reported the same to SEBI/Stock Exchanges. We were informed that none of the designated persons were in possession of Un-published price sensitive information at the time of the transaction.

The Board of Directors of the Company is duly constituted with proper balance of Executive Director(s), Non-Executive Directors and Independent Directors including woman director. 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 and SEBI (LODR).

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. The company had convened Board and Committee meetings at shorter notice by complying with the requirements of the Act. The Company had convened its meetings of Committees and Board physically and through Video Conferencing in compliance with the requirements of the Act.

All decisions were taken unanimously at the Board meeting and the committee meetings and with requisite majority at the Annual General Meeting and Postal Ballot. There was no Extra-ordinary General Meeting convened during the period under review.



We further report that during the audit period:

1. The members through postal ballot accorded approval on 28th November, 2021 through a special resolution to issue equity shares to Qualified Institutional Buyers for the purpose of achieving Minimum Public shareholding not exceeding ₹1000 Crores and the company allotted 10,26,31,087 equity shares of ₹10/- each to eligible Qualified Institutional Buyers
2. The RBI vide its letter dated 13th July, 2021 approved the appointment of M/s T R Chadha& Co. LLP, Chartered Accountants and M/s Varma&Varma, Chartered Accountants as the Joint Statutory Auditors of the Company for the year 2021-22 for their second year and first year respectively
3. The members in the Annual general Meeting held on 12th August, 2021 approved
 - a. the revision of the term of office of M/s TR Chadha& Co LLP, Chartered Accountants from four years to three years i.e. from FY 2020-21 to FY 2022-23 as joint auditors of the Bank.
 - b. appointment of M/s Varma&Varma, Chartered Accountants as Joint Auditors of the Bank for a period of three years i.e. from FY 2021-22 to FY 2023-24
 - c. appointment of Mr. Ramesh Rangan as Independent Director of the Bank not liable to retire by rotation for a period of 5 years with effect from 09th November 2020
 - d. Reappointment of Mr. Srinivasan N as Independent director for a period of three years with effect from 4th September, 2021 through a special resolution
 - e. Reappointment of Prof Balakrishnan N as Independent director for a period of three years with effect from 21st September, 2021 through a special resolution
 - f. Reappointment of Mr. Arun Kumar Verma as Independent director for a period of three years with effect from 4th September, 2021 through a special resolution
 - g. Reappointment of Mr. Arun Ramanathan as Part time chairman and Non-executive Independent Director with effect from 04th September 2021 until 24th April 2024 through a special resolution.
 - h. Revision of remuneration payable to Mr. Vasudevan P N, MD and CEO of the Bank subject to the approval of RBI and shareholders through a special resolution.
 - i. Borrowing/ raising funds denominated in Indian Rupees or any other foreign currency by issue of debt securities on private placement basis for a period of one year as per the structure and within the limits permitted by RBI of an amount not exceeding ₹1000 crores through a special resolution
 - j. Donation/contribution to Equitas development Initiatives Trust (EDIT) and Equitas Healthcare foundation (EHF), registered public charitable trusts or such other trusts, not for profit entities, NGOs etc for carrying out one or more of the CSR activities listed in Schedule VII of the Companies Act, 2013 or such other charitable activities.
4. The Board in its meeting held on 26th July, 2021 approved the Scheme of Amalgamation between Equitas Holdings Limited with the Company and their respective shareholders subject to the approval of the RBI, the members, creditors and approval by the National Company Law Tribunal (NCLT) Chennai Bench.
5. The company's holding company, Equitas Holdings Limited (transferor in the proposed scheme of amalgamation) vide letter dated 2nd August, 2021 had made an application to Securities and Exchange Board of India seeking prior permission to meet minimum public shareholding through a scheme of arrangement. Subsequently, the company vide letter dated 14th September, 2021 had requested Securities and Exchange Board of India to relax the 3 year minimum promoter lock-in requirements under Regulation 16(1) (a) to the extent required to implement the scheme of amalgamation. The Securities and Exchange Board of India has vide letter dated 8th October, 2021 acceded to the request subject to the following:
 - a) No Objection Certificate to be obtained from the exchanges on the scheme of amalgamation (excluding upon lock-in provisions) and final approval thereof by National Company Law Tribunal

- b) The exemption being granted from lock-in is only for the period commencing after approval of the scheme of amalgamation between Equitas Holdings Limited and the company by National Company Law Tribunal and till October 28, 2023
- 6. The Board of directors in its meeting held on 21st March, 2022 approved the revised scheme of amalgamation of the company with Equitas Holdings Limited (EHL) subject to the approval of Reserve Bank of India, approval/ no-objection confirmation from Stock Exchanges, the members and creditors of the company and EHL, sanction of NCLT and other statutory and regulatory approvals, permissions and sanctions of regulatory and other authorities.
- 7. The Board in its meeting held on 24th September, 2021, appointed Mr. Aijaz Husain, Vice President- Compliance as Compliance officer for monitoring and ensuring compliance with applicable statutes and regulations in connection with the Banker to issue (BTI)
- 8. The Board in its meeting held on 27th December, 2021
 - a. appointed Ms. Geeta Dutta Goel as independent director for a period of five years with effect from 27th December, 2021
 - b. appointed Prof Samir Kumar Barua as Independent director with effect from 27th December 2021 until 22nd September, 2026 subject to the approval of shareholders
 - c. approved the re-appointment of Mr. PN Vasudevan as MD and CEO for a period of 3 years from 23rd July, 2022 to 22nd July, 2025 subject to the approval of RBI and shareholders
- 9. The Board in its meeting held on 28th January, 2022 accorded approval for amendment of "Equitas Small Finance Bank Employee Stock Option Scheme 2019"
- 10. The Bank approved granting of 81,61,946 options. Out of the same, grant of 11,81,684 options was approved subject to the approval of RBI.
- 11. The Bank has allotted 1,01,18,318 equity shares through ESOP Scheme.
- 12. The Board of directors at their meeting held on 7th February, 2022 has accorded approval for revision in remuneration of Mr. Vasudevan P N, Director (DIN: 01550885) as Managing Director and Chief Executive Officer of the Bank, to take effect from April 1, 2021 subject to the approval of shareholders and RBI.
- 13. The Board of directors at their meeting held on 24th March 2022, has accorded approval to the Bank to make loans up to ₹22,000 crores in the ordinary course of its business for the financial year 2022-2023.
- 14. The Board of directors at their meeting held on 24th March 2022, has also accorded approval to the Bank to make borrowing up to ₹42,000 crores outstanding at any point in time notwithstanding that the monies to be borrowed together with the monies already borrowed by the Bank (apart from temporary loans obtained or to be obtained in the ordinary course of business) exceed the aggregate of the paid up capital of the Bank and free reserves, such limit to be exclusive of any money borrowed by or on behalf of the Bank otherwise than by virtue of this resolution, subject to the approval of the shareholders from time to time.

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

Place: Chennai
Date: 26.04.2022

Firm Registration Number: P2016TN052400
Peer Review Certificate Number: 930/2020
UDIN: F001810D000210282

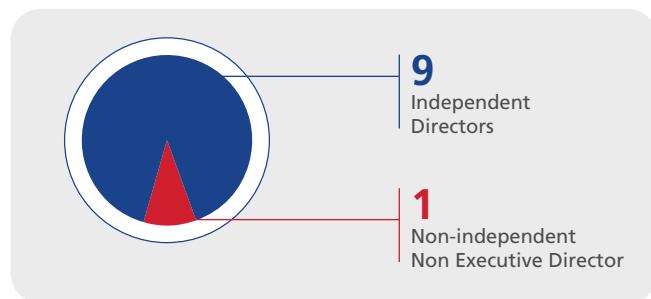


Report on Corporate Governance

Corporate Governance Philosophy

The philosophy of the Bank on Corporate Governance envisages adherence to the highest levels of transparency, accountability and fairness, in all areas of its operations and in all interactions with its stakeholders. The Bank deals with borrowers who are mostly from the economically weaker sections of the society with 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.

Board Composition



The Board of Directors ("Board") currently comprises of ten Directors drawn from diverse fields/professions, out of which nine are Independent Directors (including one Woman Director). The composition of the Board is in conformity with the provisions of Companies Act, 2013 and Banking Regulation Act, 1949.

During the year 2021-22, the Board met 18 times viz, April 29, 2021, May 10, 2021, June 01, 2021, June 17, 2021, July 26, 2021, July 30, 2021, August 10, 2021, September 24, 2021, October 18, 2021, October 29, 2021, November 08, 2021, November 22, 2021, December 27, 2021, January 28, 2022, February 07, 2022, February 14, 2022, March 21, 2022 and March 24, 2022 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 of the Director	No. of Board Meetings attended during FY 2021-22 (No of Meetings held)	Attendance at the last AGM	No. of Directorships in public companies ^s		Number of Committee positions in public companies ^{ss}		Directorship in other listed entities
			Membership	Chairmanship	Membership	Chairmanship	
Mr. Arun Ramanathan (Chairman)	18 (18)	Yes	2	-	3	2	1. Equitas Holdings Limited 2. Thirumalai Chemicals Limited
Mr. Arun Kumar Verma	18 (18)	Yes	-	-	-	-	-
Prof. Balakrishnan N	17 (18)	Yes	1	-	1	-	IFCI limited
Ms. Geeta Dutta Goel*	4 (5)	NA	1	-	2	-	Home First Finance Company India Limited
Mr. Navin Puri	18 (18)	Yes	1	-	1	-	Aditya Birla Sun Life AMC Limited
Mr. Ramesh Rangan	18 (18)	Yes	2	-	1	-	Sumedha Fiscal Services Limited
Ms. Tabassum Inamdar***	7(9)	Yes	-	-	-	-	-
Mr Sridhar Ganesh#	7(7)	Yes	1	-	-	-	-
Prof. Samir Kumar Barua*	5 (5)	NA	4	-	1	1	Torrent Power Limited
Mr. Srinivasan N	17 (18)	Yes	-	-	-	-	-
Mr. Vinod Kumar Sharma	18 (18)	Yes	-	-	-	-	-
Mr. Vasudevan P N	18 (18)	Yes	-	-	-	-	-

^sExcluding Directorship in private limited companies, foreign companies and companies under Section 8 of the Act;

^{ss}Audit Committee and Stakeholders' Relationship Committee in Public Limited Companies alone are considered.

*Ms Geeta Dutta Goel and Prof Samir Kumar Barua were appointed as Directors w.e.f. December 27, 2021.

**Ceased to be Director of the Bank upon expiry of term w.e.f. October 20, 2021

Ceased to be Director of the Bank upon expiry of term w.e.f. September 04, 2021.

Report on Corporate Governance (Contd.)

There is no relationship between Directors inter-se and there are no convertible instruments held by the 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.

Separate Meeting of the Independent Directors

During FY 2021-22, the Independent Directors had a separate meeting on September 01, 2021 without the presence of the Management team and the Non-Independent Directors of the Bank. At the said Meeting, Independent Directors evaluated and 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 based on the evaluation criteria set by the NRC and approved by the Board.

Training of Board Members

All Independent Directors inducted into the Board are given an orientation at the commencement of Directorship. The details of the familiarization programme imparted to

Independent Directors are available on the website of the Company [click here](#)

Skills/ Expertise/ Competencies of the Board

The Bank's Board comprises of qualified Members who possess the required skills, competence and expertise that allow them to make effective contributions to the Board and its Committees. The Board Members are committed to ensure that the Bank's Board adheres to the highest standards of Corporate Governance.

The Bank, while considering a person for appointment as Director, determines suitability of the person as a Director on the Board, based upon qualification, track record, expertise, integrity and undertakes necessary due diligence to ensure that the appointee Director fulfills the criteria for Board membership as mentioned in the Policy for ascertaining 'fit and proper' status of Directors [click here](#).

In the opinion of the Board, the following are the list of skills/expertise/competencies required in the context of the Bank's businesses and which are available with the Board and of the individual Directors:

Skills/Expertise/Competencies	AR	AKV	GDG	NB	NP	RR	SKB	SN	VKS	PNV
Banking	x		x		x	x	x	x	x	x
Business Strategy, Sales, Marketing & Administration	x	x	x		x	x	x	x		x
Accounting & Finance , Taxation	x	x	x				x		x	x
Law				x						x
Human Resources							x		x	
Information Technology					x	x				
Research & Risk management					x	x		x		x
Rural Economy, Small Scale Industry & Agriculture	x		x		x	x	x	x	x	x

AR - Arun Ramanathan , AKV - Arun Kumar Verma, NB - Balakrishnan N , GDG – Geeta Dutta Goel, NP - Navin Puri , RR - Ramesh Rangan, SKB – Samir Kumar Barua, SN - Srinivasan N, VKS - Vinod Kumar Sharma & PNV - P N Vasudevan.

Information to the Board

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

Committees of the Board

The Board at present has Fifteen (15) Committees of the Board, constituted in accordance with the provisions of

Companies Act, 2013 and RBI Guidelines and Directions issued to banks from time to time viz.,

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



Report on Corporate Governance (Contd.)

11. Credit Committee
12. Policy Formulation Committee
13. Outsourcing Committee
14. Merger Committee and
15. Committee of Independent Directors

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.

1. Audit Committee

Composition

As on March 31, 2022, the Audit Committee comprised four (4) Independent Directors.

1. Mr Arun Kumar Verma, Chairman
2. Mr Ramesh Rangan
3. Prof Samir Kumar Barua
4. Mr Vinod Kumar Sharma

Meetings & Attendance

The Committee held Thirty Five (35) Meetings during the year on April 27, 2021, April 28, 2021, April 29, 2021, May 10, 2021, May 31, 2021, June 10, 2021, June 16, 2021, June 21, 2021, July 13, 2021, July 15, 2021, July 26, 2021, July 29, 2021, July 30, 2021, August 10, 2021, September 22, 2021, September 23, 2021, September 30, 2021, October 07, 2021, October 27, 2021, October 28, 2021, November 08, 2021, November 22, 2021, December 10, 2021, December 13, 2021, December 17, 2021, December 27, 2021, January 24, 2022, January 27, 2022, February 07, 2022, February 14, 2022, March 09, 2022, March 19, 2022, March 21, 2022, March 23, 2022 and March 30, 2022:

Name	No. of Meetings	
	Held	Attended
Mr Arun Kumar Verma, Chairman	35	35
Mr Navin Puri*	10	10
Mr Ramesh Rangan	35	35
Prof Samir Kumar Barua**	7	7
Mr Tabassum Inamdar***	18	12
Mr Vinod Kumar Sharma	35	34

* Was a member of the Committee till January 27, 2022.

**Inducted into the Committee in the Board Meeting held on January 28, 2022.

***Retired as a Director and hence ceased to be a member w.e.f. October 21, 2021

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 statement is 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 (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. To review and identify the Stressed assets for sale in accordance with the relevant Board-approved Policy.
12. Evaluation of internal financial controls and risk management systems;

Report on Corporate Governance (Contd.)

- 13. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 - 14. 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.
 - 15. Discussion with internal auditors any significant findings and follow up there on.
 - 16. 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.
 - 17. 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.
 - 18. 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;
 - 19. To review the functioning of the Whistle Blower mechanism;
 - 20. 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;
 - 21. Review on quarterly basis, the securitization / bilateral assignment transactions and investment activities of the Bank.
 - 22. Review on quarterly basis complaints under Policy on Prevention of Sexual Harassment of Women at Workplace.
 - 23. 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.
 - 24. To discuss and follow up the observations relating to Inspection Report/ Risk Assessment Report of the RBI
 - 25. To obtain and review quarterly/ half-yearly reports of the Compliance Officer appointed by the Bank, in terms of RBI instructions
 - 26. To review compliance with KYC/ AML guidelines including periodic review of audit reports on adherence to KYC/AML guidelines at branches
 - 27. To review penalties imposed/ penal action taken against Bank under various laws and statutes and correction action taken
 - 28. To review IT Governance & Infrastructure and Information Security Risk related aspects of the Bank.
 - 29. 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.

2. Risk Management Committee

Composition

As on March 31, 2022, the Risk Management Committee of the Board comprised five (5) Independent Directors and the MD & CEO.

- 1. Mr Vinod Kumar Sharma, Chairman
- 2. Mr Arun Kumar Verma
- 3. Prof Balakrishnan N
- 4. Prof Samir Kumar Barua
- 5. Mr Ramesh Rangan
- 6. Mr Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held Six (6) Meetings during the year on April 29, 2021, June 17, 2021, July 28, 2021, September 22, 2021, October 29, 2021 and January 28, 2022:

Name	No. of Meetings	
	Held	Attended
Mr Vinod Kumar Sharma, Chairman	6	6
Mr Arun Ramanathan* #	2	1
Mr Arun Kumar Verma	6	6
Prof Balakrishnan N	6	6
Prof Samir Kumar Barua**	-	-
Mr Ramesh Rangan	6	6
Mr Vasudevan P N, MD & CEO	6	6

* Inducted into the Committee in the Board Meeting held on October 18, 2021

Was a member of the Committee till January 28, 2022.

** Inducted into the Committee in the Board Meeting held on January 28, 2022.



Report on Corporate Governance (Contd.)

Terms of Reference

The terms of reference of the Risk Management Committee include

- a) 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.
- b) 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.
- c) To decide the policy and strategy for integrated risk management containing various risk exposures including credit, market, liquidity, operational and reputational risk.
- d) 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.
- e) To review the Asset Liability Management (ALM) of the Bank on a regular basis.
- f) 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.
- g) To carry out prudent risk diversification ensuring that credit exposure to any group or industry does not exceed the internal limits.

3. Nomination & Remuneration Committee

Composition

As on March 31, 2022, the Nomination & Remuneration Committee comprised Five (5) Independent Directors:

1. Prof Balakrishnan N, Chairman
2. Mr Arun Ramanathan
3. Mr Srinivasan N
4. Mr Vinod Kumar Sharma
5. Mr Navin Puri

Meetings & Attendance

The Committee held Eight (8) Meetings during the year on April 29, 2021, May 31, 2021, June 14, 2021, July 30, 2021, October 18, 2021, December 23, 2021, January 24, 2022, and February 05, 2022:

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N, Chairman	8	8
Mr Arun Ramanathan*	3	3
Mr Navin Puri	8	8

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N	8	6
Mr Vinod Kumar Sharma	8	8
Mr Sridhar Ganesh**	4	4

*Inducted into the Committee in the Board Meeting held on October 18, 2021.

**Ceased to be a member w.e.f. September 04, 2021.

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.

Report on Corporate Governance (Contd.)

Performance evaluation criteria

The Nomination & Remuneration Committee has drawn out a Policy for evaluation of the Board, its Committees, Chairman and Directors and the same has been approved by the Board of Directors of the Bank. The process for Board Evaluation is given in the Board's Report.

4. Remuneration of Directors

The Bank has in place a Remuneration Policy which is guided by the principles and objectives as enumerated in Section 178 of the Act as well as RBI Circular dated November 4, 2019 on the Compensation Structure for Whole-Time Directors, Material Risk Takers and other employees, which is also disclosed, on our website link [click here](#). The compensation to the Managing Director is within the limits prescribed under the Act.

He is not paid Sitting fees for any Board/ Committee Meeting attended by him. The remuneration to the Non-Executive / Independent Directors has been fixed at a level, not exceeding 1% of the net profits of the Bank calculated in accordance with Section 198 of the Act.

The Independent Directors of the Bank are not eligible for stock options. The Directors are not paid/ entitled to any remuneration except as disclosed in this Report. There is no pecuniary relationship or transaction between the Bank and the Non-Executive/ Independent Directors.

All Directors except MD & CEO are paid Sitting Fee for attending Meetings of Board and Committees. Ms Geeta Dutta Goel has waived her right to receive sitting fees and remuneration for FY 2021-22.

Nature of Meetings	After revision
Board	₹ 60,000/- per Meeting
Audit Committee/ Business Committee	₹ 50,000/- per Meeting
All other Committees	₹ 40,000/- per Meeting
Meeting of Independent Directors	₹ 40,000/- per Meeting
Chairman for Board	₹ 10,000/- per Meeting
Chairman other Committees	

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

Name	Remuneration (₹)	Sitting Fees (₹)		No. of equity shares held as on March 31, 2022
		Board	Committee#	
Mr Arun Ramanathan (Chairman)	12,00,000	12,60,000	3,20,000	Nil
Mr Arun Kumar Verma	9,00,000	10,80,000	32,40,000	Nil
Prof Balakrishnan N	6,00,000	10,20,000	12,90,000	Nil
Ms Geeta Dutta Goel*	Nil	NA	NA	Nil
Mr Navin Puri	6,00,000	10,80,000	21,90,000	Nil
Mr Ramesh Rangan	6,00,000	10,80,000	34,10,000	Nil
Prof Samir Kumar Barua**	1,58,219	3,00,000	4,50,000	Nil
Mr Sridhar Ganesh\$	2,54,932	4,20,000	3,30,000	Nil
Mr Srinivasan N	6,00,000	10,20,000	16,00,000	Nil
Ms Tabassum Inamdar\$\$	3,31,233	4,20,000	9,50,000	Nil
Mr Vinod Kumar Sharma	6,00,000	10,80,000	31,60,000	Nil

*Ms. Geeta Dutta Goel was appointed as Director w.e.f December 27, 2021. She has waived her right to receive sitting fee and remuneration payable to her as Director of the Bank for FY 2021-22.

** Prof Samir Kumar Barua was appointed as Director w.e.f December 27, 2021. Hence, he is entitled to attend the meeting post his appointment.

\$Mr. Sridhar Ganesh ceased to be Director of the Bank upon expiry of term w.e.f. September 04, 2021.

\$\$ Ms. Tabassum Inamdar ceased to be Director of the Bank upon expiry of term w.e.f. October 20, 2021.

#Includes sitting fee paid in respect of the Meeting of Independent Directors

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



Report on Corporate Governance (Contd.)

5. Remuneration to Managing Director

Details of the remuneration of the Managing Director for the year ended March 31, 2022 are as follows:

S. No	Nature of Payment	Amount (₹ in lakhs)
1	Salary	189.05
2	Arrears (for FY20-21)**	34.65
3	Perquisite value of car	4.04
4	Others-Employer's contribution to Provident Fund	8.16
5	PF Arrears (for FY20-21)**	2.49
TOTAL		238.39

**RBI vide its letter dated January 12, 2022 had accorded its approval for the remuneration structure of MD & CEO for FY 2020-21 and hence differential remuneration for FY 2020-21 arising therefrom was paid during the year 2021-22

Notice period and severance fees.

As applicable to all senior management personnel, MD & CEO is subject to Notice Period of three months and additional gardening leave of three months, at the discretion of the Bank. The Severance fees is restricted to payment of gross fixed pay for the notice period and gardening leave, if availed.

6. Corporate Social Responsibility Committee

Composition

As on March 31, 2022, the Corporate Social Responsibility Committee comprised three (3) Independent Directors and the MD & CEO:

1. Mr Srinivasan N, Chairman
2. Ms Geeta Dutta Goel
3. Mr Vinod Kumar Sharma
4. Mr Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held Two (2) Meetings during the year on June 01, 2021 and October 27, 2021:

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N, Chairman	2	2
Mr Navin Puri*	2	2
Ms Tabassum Inamdar**	1	1
Ms Geeta Dutta Goel#	-	-
Mr Sridhar Ganesh##	1	1

Name	No. of Meetings	
	Held	Attended
Mr Vinod Kumar Sharma##	1	1
Mr Vasudevan P N, MD & CEO	2	2

* Was a member of the Committee till January 28, 2022.

** Ceased to be a member w.e.f. October 20, 2021

Inducted into the Committee in the Board Meeting held on January 28, 2022.

Ceased to be a member w.e.f. September 04, 2021.

###Inducted into the Committee in the Board Meeting held on October 18, 2021.

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.

7. Stakeholders Relationship Committee

Composition

As on March 31, 2022, the Stakeholders Relationship Committee comprised three (3) Independent Directors:

1. Mr Navin Puri, Chairman
2. Mr Arun Kumar Verma
3. Prof Samir Kumar Barua

Report on Corporate Governance (Contd.)

Meetings & Attendance

The Committee held four (4) Meeting during the year on April 27, 2021, July 28, 2021,

October 28, 2021 and January 24, 2022:

Name	No. of Meetings	
	Held	Attended
Mr Navin Puri, Chairman	4	4
Mr Arun Kumar Verma	4	4
Prof Samir Kumar Barua#	-	-
Mr Vinod Kumar Sharma##	4	4

Inducted into the Committee in the Board Meeting held on January 28, 2022.

Stepped down as a Member of the Committee from January 28, 2022.

Terms of reference

- 1) To resolve the grievances of the security holders of the Bank including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;
- 2) To review measures taken for effective exercise of voting rights by shareholders;
- 3) To review adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent;
- 4) To review the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Bank;
- 5) Issue of duplicate certificates and new certificates on split / consolidation / renewal;
- 6) To allot shares on exercise of vested options granted to employees of the Bank under the ESFB ESOP Plan 2019 or any such other scheme formulated by the Bank from time to time;
- 7) To carry out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or by any other regulatory authority.

Details of Investor complaints received and redressed during FY 2021-22 are as follows:

There were no investor complaints received during FY 2021-22 and no investor complaints were pending as on March 31, 2022.

8. Customer Service Committee

Composition

As on March 31, 2022, the Customer Service Committee comprised four (4) Independent Directors and the MD & CEO:

1. Prof Balakrishnan N, Chairman
2. Mr Arun Ramanathan
3. Mr Navin Puri
4. Mr Ramesh Rangan
5. Mr Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held five (5) Meetings during the year on June 14, 2021, September 22, 2021, November 08, 2021, December 22, 2021, and March 23, 2022:

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N, Chairman	5	4
Mr Arun Ramanathan *	3	3
Mr Navin Puri	5	5
Mr Ramesh Rangan*	3	3
Mr Sridhar Ganesh**	1	1
Ms Tabassum Inamdar ***	2	1
Mr Vasudevan P N, MD & CEO	5	5

*Inducted into the Committee in the Board Meeting held on October 18, 2021.

** Ceased to be a member w.e.f. September 04, 2021.

*** Ceased to be a member w.e.f. October 20, 2021

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,



Report on Corporate Governance (Contd.)

- 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.

9. Business Committee

Composition

As on March 31, 2022, the Business Committee comprised five (5) Independent Directors and the MD & CEO:

1. Mr Srinivasan N, Chairman
2. Mr Navin Puri
3. Mr Ramesh Rangan
4. Ms Geeta Dutta Goel
5. Prof Samir Kumar Barua
6. Mr Vasudevan P N, MD& CEO

Meetings & Attendance

The Committee held five (5) Meetings during the year on April 23, 2021, July 29, 2021, October 27, 2021, January 27, 2022 and March 08, 2022:

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N, Chairman	5	5
Mr Navin Puri	5	5
Mr Ramesh Rangan	5	5
Ms Tabassum Inamdar *	2	2
Mr Vasudevan P N, MD & CEO	5	5
Ms Geeta Dutta Goel**	1	1
Prof Samir Kumar Barua**	1	1

*Ceased to be a member w.e.f. October 20, 2021.

**Inducted into the Committee in the Board Meeting held on January 28, 2022.

Terms of reference

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

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

10. IT Strategy Committee

Composition

As on March 31, 2022, the IT Strategy Committee comprised two (2) Independent Directors and the MD & CEO:

1. Prof Balakrishnan N, Chairman
2. Mr Navin Puri
3. Mr Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held Five (5) Meetings during the year on June 16, 2021, July 28, 2021, September 23, 2021, December 28, 2021 and March 22, 2022:

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N, Chairman	5	5
Mr Navin Puri	5	5
Mr Vasudevan P N, MD & CEO	5	5

Terms of reference

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

Report on Corporate Governance (Contd.)

11. Credit Committee

Composition

As on March 31, 2022, the Credit Committee comprised three (3) Independent Directors and the MD & CEO:

1. Mr Ramesh Rangan, Chairman
2. Mr Srinivasan N
3. Mr Navin Puri
4. Mr Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held six (6) Meetings during the period on April 28, 2021, June 21, 2021, July 28, 2021, September 15, 2021, October 28, 2021 and January 27, 2022:

Name	No. of Meetings	
	Held	Attended
Mr Ramesh Rangan, Chairman	6	6
Mr Srinivasan N	6	5
Ms Tabassum Inamdar*	4	3
Mr Navin Puri	6	6
Mr Vasudevan P N, MD & CEO	6	6

* Ceased to be a member w.e.f. October 20, 2021.

Terms of reference

The Committee considers and approves loans exceeding ₹ 50 crore.

12. Policy Formulation Committee

Composition

As on March 31, 2022, the Policy Formulation Committee is chaired by an Independent Director and comprises of four (4) Independent Directors:

1. Mr Srinivasan N , Chairman
2. Mr Arun Kumar Verma
3. Mr Ramesh Rangan
4. Mr Vinod Kumar Sharma

Meetings & Attendance

The Committee held Nine (9) Meetings during the year on June 01, 2021, June 17, 2021, July 30, 2021, August 10, 2021, September 23, 2021, October 29, 2021, December 31, 2021, January 28, 2022 and March 26, 2022

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N, Chairman *	9	9
Mr Arun Kumar Verma	9	9

Name	No. of Meetings	
	Held	Attended
Mr Ramesh Rangan	9	9
Mr Vinod Kumar Sharma	9	9

* Mr Vinod Kumar Sharma stepped down as the Chairman of the Committee and Mr Srinivasan N was Appointed as Chairman of the Committee in the Board Meeting held on June 01, 2021.

Terms of reference

The Committee makes 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.

13. Outsourcing Committee

Composition

As on March 31, 2022, the Outsourcing Committee is chaired by an Independent Director and comprises of three (3) Independent Directors and the MD & CEO:

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

Meetings & Attendance

The Committee held three (3) Meetings during the year on July 29, 2021, September 22, 2021 and January 24, 2022:

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N, Chairman	3	3
Mr Navin Puri	3	3
Mr Vinod Kumar Sharma	3	3
Mr Vasudevan P N, MD & CEO	3	3

Terms of reference

- a. Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
- b. Laying down appropriate approval authorities for outsourcing depending on risks and materiality.
- c. Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness and
- d. Deciding on business activities of a material nature to be outsourced, and
- e. Approving specific outsourcing arrangements.



Report on Corporate Governance (Contd.)

14. Special Committee for Monitoring High Value Frauds

Composition

As on March 31, 2022, the Committee comprised four (4) Independent Directors and the Managing Director & CEO:

1. Mr Srinivasan N, Chairman
2. Mr Arun Kumar Verma
3. Ms Geeta Dutta Goel
4. Prof Samir Kumar Barua
5. Mr Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held one (1) Meeting during the year on September 24, 2021:

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N, Chairman	1	1
Mr Arun Kumar Verma	1	1
Ms Tabassum Inamdar *	1	-
Ms Geeta Dutta Goel#	-	-
Prof Samir Kumar Barua #	-	-
Mr Vasudevan P N, MD&CEO	1	1

* Ceased to be a member w.e.f. October 20, 2021.

Inducted into the Committee in the Board Meeting held on January 28, 2022.

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.

15. Review Committee for Identification of Wilful Defaulters

Composition

As on March 31, 2022, the Review Committee for Identification of Wilful Defaulters comprised three (3) Independent Directors and MD & CEO:

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

Meetings & Attendance

The Committee did not hold any Meeting during FY 2021-22.

Terms of reference

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

16. Merger Committee

In connection with the Scheme of Amalgamation of the ESFBL and EHL, the Board of the Bank constituted the Merger Committee to oversee the progress made in the process of amalgamation of EHL with ESFBL, from time to time, jointly with a similar Committee of the Board constituted by EHL. Subsequently, the terms of reference of the Committee was expanded to include activities related to Qualified Institutions Placement as well, completed during the year.

Composition

As on March 31, 2022, the Committee comprised three (3) Independent Directors and MD & CEO:

1. Mr Ramesh Rangan, Chairman
2. Mr Arun Kumar Verma
3. Mr Srinivasan N
4. Mr Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held three (3) Meeting during the year on February 14, 2022, February 18, 2022 and February 19, 2022:

Name	No. of Meetings	
	Held	Attended
Mr Ramesh Rangan, Chairman	3	3
Mr Arun Kumar Verma	3	3
Mr Srinivasan N	3	3
Mr Vasudevan P N, MD & CEO	3	3

Report on Corporate Governance (Contd.)

Terms of reference

- a) To monitor the progress made in process of amalgamation of EHL with ESFBL from time to time
- b) To consider and accept changes to be made to the Scheme of Amalgamation pursuant to regulatory directions and orders as may be received from RBI, SEBI, Stock Exchanges, NCLT and such other authorities
- c) To determine the form, terms and timing (i.e. opening and/ or closing dates) of the QIP, including number of the Securities to be allotted in each tranche, floor price, final allotment price in accordance with the SEBI Regulations and/or any other applicable laws, including any discount of up to 5% of the floor price or such other discount as may be permitted under applicable law, premium amount in issue, listings on one or more stock exchanges, the date for the opening and closure of the subscription period for the Securities (including the extension of such subscription period, as may be necessary or expedient), and to make and accept any modifications in the proposals as may be required by the authorities involved in such QIP and also agree to any conditions imposed by such authorities at the time of granting their approval, to do all acts, deeds, matters and things and to settle any questions or difficulties that may arise in regard to the QIP.
- d) to allot the Securities, in one or more series and / or one or more tranches, issued in accordance with the terms of offering.
- e) to undertake all such actions and compliances as may be necessary in accordance with the SEBI Regulations and the SEBI Listing Regulations or any other applicable laws.
- f) to determine and vary utilization of the QIP proceeds in accordance with the applicable laws.
- g) to finalise the basis of allotment of the Securities on the basis of the subscriptions received (including in the event of over-subscription).
- h) to seek, if required, any approval, consent or waiver from the Bank's lenders, and/or parties with whom the Bank has entered into various commercial and other agreements, and/or any or all concerned government and regulatory authorities in India, and/ or any other approvals, consents or waivers that may be required in connection with the creation, issue, offer and allotment of the Securities.
- i) to apply to Stock Exchanges for obtaining of in-principle approval and filing of requisite documents with the Registrar of Companies.
- j) to finalize all the terms and conditions and the structure of the Securities, to do all such acts, deeds, matters and things as the Merger Committee may, in its absolute discretion deem necessary or desirable
- in connection with the Securities, and to settle any question, difficulty or doubts that may arise with regard to the offer, issue and allotment of the Securities, subject however, to applicable laws, and to take such actions or give such directions as may be necessary or desirable and to obtain any approvals, permissions and/ or sanctions which may be necessary or desirable, as it may deem fit or as the Merger Committee may suo moto decide in its absolute discretion in the best interests of the Bank.
- k) To carry out other such functions, as may be assigned by the Board from time to time

17. Committee of Independent Directors

As required under SEBI Master Circular dated December 22, 2020 on Scheme of Arrangements, the Bank constituted a Committee of Independent Directors to peruse the Scheme of Amalgamation of EHL and ESFBL ("Scheme") alongwith the supporting documents and submit a report to the Board recommending the Scheme of Amalgamation ("Scheme") of EHL and ESFBL for approval after confirming that the Scheme is not detrimental to the shareholders of the listed entities.

Composition

As on March 31, 2022, the Committee comprised three (3) Independent Directors:

1. Mr Ramesh Rangan, Chairman
2. Mr Arun Kumar Verma
3. Mr Srinivasan N

Meetings & Attendance

The Committee held two (2) Meeting during the year on July, 26, 2021 and March 21, 2022:

Name	No. of Meetings	
	Held	Attended
Mr Ramesh Rangan, Chairman	2	2
Mr Arun Kumar Verma	2	2
Mr Srinivasan N	2	2

Terms of reference

- a) review the proposed draft Scheme of Amalgamation of Equitas Holdings Limited with Equitas Small Finance Bank Limited along with the supporting documents viz., Valuation report from a registered valuer to arrive at swap ratio, fairness opinion from a SEBI-registered Merchant Banker, Auditors certificate on accounting treatment, etc
- b) call for and review any further document as the Committee may deem fit and necessary
- c) Based on review of the aforesaid documents and after deliberations, submit a report expressing its opinion on whether the Scheme can be recommended to the



Board for approval after considering whether the Scheme is or is not detrimental to shareholders of the Company.

Joint Meetings of Committees

Besides the above Committee Meetings, there were also one Joint Meeting of Audit Committee of the Board and Policy Formulation Committee during the year on April 12, 2021, and one Joint Meeting of Audit committee of the Board and IT Strategy Committee held on March 31, 2022. Attendance of the meetings are mentioned below:

Joint Meeting of Policy Formulation Committee and Audit Committee of the Board

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N	1	1
Mr Arun Kumar Verma	1	1
Mr Vinod Kumar Sharma	1	1
Ms Tabassum Inamdar#	1	-
Mr Ramesh Rangan	1	1

Retired w.e.f. October 20, 2021

Joint Meeting of IT Strategy Committee and Audit Committee of the Board

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N	1	1
Mr Arun Kumar Verma	1	1
Mr Vinod Kumar Sharma	1	1
Mr Navin Puri	1	1
Prof Samir Kumar Barua*	1	1
Mr Ramesh Rangan	1	1
Mr Vasudevan P N, MD & CEO	1	1

* Inducted into the Audit Committee in the Board Meeting held on January 28, 2022.ANUAL GENERAL MEETINGS

Details relating to last three Annual General Meetings:

Year	Date	Time	Location/Mode	No. of Special Resolution [s] passed
2021	August 12, 2021	11.00 A.M.	Video Conferencing	Six
2020	July 28, 2020	05.30 PM	Video Conferencing	Nil
2019	August 1, 2019	05.30 PM	4 th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Three

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

Details of special resolution passed through postal ballot:

Pursuant to Section 110 of the Companies Act, 2013 read with Companies (Management & Administration) Rules, 2014, the following Special Resolutions were proposed for approval of the shareholders by Postal Ballot and approved with requisite majority.

Particulars of the Resolution(s)	Issue of Securities to Qualified Institutional Buyers for the purpose of achieving Minimum Public Shareholding
Name of the Scrutiniser	Dr B Ravi, Practising Company Secretary
Date of completion of Postal Ballot	November 28, 2021
Date of Report of Scrutiniser	November 29, 2021
Date of declaration of Results	November 29, 2021
Particulars	Voting pattern
Valid Ballots/Votes	43,61,76,316
In favour	43,61,72,738
Percentage (%) in favour of the resolution	99.9992%
Against	3,578
Percentage (%) against the resolution	0.00%

Report on Corporate Governance (Contd.)

Procedure for postal ballot

The Postal Ballot has been carried out as per the procedure stipulated under the Companies (Management and Administration) Rules, 2014. During the process of Postal Ballot, shareholders are provided the remote e-voting facility pursuant to Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and the said rules.

18. Means of Communication

The quarterly, half-yearly and annual financial results of the Bank are published in one English and Regional language [Tamil] newspaper each viz., Financial Express and Makkal Kural, respectively. The Bank's financial results, official news releases, presentations made to institutional investors/ analysts and transcript of investor calls are hosted on the Bank website [click here](#).

The financial results and other information filed by the Bank from time to time are available on the website of

the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited. The said stock exchanges have introduced NSE Electronic Application Processing System (NEAPS) and BSE Listing centre portal through which various filings as required / prescribed under the SEBI Listing Regulations are made.

Green Initiatives

Pursuant to the Companies (Accounts) Rules, 2014 and as a measure of promoting Green Initiatives, the Bank proposes to send the financial statements for the year ended March 31, 2022 and Notice of sixth Annual General Meeting by electronic mode to the Members whose email IDs are registered with the Depository Participant(s)/ Bank for communication purposes. For Members who have not registered their email address, physical copies will be sent in the permitted mode. The Bank seeks your support in promoting the Green Initiatives, as it is designed to protect our fragile environment.

19. General Shareholder Information

Annual General Meeting Date	July 19, 2022
Time	04.00 PM
Mode	By Video-conferencing/ other audio visual means
Financial year	April to March
The name and address of each stock exchange(s) at which the listed entity's securities are listed and a confirmation about payment of annual listing fee to each of such Stock exchange(s):	BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 National Stock Exchange of India Limited Exchange Plaza Bandra Kurla Complex (BKC) Bandra (East) Mumbai – 400051
Listing Fees	Listing fees payable to the stock exchanges for the financial year 2021-22 have been paid in full.
Stock Code	BSE – 543243 NSE – EQUITASBNK
ISIN	INE063P01018
Market price data- high, low during each month in last financial Year	Details are provided in the table below
Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index, etc.	Details are provided in the chart below
Registrar and Share Transfer Agents;	Kfin Technologies Limited Karvy Selenium Tower B, Plot No 31 & 32 Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad – 500 032 Phone: +91 40 67161604
Share transfer system	100% of the equity shares of the Company are in electronic form. Transfer of these shares are done through the Depositories with no involvement of the Company (except 115 shares which is less than 0.00001%).



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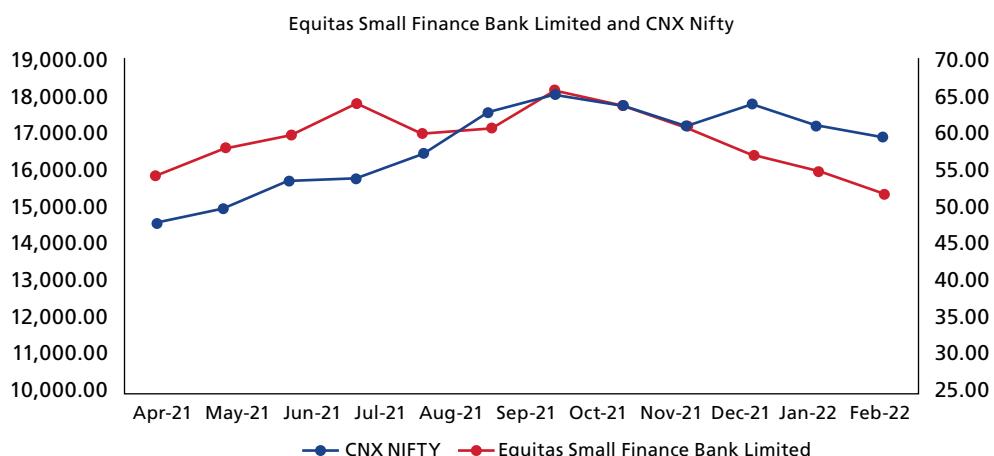
Distribution of shareholding (as on 31.03.2022)	Details are provided in the table below		
Dematerialization of shares and liquidity (as on 31.03.2022)	The total shares in dematerialized form are 100% (except 115 shares which is less than 0.00001%)		
Outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity date and likely impact on equity	Nil		
Commodity price risk or foreign exchange risk and hedging activities	Nil		
Debenture Trustees :	Ms. Anjalee Athalye IDBI Trusteeship Services Ltd Asian Building, Ground Floor, 17 R Kamani Marg, Ballard Estate, Fort, Mumbai – 400001	Ms. Deesha Trivedi Catalyst Trusteeship Limited Windsor, 6 th Floor, Office No – 604, C.S.T. Road, Kalina, Santacruz (East) Mumbai – 400098	
Plant locations	Nil		
Address for correspondence	Company Secretary Equitas Small Finance Bank Limited 4 th Floor, Phase-II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002 Phone: +91 44 42995000; Fax: +9144 42995050 Email: cs@equitasbank.com		

Market price data - High, Low during each month in last Financial Year:

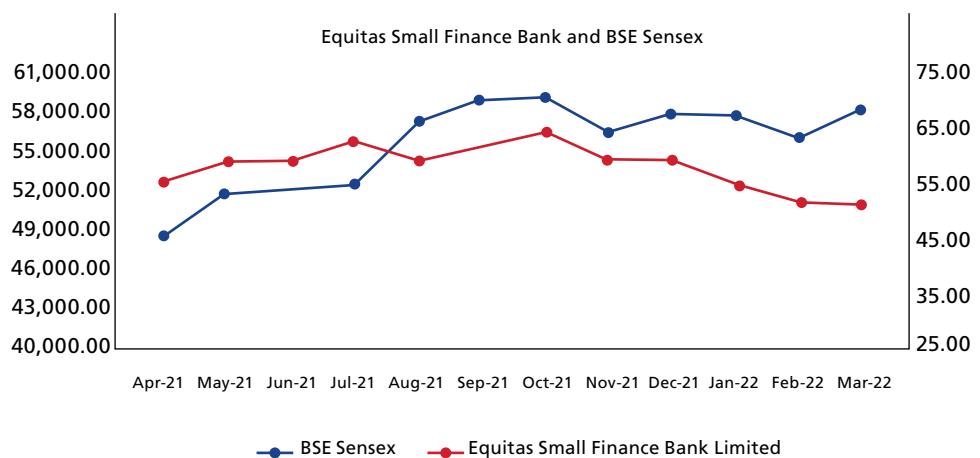
Month	BSE		NSE	
	High	Low	High	Low
Mar-22	57.55	44.75	57.85	46.7
Feb-22	58.5	50	58.7	50
Jan-22	61.4	52.25	61.5	47.4
Dec-21	63.7	58.2	63.8	58.1
Nov-21	68.1	58.35	68.2	58.3
Oct-21	71.25	61.25	71.2	61.2
Sep-21	64.2	55.15	64.2	58.1
Aug-21	63.25	55.75	63.3	55.7
Jul-21	76.75	58.1	76.8	58.05
Jun-21	62.8	54	63	57.1
May-21	64.5	52.2	64.5	54.1
Apr-21	62.7	49.4	63	50

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Equitas Small Finance Bank Ltd and CNX Nifty



Equitas Small Finance Bank Limited Ltd and S&P BSE Sensex



Shareholding pattern as on March 31, 2022

DESCRIPTION	SHARES	% Equity
ALTERNATIVE INVESTMENT FUND	1,18,59,876	0.95
CLEARING MEMBERS	3,36,201	0.03
EMPLOYEES	67,92,097	0.54
FOREIGN PORTFOLIO - CORP	4,52,95,510	3.62
H U F	13,07,658	0.10
INDIAN PROMOTER COMPANIES	93,39,43,363	74.59
BODIES CORPORATES	10,09,953	0.08
MUTUAL FUNDS	18,10,57,446	14.46
NON RESIDENT INDIANS	13,81,999	0.11
NRI NON-REPATRIATION	5,68,649	0.05
RESIDENT INDIVIDUALS	5,21,78,087	4.17
QUALIFIED INSTITUTIONAL BUYER	1,60,17,316	1.28
TRUSTS	2,79,500	0.02
TOTAL :	1,25,20,27,655	100.00



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Distribution of equity shareholding as on March 31, 2022:

Category (No. of shares)	No. of Shareholders	% of Shareholders	Total Shares	Amount	% of Amount
1-5000	1,27,329	98.99	4,06,93,778	40,69,37,780	3.25
5001- 10000	758	0.59	54,59,834	5,45,98,340	0.44
10001- 20000	276	0.21	39,01,847	3,90,18,470	0.31
20001- 300000	86	0.07	21,25,710	2,12,57,100	0.17
30001- 40000	44	0.03	15,73,400	1,57,34,000	0.13
40001- 50000	23	0.02	10,69,512	1,06,95,120	0.09
50001- 100000	32	0.02	23,34,112	2,33,41,120	0.19
100001 & above	76	0.06	1,19,48,69,462	11,94,86,94,620	95.43
TOTAL	1,28,624	100.00	1,25,20,27,655	12,52,02,76,550	100.00

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, 2022 [₹]	ISIN No	Scrip Code
1	13.80%- unsecured	30,00,00,000	30,00,00,000	INE186N08033	952815
2	14.05%- unsecured	1,20,00,00,000	1,20,00,00,000	INE186N08041	952812

Name, designation and address of Compliance Officer:

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: cs@equitasbank.com

Disclosures in Relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) act, 2013:

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

a. Number of complaints filed during the financial year	6
b. Number of complaints disposed of during the financial year	6
c. Number of complaints pending as on end of the financial year.	Nil

FAIR PRACTICES CODE

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

MD &CEO/CFO CERTIFICATION

MD &CEO and CFO certificate to the Board as per Regulation 17(8) of SEBI Listing Regulations has been obtained. (Annexure-I)

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 2021-22. The Declaration to this effect signed by MD& CEO has been annexed with this Report. (Annexure-II)

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.

Report on Corporate Governance (Contd.)

DISCLOSURES

A. Related Party Transactions

The particulars of transactions between the Bank and its related parties, as defined under Section 2(76) of the Act and in Accounting Standard 18, are set out in the financial statements. The Board has put in place a policy on related party transactions and the same has been uploaded on the Bank's website <https://www.equitasbank.com/ESFB-Investor-Info>. There were no materially significant related party transactions having potential conflict with the interests of the Bank, during the year 2021-22.

B. Details of non-compliances by the company, penalties, and strictures imposed on the company by the stock exchanges or SEBI or any statutory authorities on any matter related to capital markets during the last three years:

Nil

C. Whistle blower policy

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

D. Mandatory Requirements

The Bank is in compliance with the mandatory requirements.

E. Non-Mandatory Requirements

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

During the year, Auditors have had separate discussions with the Audit Committee without the presence of the Management team.

The Bank has complied with the requirement of having separate persons to the post of Chairman and Managing Director / Chief Executive Officer. Mr Arun Ramanathan is the Non-Executive Chairman of

the Board and Mr Vasudevan P N is the Managing Director & Chief Executive Officer of the Company.

F. Internal Code of Conduct for Prevention of Insider Trading

The Board has adopted an Internal Code of Conduct for Prevention of Insider Trading in the securities of the Bank. The Code inter alia requires Designated Persons obtaining pre-clearance from the appropriate authority in the bank for dealing in the securities of the Bank as per the criteria specified therein and prohibits the purchase or sale of securities of the Bank while in possession of Unpublished Price Sensitive Information in relation to the Bank besides during the period when the trading window is closed. The period of trading window closure is intimated to all concerned well in advance from time to time.

G. Certification on non-incurrence of disqualification

M/s B Ravi & Associates, Practising Company Secretaries have given a certificate to the Board confirming that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/ Ministry of Corporate Affairs or any such statutory authority. The said certificate forms part of this Report. (Annexure-III)

H. Details of fee remitted to Statutory Auditors

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

Particulars	ESFBL (₹ in lakhs)
(i) In capacity as auditors	
Audit fees (includes fee for limited review)	78.95
Statutory Certificates	15.49
Other Reporting services	-
Reimbursement of expenses	1.85
(ii) Other capacity	-
Tax Audit	5.41



Report on Corporate Governance (Contd.)

EQUITY SHARES IN THE DEMAT SUSPENSE ACCOUNT

In accordance with the requirement of Regulation 34(3) and Schedule V Part F of SEBI Listing Regulations, the Bank reports that there are no equity shares lying in the demat suspense account which were issued in dematerialized form pursuant to the public issue of the Bank.

Particulars	Number of shareholders	Number of equity shares
Aggregate number of shareholders and the outstanding shares in the demat suspense account of the Bank as on April 1, 2021.	Nil	Nil
Shareholders who approached the Bank for transfer of shares from demat suspense account during the year.	Nil	Nil
Shareholders to whom shares were transferred from the demat suspense account during the year	Nil	Nil
Aggregate number of shareholders and the outstanding shares in the demat suspense account of the Bank as on March 31, 2022	Nil	Nil

COMPLIANCE

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

M/s T R Chadha & Co LLP, Chartered Accountants and M/s Varma & Varma, Chartered Accountants, Joint Statutory Auditors have certified that the Bank has complied with the mandatory requirements as stipulated under SEBI Listing Regulations. The said Certificate is annexed to this Report.

TRANSFER OF UNCLAIMED / UNPAID AMOUNTS TO THE INVESTOR EDUCATION AND PROTECTION FUND:

The Bank has not declared any dividends from its incorporation. Hence, there is no unclaimed dividend relating to the earlier financial years, which needs to be transferred to the Investors Education and Protection Fund, in terms of Section 125 of the Act.

For and on behalf of the Board of Directors

Place: Chennai

Date: May 19, 2022

P N Vasudevan

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, 2022 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent or illegal or violative of Bank's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting. We have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and the same were found to be adequate.
4. We confirm that
 - a. There has been no significant changes in internal control over financial reporting during the year
 - b. There has been no significant changes in accounting policies during the year and
 - c. There have been no 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.

Sridharan N
Chief Financial Officer

Vasudevan P N
Managing Director and Chief Executive Officer

Place: Chennai
Date: 19.05.2022



CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

Based on the scrutiny of relevant records, forms, returns and information provided by EQUITAS SMALL FINANCE BANK LIMITED(the 'Company'), CIN:L65191TN1993PLC025280, having its registered office at 4th Floor, Phase II, Spencer Plaza No.769, Mount Road, Anna Salai, Chennai- 600 002 and verification of disclosures and declarations given by the Directors under applicable statutes and also based on the verification of facts regarding the Board of Directors of the Company, available in the public domain, we hereby certify that as on 31.03.2022, none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Director of companies either by the Securities and Exchange Board of India or the Ministry of Corporate Affairs or any such statutory authority.

Signature:

Name of Company Secretary in practice: CS Dr. B Ravi

FCS No.: 1810 CP No.: 3318

MANAGING PARTNER

B RAVI & ASSOCIATES

Firm Registration Number: P2016TN052400

Peer Review Certificate Number: 930/2020

UDIN: F001810D000273378

Place : Chennai

Date : 26.04.2022

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

The Bank has, in respect of the financial year ended 31st March, 2022 received a declaration in writing from all Members of the Board and Senior Management team of the Bank affirming their adherence to the Code of Conduct adopted by the Bank.

Vasudevan P N

Managing Director and Chief Executive Officer

Place: Chennai

Date: 19.05.2022

Independent Auditor's Certificate

To
The Members
Equitas Small Finance Bank Limited

1. We, T R Chadha & Co LLP and Varma and Varma , Chartered Accountants, the Joint Statutory Auditors of Equitas Small Finance Bank Limited ('the Bank'), have examined the compliance of the conditions of Corporate Governance by the Bank for the year ended March 31, 2022 as stipulated in regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Management's Responsibility

2. The compliance of conditions of Corporate Governance is the responsibility of the Management along with the Board of Directors. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance of the conditions of the corporate governance stipulated in the Listing Regulations.

Auditor's Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Bank for ensuring the compliance with the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.
4. We have examined the books of account and other relevant records and documents maintained by the Bank for the purpose of providing reasonable assurance on the compliance with the corporate governance requirements by the Bank.
5. We conducted our examination of the relevant records of the Bank in accordance with the Guidance Note on Certification of Corporate Governance issued

by the Institute of Chartered Accountants of India (the ICAI), the standards on auditing specified under section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

7. Based on our examination of relevant records and according to the explanations given to us and based on our reliance upon the representations made by the Directors and the Management, we are of the opinion that the Bank has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations during the year ended March 31, 2022.
8. We further state that such compliance is neither an assurance as to future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

Restriction on use

9. This report is addressed to and provided to the members of the Bank solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For **T R Chadha & Co LLP**
Chartered Accountants
Firm Registration No 006711N/N500028

Sheshu Samudrala
Partner
ICAI Membership No. 235031
UDIN: 22235031ALMKHD7807

Place: Chennai
Date: 23.06.2022

For **Varma & Varma**
Chartered Accountants
Firm Registration No 004532S

P R Prasanna Varma
Partner
ICAI Membership No. 025854
UDIN: 22025854ALMGUQ1099

Place: Chennai
Date: 23.06.2022



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 as mentioned below:

Principle 1 (P1)	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
Principle 2 (P2)	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
Principle 3 (P3)	Businesses should promote the wellbeing of all employees.
Principle 4 (P4)	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
Principle 5 (P5)	Businesses should respect and promote human rights.
Principle 6 (P6)	Business should respect, protect, and make efforts to restore the environment.
Principle 7 (P7)	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
Principle 8 (P8)	Businesses should support inclusive growth and equitable development.
Principle 9 (P9)	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

This report provides transparent and relevant information on the Bank's efforts and its performance against the nine principles of Business Responsibility.

Section A: General information about the Company

1	Corporate Identity Number (CIN) of the Company	L65191TN1993PLC025280
2	Name of the Company	Equitas Small Finance Bank Limited
3	Registered address	4 th Floor, Phase II, Spencer Plaza No.769, Mount Road, Anna Salai Chennai TN 600002
4	Website	www.equitasbank.com
5	Email id	cs@equitasbank.com
6	Financial year reported	2021-22
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)	Assets Products Loan against Property Commercial Vehicle Financing Micro Finance Liabilities Products Demand Deposits Time Deposits Fee Based Products viz., distribution of insurance and mutual fund products, providing of locker facility, issuance of Fastags etc.
9	Number of international locations	Nil
10	Number of National locations	The Bank operates from 869 locations across 18 States/Union Territories (including National Capital Territory) of the country.
11	Markets served by the Company – Local/State/National/ International	National

Section B: Financial details of the company

Sr. No.	Particulars	Details
1.	Paid up capital (₹ in lakh)	₹ 1,25,202.77
2	Total turnover (₹ in lakh)	₹ 3,99,722.58
3	Total profit after taxes (₹ in lakh)	₹ 28,073.18
4	Total spending on Corporate Social Responsibility (CSR) as a percentage of Profit After Tax (%)	6.84%

Business Responsibility Report (Contd.)

5	List of activities in which expenditure in 4 above has been incurred	<p>Equitas Group undertakes various CSR activities in accordance with its 'Policy on Corporate Social Responsibility', which includes:</p> <ol style="list-style-type: none"> 1. Educational Initiatives – Running schools in 7 locations across Tamil Nadu 2. Imparting of skill training to Joint Liability Group (JLG) women members to improve their income levels 3. Health care initiatives – Health care and medical camps, Equitas Sugam Clinics for the underprivileged 4. Holding job fairs for placement of unemployed youth in suitable jobs 5. Rehabilitates homeless pavement dweller families under Equitas Birds Nest Project <p>Additional information on the Bank's CSR initiatives is discussed under MD&A Report forming part of the Annual Report</p>
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Section C – Other Details

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

Section D: BR Information

1. Details of Director(s) responsible for BR

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

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

(b) Details of the BR head

1. DIN (if applicable) 01550885
2. Name Mr. Vasudevan P N
3. Designation MD & CEO
4. Telephone number + 91 44 4299 5000
5. e-mail id corporate@equitas.in

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

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

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



Business Responsibility Report (Contd.)

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

Governance related to BR

- | | |
|---|---|
| (a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assesses the BR performance of the Company (Within 3 months, 3-6 months, Annually, More than 1 year). | The performance on aspects of BR is reviewed by CEO on a periodic basis i.e., at least once a year. |
| (b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? | Business Responsibility Report forms part of the Annual Report displayed in the Investor Relations Microsite of the Bank www.ir.equitasbank.com |

Section E: Principle-Wise Performance

Principle 1: Businesses should conduct and govern themselves with ethics, transparency and accountability

- 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 covering all of its employees. The Code articulates the ethical principles and acceptable behavior which the employees are expected to demonstrate while being employees of the organization. It also guides all employees to uphold the values of the Bank. The Code covers inter alia aspects related to ethics, accountability, conflict of interest, bribery and corruption. The Bank has also adopted Code of Conduct for Directors & Senior Management to provide a framework to the Board members and Senior Management in ensuring adoption of highest ethical standards in managing the affairs of the Bank. The Bank's commitment to ethics and accountability is emphasised upon in all interaction with the stakeholders, right from the time of association with the Bank.

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

The Bank has established various channels of communication, including grievance redressal

Business Responsibility Report (Contd.)

mechanisms, for stakeholders to communicate their expectations and concerns. The details of the stakeholder complaints are as below:

Particulars	Complaints received during 2021-22	% of complaints resolved
Customer complaints	2,500	98*
Investor complaints	1	100

* Complaints pending resolution as on March 31, 2022 have subsequently been resolved within the stipulated timelines

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

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

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

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

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

Affordable 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.

MSE and Financial Intermediaries: The Bank provides capital in the form of term & working capital 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.

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

- (a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?
- (b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

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

The Bank has introduced 'Pragati Card' a QR code (Quick Response Code) based payment enquiry solution for our microfinance customers. This empowers the customers to scan and view payment and loan account related information via a smart phone instantly without the need to contact branch staff/ call center. 'Pragati Card' has replaced the erstwhile process of collection stickers and is currently seen by customers as a digital passbook that gives real time payment information and also reduced the usage of paper for printing sticker.

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

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



Business Responsibility Report (Contd.)

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

Given the nature of the Bank's business activities, sustainable sourcing of inputs is not significant in the Bank's operations. However, the Bank attempts to reduce the environmental impact of its operations through digitization, tech-led innovations and recycling to the extent possible, some of which have been outlined elsewhere in this document. As a responsible corporate citizen, the Bank endeavors to reduce the environmental impact of its operations.

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

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

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

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

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

Our operational practices are engaged to constantly reduce utilization of paper and dynamic measures are being implemented across different processes (Refer to Principle 2: Question 2) to facilitate the same. Our digital banking and other related activities additionally endeavor to meet sustainability objectives of waste reduction and more efficient resource utilisation.

Principle 3 – Businesses should promote the well-being of all employees

1 Total number of Employees	17,607
2 Total number of employees hired on contractual basis	9
3 Number of permanent women employees	1,897
4 Is there an employee association that is recognized by management	No, 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.
5 Percentage of your permanent employees who are members of this recognized employee association	While there is a structured employee grievance redressal mechanism in place, employees are also encouraged to directly approach CEO and Audit Committee in case of serious grievances or unethical practices.

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

No. Category	No. of complaints filed during the financial year	No. of complaints pending as at the end of financial year
1 Child labour/ forced labour/ involuntary labour	Nil	Nil
2 Sexual Harassment	6	Nil
3 Discriminatory Employment	Nil	Nil

Business Responsibility Report (Contd.)

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

Induction Campaigns: Every on-boarded new joiner undergoes an 'Induction program' that facilitates them in their quick integration with the Bank and fast tracks their settling process with their respective teams. 99% of our new joiners completed their induction within 30 days from their date of joining.

Regulatory Mandated Training: Continuous monitoring ensured the successful completion of Regulatory Mandated training requirements. These trainings focus on areas include Risk, Finance, Credit, Treasury, POSH compliance, Information Security, Code of Conduct, Prevention of Insider Trading, Prevention of Fraud and the like. 100% of our eligible employees have successfully completed their mandated KYC training.

Specialised Training: The training content and interventions focuses on two broad areas i.e., Behavioural and Functional. The organisation possesses the in-house capability to develop and deliver the learning content as well as seamlessly collaborate with external learning partners wherever deemed necessary.

- 1. Behavioural:** An array of behavioural interventions was designed and delivered by tapping both our in-house and external capabilities. Some of the Bank's key external interventions delivered include – programs for our Regional Managers and Digital solutions team. The Bank designed and delivered 44 in-house behavioural sessions covering 525 learners.
- 2. Functional:** The dynamic business market of the Bank and evolving job roles determines the Functional learning agenda for the business. The Bank's in-house functional interventions were focused more on Selling skills, Products, Digital Solutions, Process, Systems & Software, Risk, Credit and Legal aspects.

The Bank's collaboration with Manipal Institute of Banking and Confluence Learning have strengthened the capabilities of our branch staff in the areas of Relationship management, Cross selling, Wealth management, Productivity enhancement, Regulatory compliance etc. The Bank also partnered with world leader in the sector, i.e. Skillsoft to digitally deliver key training initiatives.

Training Man-days: Through our above initiatives and concerted efforts, the Bank has successfully clocked 68,788 training man-days during 2021-22,

an improvement by about 30% as compared to the previous year. We have achieved an average of 4.30 man-days per employee this year out of which nearly 60% of the trainings were delivered through e-learning platform and 40% were delivered through Instructor-Led training programs. For the period 2021-22, we had imparted training to 15,722 unique employees through our various programs.

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) Society and 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?**

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

EDIT runs seven schools primarily for socially and economically weaker sections of society. These schools provide affordable schooling to students belonging to economically weak backgrounds, with an emphasis on the quality of the education imparted. Around 5,800 students have benefitted from these schools.

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

EDIT actively conducts job fairs across India for unemployed youth of low income communities, thereby providing gainful employment to over



Business Responsibility Report (Contd.)

2,23,929 unemployed youth from lower income segment. The recruitment and employment practices of Equitas Group are also attuned towards talent spotting and acquisition from among marginalized sections of the society.

EDIT also provides access to affordable healthcare through various medical initiatives and medical camps which has benefitted over 6.42 million people cumulatively.

During the Pandemic, Equitas, in addition to spreading awareness on covid precautions to the women's group, distributing groceries etc, also collaborated with Govt to vaccinate over 44.62 lakh doses in 7 states

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.

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

EDIT runs seven schools primarily for socially and economically weaker sections of society. These schools provide affordable schooling to students belonging to economically weak backgrounds, with an emphasis on the quality of the education imparted. Around 5,800 students have benefitted from these schools.

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

EDIT actively conducts job fairs across India for unemployed youth of low income communities, thereby providing gainful employment to over 2 lakh unemployed youth from lower income segment. The recruitment and employment practices of Equitas Group are also attuned towards talent spotting and acquisition from among marginalized sections of the society.

EDIT also provides access to affordable healthcare through various medical initiatives and medical camps which has benefitted over 6 million people cumulatively and collaborated with Government by conducting over 43,093 vaccination camps to help vaccinate 44.62 lakh doses.

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

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

Kindly refer to response to Principle 1 – Question 2.

Principle 6: Business should respect, protect and make efforts to restore the environment

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

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

Business Responsibility Report (Contd.)

- We give an assortment of digital offerings - Internet and Mobile banking, Electronic toll collection, Digital Savings account opening, Virtual Debit card, Digital fund transfers, Video KYC, 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?**
- Equitas SFB is aware of the potential environmental risks. We have also integrated environmental and social safeguards into the loan appraisal process.
- 4. Does the company have any project related to clean development Mechanism?**
- If so, provide details thereof, in about 50 words or so. Also, whether any environmental compliance report is filed?
- As detailed under Points 1-3 above, the Bank, through its initiatives, is aware of the importance of safeguarding the environment. Being a bank, it cannot own/execute any non-banking projects (such as CDM) as per RBI regulations.
- 5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy etc.? If yes, please give hyperlink for web page etc.**
- As explained above, the Bank focuses on reducing the usage of paper and provides alternate banking channels like internet banking, mobile banking, ATMs, Tab-based account opening, online & mobile account opening etc.
- Focus is placed on energy efficiency, through practices including installation of CFL & LED light fixtures and installation of similar energy efficient office equipment. We also aim to leverage digital banking and digital business initiatives to reduce environmental impact related to usage of paper and reducing the need for travel by customers to bank branches.
- The Bank has also implemented paperless recruitment process from application by the candidate to offer letter generation. This has reduced the need for travel by recruitment executives and candidates. This also reduces paper and printer usage during the recruitment process. We have also introduced eco-friendly paper pads, pens & pencils at our boardroom.
- 6. Are the emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**
- The operations of the Bank do not result in any significant environmental or pollution related issues.
- 7. Number of show cause/ legal notices received from CPCB/SPCB which is pending (i.e. not resolved to satisfaction) as on end of Financial Year.**
- The operations of the Bank do not result in any significant environmental or pollution related issues. No notices were received by the Bank as on March 31, 2022.
- 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:**
 - i. Indian Banks' Association (IBA)
 - ii. Fixed Income Money Market and Derivatives Association (FIMMDA)
 - iii. SaDhan – The Association of Community Development Finance Institutions
 - iv. Association of Mutual Funds in India (AMFI)
 - v. Confederation of Indian Industry (CII)
 - vi. The Indus Entrepreneurs (TiE)
 - 2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? If Yes, specify the broad areas (governance and administration, economic reforms, inclusive development policies, energy security, water, food security, sustainable Business Principles, others)**

Through various industry associations and in various forums, Equitas has promoted various social and welfare initiatives like responsible lending, financial literacy, creation of a more transparent financial system, ease of credit access to the underbanked/unbanked, operational ease of providing loans to economically excluded sections of the economy, etc.
- Principle 8: Businesses should support inclusive growth and equitable development**
- The main focus of Equitas Group is inclusive growth and equitable development. The word "Equitas" is a Latin word meaning justice, fairness and equity. Towards this end, we wish to state that the very idea behind differentiated licensing of Small Finance Banks is to further the agenda of financial inclusion and bring about equitable development. Hence, the operations of ESFBL are primarily directed towards inclusive growth and equitable development.
- Right since inception, the Bank consciously focusses on including differently abled women among its microfinance borrowers. When sales officer forms joint liability group, differently abled women are consciously identified and



Business Responsibility Report (Contd.)

included in group and provided microfinance loans. The Bank through its Micro Finance loan programs supported about 54,897 persons with disabilities during FY 2021-22 and cumulatively over 1,28,051 persons. Of these, around 33,447 visually challenged persons were supported during the year and cumulatively 54,764.

Encouraged by this model, Equitas has recently started including transgender persons in the joint liability groups. So far, Equitas has reached out to 282 such transgenders in women's group and brought them into the mainstream.

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

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

The Bank 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. Details of such activities are explained in other sections of this report.

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

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

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

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

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

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

The Bank has initiated discussion with four agencies to conduct the impact study for FY 2019-2022, which is being delayed due to the pandemic, we have slated the same to start from Aug of 2022 when schools reopen and are in operation.

During the year, the Bank has initiated an impact study for vaccination camps by Aspire Impact in collaboration with the Government and the study is underway.

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

During the year, an amount of ₹ 1,790.81 lakhs was spent by the Bank through the implementing agencies – Equitas Development Initiatives Trust (EDIT) (₹ 1,020 lakhs) and Equitas Healthcare Foundation (EHF) (₹ 770.81 lakhs) for carrying out CSR activities. Details of the said activities have been provided in the CSR Report, forming part of the 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.

EDIT, through Equitas Gurukul schools provides to children from its client community

- a. quality education to the poor
- b. necessary financial support to needy students

Business Responsibility Report (Contd.)

- c. counselling services to students through alumni services

Besides, EDIT is rendering the following complementary services among the client community of Equitas:

- a. Placement through job fairs
- b. Skill development training and financial support to indigent women for commencing entrepreneurship journey
- c. Assisting hospital to conduct medical camps and spreading messages on community health through the client network
- d. Comprehensive assistance towards rehabilitating pavement dwellers through Equitas Birds Nest program viz., rental assistance for six months, teaching of livelihood skills, enabling linkages to markets, enabling obtention of ration cards, counselling on financial literacy and providing them microfinance loans in deserving cases, thereby enabling their economic empowerment.

By offering the comprehensive bouquet of services as enumerated above, Equitas ensures successful adoption of its community development initiatives.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

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

2% of the customer complaints are pending as at the end of the Financial Year 2021-22. 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 does not market physical products. It endeavors to provide transparent information on its financial products through its website, which has detailed information on product features, service charges and fees applicable. In respect of the Bank, interest rates for various deposit schemes are published on the website. SMS alerts are sent to customers when charges or fees get triggered or levied in their deposit accounts.

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

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

Nil

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

The Bank has a mechanism for undertaking customer satisfaction survey with the help of a fully automated digital platform for monitoring customer satisfaction trends. We conduct 2 types of surveys:

- 1. Survey to assess loyalty of our customers (Net promotor Score) on a biannual basis

NPS survey was conducted on the customers who have been assigned a Relationship manager. NPS improved from 78 during the first half of FY2021-22 to 87 in later half of FY2021-22

- 2. Customer satisfaction survey (C-sat) to assess the satisfaction after every transaction across the bank touchpoints.

The satisfaction scores across the 4 quarters have been trending between 3.8 – 4.3 across channels (on a 5 point scale – where 5 stands for Excellent, 4 – very good, 3 – average, 2 – poor & 1 – very poor). The Bank monitors C-sat across Mobile/Internet banking, ATM, Account opening, Branch Servicing, Contact centre servicing & Service request management. During the year, more than 28 Lakh responses were received for various surveys conducted.

The C-sat survey aims to provide feedback on service delivery by staff and process efficiency as perceived by the customer, in addition to the overall user experience. Based on the survey feedback the Bank has improved or implemented more than 20 processes/features for better experience. During the last quarter of Fy'22, customers rated our Account opening & our Internet and Mobile banking experience, the highest at 4.3/5 & 4.4/5 respectively.

For and on behalf of the Board of Directors

Place: Chennai

Date: May 19, 2022

Vasudevan P N Arun Ramanathan

MD & CEO

Chairman



Independent Auditor's Report

To the Members of Equitas Small Finance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Equitas Small Finance Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31 2022, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, as amended (the "Act") in the manner so required for Banking Companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2022, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants

of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to Schedule 17.2.2 to the accompanying financial statement which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic, and that its possible consequential implications, if any, on the Bank's operations and financial results are dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matter
Identification of non-performing advances and provisioning for advances	
Advances form a material portion of the Bank's assets and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. Identification, classification and provisioning of NPAs are governed by the prudential norms on Income Recognition and Asset Classification ("IRAC") and the specific guidelines relating to COVID-19 Regulatory Package issued by the Reserve Bank of India ("RBI") which include rule-based and judgmental factors. Management is also required to make estimates of stress, recoverability issues, and security erosion in respect of specific borrowers or groups of borrowers, on account of specific factors that may affect such borrowers/groups (including factors relating to economic stress arising out of the COVID-19 pandemic).	We considered the Bank's accounting policies for NPA identification, and provisioning and have assessed the compliance with the IRAC norms prescribed by the RBI read with the specific RBI guidelines relating to COVID-19 Regulatory Package.
In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.	We tested the operating effectiveness of the controls (including application and IT dependent controls) for borrower wise classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to their days-past-due (DPD) status (including consideration of the moratorium on loans offered under the Regulatory Package).
	We considered the special mention accounts ("SMA") reports submitted by the Bank to the RBI's central repository of information on large credits (CRLC) and made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/or provisioning.
	We have verified the borrowers request letters on sample basis for the restructuring of accounts and also verified the process adopted by the bank in restructuring the same.
	Selected the borrowers based on quantitative and qualitative risk factors for their assessment of appropriate classification as NPA including computation of overdue ageing to assess its correct classification and provision amount as per extant IRAC norms and Bank policy.
	We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against.

Independent Auditor's Report (Contd.)

Key Audit Matters	How our audit addressed the key audit matter
Information Technology ("IT") Systems and Controls impacting Financial Reporting	
The IT environment of the Bank is complex and involves a large number of independent and interdependent IT systems used in the operations of the Bank for processing and recording a large volume of transactions at numerous locations. As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Bank.	As part of our Audit, we have carried out testing of the IT general controls, application controls and IT dependent manual controls.
There has been certain enhancement in the information technology (IT) infrastructure of the Bank in the current year. As the IT systems and processes continue to mature in view of the evolving business and regulatory landscape, changes in the technology environment have been carried out by the Bank.	We tested the design and operating effectiveness of the Bank's IT access controls over the key information systems, including changes made to the IT landscape during the audit period, that are critical to financial reporting. We tested IT general controls in the nature of controls over logical access, changes management, and other aspects of IT operational controls. These included testing that requests for access to systems were reviewed and authorized.
IT general controls include user access management and change management across applications, networks, database, and operating systems.	Where deficiencies were identified, we tested compensating controls or performed alternate procedures.
Due to the pervasive nature and complexity of the IT environment as well as its significance in relation to accurate and timely financial reporting we have identified this area a key audit matter.	

Information other than the Financial Statements and Auditors' Report thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. The Bank's annual report is expected to be made available to us after the date of this Auditors' Report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Bank's annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank

and provisions of Section 29 of the Banking Regulation Act, 1949, and circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,



and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The financial statements of the Bank for the year ended March 31, 2021 were audited by M/s T R Chadha & Co LLP Chartered Accountants, the statutory auditors of the bank, whose report dated April 29, 2021 had expressed an unmodified opinion on those financial statements. Accordingly, M/s Varma & Varma, Chartered Accountants, do not express any opinion on those figures reported as comparative figures in the financial statements for the year ended March 31, 2022. Our opinion is not modified in respect of this matter.

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 and section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required by sub section (3) of section 30 of the Banking Regulation Act, 1949 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;

Independent Auditor's Report (Contd.)

- b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - c. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. Our audit is carried out centrally as all the necessary records and data required for the purposes of our audit are centrally available. However, we have visited 22 branches covering 15.10% of the gross advances as on March 31, 2022, for the purpose of our audit, in compliance with the extant RBI Circular.
3. As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the accounting standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - (e) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls,
- refer to our separate Report in "Annexure 1" to this report;
- (g) In our opinion, the entity being a banking company, remuneration to the whole-time director during the year ended March 31, 2022 has been paid / provided by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act 1949; and
 - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer to Schedule 12 and Schedule 18.14(k) to the financial statements;
 - ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank
 - iv. (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons / entities, including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;



- (b) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Bank from any persons / entities, including foreign entities ("Funding Parties"), that the company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- (c) Based on the audit procedures which we have considered reasonable and appropriate in the circumstances and according to the information and explanations provided to us by the Management in this regard, nothing has come to our notice that has caused us to believe that the representations made by the Management under sub-clause (a) and (b) above contain any material misstatement.
- v. As stated in Schedule 18.1(c)(v) to the financial statements, the company has not declared or paid any dividend during the year and hence, the related reporting requirements under sub-clause (f) of Rule 11 of the Companies (Audit and Auditors) Rules, 2014 is not applicable.

For **T R Chadha & Co LLP**,
Chartered Accountants
Firm Registration No.: 006711N/N500028

Sheshu Samudrala
Partner
Membership No: 235031
UDIN: 22235031AIKLQJ5076

Place: Chennai
Date: 04.05.2022

For **Varma & Varma**,
Chartered Accountants
Firm Registration No.: 0045325

P R Prasanna Varma
Partner
Membership No: 025854
UDIN: 22025854AIKMZC3642

Place: Chennai
Date: 04.05.2022

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 with reference to Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to Financial Statements of Equitas Small Finance Bank Limited (the "Bank") as of March 31, 2022 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to Financial Statements 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 with reference to Financial Statements 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 with reference to Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Financial Statements included obtaining an understanding of internal financial controls with reference to Financial Statements, 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 judgment, 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 Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls with reference to Financial Statements

A Bank's internal financial control with reference to Financial Statements 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 with reference to Financial Statements 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 authorizations of management and directors of the bank; and
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to Financial Statements, 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 with reference to Financial Statements to future periods are subject to the risk that the internal financial control with reference to Financial Statements 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 with reference to financial statements and such internal financial controls with reference to Financial Statements were operating effectively as at March 31, 2022, based on the internal control with reference to Financial Statements 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 **T R Chadha & Co LLP**,
Chartered Accountants
Firm Registration No.: 006711N/N500028

Sheshu Samudrala
Partner
Membership No: 235031
UDIN: 22235031AIKLQJ5076

Place: Chennai
Date: 04.05.2022

For **Varma & Varma**,
Chartered Accountants
Firm Registration No.: 004532S

P R Prasanna Varma
Partner
Membership No: 025854
UDIN: 22025854AIKMZC3642

Place: Chennai
Date: 04.05.2022

Balance Sheet

as at March 31, 2022

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

Particulars	Schedule	As at 31-Mar-22	As at 31-Mar-21
CAPITAL AND LIABILITIES			
Capital	1	1,25,20,277	1,13,92,783
Reserves and Surplus	2	2,99,41,409	2,25,70,628
Deposits	3	18,95,07,973	16,39,19,717
Borrowings	4	2,61,64,000	4,16,53,200
Other Liabilities and Provisions	5	1,13,85,335	75,48,419
TOTAL		26,95,18,994	24,70,84,747
ASSETS			
Cash and Balances With Reserve Bank of India	6	95,69,917	51,48,080
Balances With Banks and Money At Call and Short Notice	7	1,17,55,229	2,86,39,044
Investments	8	4,44,98,496	3,70,51,661
Advances	9	19,37,42,060	16,84,81,890
Fixed Assets	10	20,04,445	18,50,500
Other Assets	11	79,48,847	59,13,572
TOTAL		26,95,18,994	24,70,84,747
Contingent Liabilities	12	1,83,000	1,25,061
Summary of significant accounting policies	17		
Notes forming part of financial statements	18		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **T R Chadha & Co LLP,**
Chartered Accountants
Firm Registration No.: 006711N/N500028

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

Sheshu Samudrala
Partner
Membership No: 235031
Place: Chennai
Date: May 04, 2022

Arun Ramanathan
Chairman
DIN:00308848
Place: Chennai
Date: May 04, 2022

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885
Place: Chennai
Date: May 04, 2022

Arun Kumar Verma
Director
DIN:03220124
Place: Chennai
Date: May 04, 2022

As per our report of even date

For **Varma & Varma,**
Chartered Accountants
Firm Registration No.: 004532S

P R Prasanna Varma
Partner
Membership No: 025854
Place: Chennai
Date: May 04, 2022

N Sridharan
Chief Financial Officer
Place: Chennai
Date: May 04, 2022

Sampathkumar KR
Company Secretary
M.No:A27466
Place: Chennai
Date: May 04, 2022



Profit and Loss account

for the year ended March 31, 2022

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

Particulars	Schedule	Year ended March 31, 2022	Year ended March 31, 2021
I INCOME			
Interest earned	13	3,45,96,693	3,19,44,132
Other income	14	53,75,565	41,80,547
TOTAL		3,99,72,258	3,61,24,679
II EXPENDITURE			
Interest expended	15	1,42,11,336	1,39,64,529
Operating expenses	16	1,70,41,453	1,32,94,286
Provisions and contingencies		59,12,151	50,23,632
TOTAL		3,71,64,940	3,22,82,447
III PROFIT			
Net Profit for the year		28,07,318	38,42,232
TOTAL		28,07,318	38,42,232
IV APPROPRIATIONS			
Transfer to Statutory reserves		7,01,830	9,60,558
Transfer to Special reserve account		96,843	74,244
Transfer to Capital Reserve		10,563	2,36,608
Transfer to Investment Fluctuation Reserve		12,471	19,820
Balance carried over to Balance Sheet		19,85,611	25,51,002
TOTAL		28,07,318	38,42,232
Summary of significant accounting policies	17		
Notes forming part of financial statements	18		
Earning per share (Basic) (in ₹)	18.19	2.43	3.53
Earning per share (Diluted) (in ₹)	18.19	2.40	3.49
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 **T R Chadha & Co LLP**,
Chartered Accountants

Firm Registration No.: 006711N/N500028

Sheshu Samudrala

Partner
Membership No: 235031
Place: Chennai
Date: May 04, 2022

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

Arun Ramanathan

Chairman
DIN:00308848
Place: Chennai
Date: May 04, 2022

Vasudevan PN

Managing Director and
Chief Executive Officer
DIN:01550885
Place: Chennai
Date: May 04, 2022

Arun Kumar Verma

Director
DIN:03220124
Place: Chennai
Date: May 04, 2022

As per our report of even date

For **Varma & Varma**,
Chartered Accountants
Firm Registration No.: 004532S

P R Prasanna Varma

Partner
Membership No: 025854
Place: Chennai
Date: May 04, 2022

N Sridharan

Chief Financial Officer
Place: Chennai
Date: May 04, 2022

Sampathkumar KR

Company Secretary
M.No:A27466
Place: Chennai
Date: May 04, 2022

Cash Flow Statement

for the year ended March 31, 2022

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

Particulars	Year ended March 31, 2022 Audited	Year ended March 31, 2021 Audited
Cash Flow from Operating activities		
Profit Before Tax	37,81,100	51,12,668
Adjustments for:		
Depreciation on fixed assets	7,52,831	7,64,332
Depreciation on investments	5,630	-
Amortization on held to maturity securities	2,16,929	1,14,008
Provision for standard assets (Including Restructuring Standard)	12,58,599	3,70,255
General Provision under COVID-19 – Regulatory Package	-	(9,96,300)
Additional Provision on Standard assets	2,60,768	-
Bad debts written off	36,04,573	24,47,328
Provision for Non performing assets	(1,89,012)	18,79,058
Other Provision and Contingencies	3,440	52,447
(Profit) / Loss on sale of fixed assets	3,065	(372)
Interest expenses on borrowings	31,98,045	45,96,866
Interest income on bank balances not considered as cash and cash equivalents	(18,938)	(4,372)
Esop Expenses -Material Risk Takers/Whole Time Director	12,679	-
Dividend income	(5,040)	-
	1,28,84,669	1,43,35,918
Adjustments for:		
(Increase)/Decrease in investments	(76,69,395)	(1,37,40,607)
(Increase)/Decrease in advances	(2,86,75,730)	(3,55,25,862)
Increase/(Decrease) in deposits	2,55,88,255	5,60,35,648
(Increase)/Decrease in other assets	(14,22,094)	(9,36,794)
Increase/(Decrease) in other liabilities and provisions	24,70,843	18,10,082
Direct taxes paid	(15,81,922)	(15,38,966)
Net cash (used in)/ generated from operating activities (A)	15,94,626	2,04,39,419
Cash flow from investing activities		
Purchase of fixed assets	(9,27,545)	(4,99,828)
Proceeds from sale of fixed assets	17,704	13,062
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	-	53,576
Interest received from bank balances not considered as cash and cash equivalents	18,938	5,145
Net cash (used in) / generated from investing activities (B)	(8,90,903)	(4,28,045)
Cash flow from financing activities		
Increase/(decrease) in borrowings (net)	(1,54,89,200)	(96,95,536)
Proceeds from issue of share capital (including share premium)	57,89,693	28,27,852
Share issue Expenses	(1,11,415)	(1,48,163)
Interest paid on borrowings	(33,54,779)	(45,23,252)
Net cash (used in) / generated from financing activities (C)	(1,31,65,701)	(1,15,39,099)
Net Increase /(decrease) in cash and cash equivalents	(A)+(B)+(C)	84,72,275
Cash and Cash equivalents at beginning of the year	3,37,87,124	2,53,14,849
Cash and Cash equivalents at end of the year	2,13,25,146	3,37,87,124



Cash Flow Statement

for the year ended March 31, 2022

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

Particulars	Year ended March 31, 2022 Audited	Year ended March 31, 2021 Audited
Notes to cash flow statement :		
Cash and Cash equivalents include the following		
Cash and Balances With Reserve Bank of India	95,69,917	51,48,080
Balances With Banks And Money At Call And Short Notice	1,17,55,229	2,86,39,044
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		
Cash and Cash equivalents at end of the year	2,13,25,146	3,37,87,124

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **T R Chadha & Co LLP,**

Chartered Accountants

Firm Registration No.: 006711N/N500028

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

Sheshu Samudrala

Partner

Membership No: 235031

Place: Chennai

Date: May 04, 2022

Arun Ramanathan

Chairman

DIN:00308848

Place: Chennai

Date: May 04, 2022

Vasudevan PN

Managing Director and

Chief Executive Officer

DIN:01550885

Place: Chennai

Date: May 04, 2022

Arun Kumar Verma

Director

DIN:03220124

Place: Chennai

Date: May 04, 2022

As per our report of even date

For **Varma & Varma,**

Chartered Accountants

Firm Registration No.: 004532S

P R Prasanna Varma

Partner

Membership No: 025854

Place: Chennai

Date: May 04, 2022

N Sridharan

Chief Financial Officer

Place: Chennai

Date: May 04, 2022

Sampathkumar KR

Company Secretary

M.No:A27466

Place: Chennai

Date: May 04, 2022

Schedules Balance Sheet

as at March 31, 2022

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

Schedule 1 - Capital

	As at Mar 31, 2022	As at Mar 31, 2021
Authorised capital		
1700,000,000 Equity Shares of ₹ 10 each	1,70,00,000	1,70,00,000
Issued, subscribed and paid-up capital		
1252,027,655 (Previous year: 1,139,278,250) Equity Shares of ₹ 10 each	1,25,20,277	1,13,92,783
TOTAL	1,25,20,277	1,13,92,783

- (a) During the quarter/year ended March 31, 2022, the Bank successfully completed Qualified Institutions Placement (QIP) of its shares comprising issue of 10,26,31,087 equity shares of ₹ 10/- each at premium of ₹ 43.59 per share, thereby raising ₹ 550 crore. The allotment was completed on February 19, 2022 and these equity shares of the Bank got listed on February 23, 2022 on National Stock Exchange (NSE) and BSE Ltd. As a result of this QIP, the public shareholding in the Bank increased from 18.70% to 25.37%, thereby complying with the Minimum Public Shareholding (MPS) requirements prescribed by SEBI Regulations.
- (b) The Bank, during the year ended March 31, 2022 has allotted 1,01,18,318 equity shares of ₹ 10/- each, fully paid up, on exercise of options by its employees and employees of the Holding company (Equitas Holdings Limited) in accordance with the ESFB ESOP Scheme.

The entire amount net of Issue Expenses has been utilised for augmentation of Bank's Tier I Capital funds. There is no amount unspent.

Schedule 2 - Reserves and Surplus

	As at Mar 31, 2022	As at Mar 31, 2021
I Statutory reserve		
Opening Balance	33,37,225	23,76,667
Additions during the year	7,01,830	9,60,558
Deductions during the year	-	-
Total - (A)	40,39,055	33,37,225
II Capital reserve		
Opening Balance	3,69,406	1,32,798
Additions during the year	10,563	2,36,608
Deductions during the year	-	-
Total - (B)	3,79,969	3,69,406
III Share premium account		
Opening Balance	92,90,907	74,69,984
Received during the year *	46,62,199	19,69,086
Deductions during the year **	(1,11,415)	(1,48,163)
Total - (C)	1,38,41,691	92,90,907
IV Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	1,81,554	1,07,310
Additions during the year	96,843	74,244
Deductions during the year	-	-
Total - (D)	2,78,397	1,81,554
V Revenue and Other reserves		
Opening Balance	2,54,400	2,54,400
Additions during the year	-	-
Deductions during the year	-	-
Total - (E)	2,54,400	2,54,400



Schedules Balance Sheet

as at March 31, 2022

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

	As at Mar 31, 2022	As at Mar 31, 2021
VI Investment Reserve		
Opening Balance	23,000	23,000
Additions during the year	-	-
Deductions during the year	-	-
Total - (F)	23,000	23,000
VII Investment Fluctuation Reserve		
Opening Balance	1,31,750	1,11,930
Additions during the year	12,471	19,820
Deductions during the year	-	-
Total - (G)	1,44,221	1,31,750
VIII Share Based Reserve		
Opening Balance	-	-
Additions during the year	12,679	-
Deductions during the year	-	-
Total - (H)	12,679	-
VIII Balance in Profit and Loss Account (I)		
TOTAL (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)	1,09,67,997	89,82,386
	2,99,41,409	2,25,70,628

* Securities Premium received on issue of equity shares.

** Towards share issue expenses

Schedule 3 - Deposits

	As at Mar 31, 2022	As at Mar 31, 2021
A I Demand deposits		
(i) From banks	3,38,698	5,21,057
(ii) From others	73,82,822	46,79,619
II Savings bank deposits	9,08,32,220	5,09,37,568
III Term deposits		
(i) From banks	1,89,80,772	4,31,96,331
(ii) From others	7,19,73,461	6,45,85,142
TOTAL	18,95,07,973	16,39,19,717
B I Deposits of branches in India	18,95,07,973	16,39,19,717
II Deposits of branches outside India	-	-
TOTAL	18,95,07,973	16,39,19,717

Schedule 4 - Borrowings

	As at Mar 31, 2022	As at Mar 31, 2021
I Borrowings in India		
(i) Reserve Bank of India	-	1,10,000
(ii) Other banks	3,00,000	7,00,000
(iii) Other institutions and agencies	2,58,64,000	4,08,43,200
TOTAL	2,61,64,000	4,16,53,200
II Borrowings outside India	-	-
TOTAL	-	-
TOTAL	2,61,64,000	4,16,53,200
Secured borrowings included in above	-	62,500

Schedules Balance Sheet

as at March 31, 2022

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

Schedule 5 - Other Liabilities ad Provisions

	As at Mar 31, 2022	As at Mar 31, 2021
I Bills payable	16,76,186	13,10,777
II Interest accrued	9,15,471	13,83,492
III Income Tax Payable (Net of tax paid in Advance)	59,226	63,492
IV Others (including provisions)*	87,34,452	47,90,658
TOTAL	1,13,85,335	75,48,419

*Includes :-

- a. Provision for standard assets ₹ 58.07 Crore (Previous year ₹ 55.91 Crore)
- b. Provisions for Restructured standard assets ₹ 150.91 Crore (Previous year ₹ 27.21 Crore)
- c. Additional provisions on standard assets on higher rate ₹ 26.08 Crore (Previous year : NA)

Schedule 6 - Cash and Balances with Reserve Bank of India

	As at Mar 31, 2022	As at Mar 31, 2021
I Cash in hand	16,11,070	9,74,205
II Balances with Reserve Bank of India :		
(a) In current accounts	79,58,847	41,73,875
(b) In other accounts	-	-
TOTAL	95,69,917	51,48,080

Schedule 7 - Balances with Banks and Money at Call and Short Notice

	As at Mar 31, 2022	As at Mar 31, 2021
I In India		
(i) Balances with banks :		
(a) In current accounts	5,55,229	7,89,044
(b) In other deposit accounts	-	-
(ii) Money at call and short notice :		
(a) With banks	1,12,00,000	2,78,50,000
(b) With other institutions	-	-
TOTAL	1,17,55,229	2,86,39,044
II Outside India		
(i) In current accounts	-	-
(ii) In deposit accounts	-	-
(iii) Money at call and short notice	-	-
TOTAL	1,17,55,229	2,86,39,044



Schedules Balance Sheet

as at March 31, 2022

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

Schedule 8 - Investments

	As at Mar 31, 2022	As at Mar 31, 2021
I Investments in India in (Net of provision)		
(i) Government securities	4,41,59,971	3,63,07,153
(ii) Other Approved securities	-	-
(iii) Shares	3,38,525	2,000
(iv) Debentures and Bonds	-	-
(v) Subsidiaries and / or Joint Ventures	-	-
(vi) Others	-	7,42,508
	4,44,98,496	3,70,51,661
Gross Investments	4,45,04,126	3,70,51,661
Less: Depreciation	(5,630)	-
Net Investments	4,44,98,496	3,70,51,661
II Investments outside India	-	-
TOTAL	4,44,98,496	3,70,51,661

Schedule 9 - Advances (Net of Provision)

	As at Mar 31, 2022	As at Mar 31, 2021
A (i) Bills purchased and discounted	19,99,742	10,87,819
(ii) Cash credits, overdrafts and loans repayable on demand	90,41,122	84,69,011
(iii) Term loans	18,27,01,196	15,89,25,060
TOTAL	19,37,42,060	16,84,81,890
B (i) Secured by tangible assets *	15,65,08,982	13,54,79,336
(ii) Covered by bank / government guarantees	-	-
(iii) Unsecured	3,72,33,078	3,30,02,554
TOTAL	19,37,42,060	16,84,81,890
(* includes advances against Book Debt: ₹ 69,05,624 , (previous year ₹ 78,83,904))		
C I Advances in India		
(i) Priority sector #	13,32,37,130	9,97,42,193
(ii) Public sector	-	-
(iii) Banks	1,461	93,192
(iv) Others	6,05,03,469	6,86,46,505
Total Advances in India	19,37,42,060	16,84,81,890
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	19,37,42,060	16,84,81,890

Priority sector includes ₹ 2,450 Crore (previous year : ₹ 4,800 Crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

Schedules Balance Sheet

as at March 31, 2022

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

Schedule 10 - Fixed Assets

	As at Mar 31, 2022	As at Mar 31, 2021
A Premises		
Cost		
As at beginning of the year	12,55,640	11,99,039
Additions during the year	41,327	58,537
Deductions during the year	(9,937)	(1,936)
	12,87,030	12,55,640
Depreciation		
As at beginning of the year	6,40,368	5,02,436
Additions during the year	1,38,966	1,39,868
Deductions during the year	(5,653)	(1,936)
Depreciation to date	7,73,681	6,40,368
Net block	5,13,349	6,15,272
B Other fixed assets (including furniture and fixtures)		
Cost		
As at beginning of the year	46,66,171	43,04,506
Additions during the year	7,83,275	4,55,188
Deductions during the year	(76,676)	(93,523)
	53,72,770	46,66,171
Depreciation		
As at beginning of the year	34,39,772	28,96,141
Additions during the year	6,13,865	6,24,464
Deductions during the year	(60,191)	(80,833)
Depreciation to date	39,93,446	34,39,772
Net block	13,79,324	12,26,399
C Capital work-in-progress		
TOTAL	20,04,445	18,50,500

Schedule 11 - Other Assets

	As at Mar 31, 2022	As at Mar 31, 2021
I Interest accrued	24,90,547	22,73,309
II Tax paid in advance (Net of provision for tax)	-	-
III Stamps	346	828
IV Deferred tax asset	21,36,059	15,32,185
V Others	33,21,895	21,07,250
TOTAL	79,48,847	59,13,572

Schedule 12 - Contingent Liabilities

	As at Mar 31, 2022	As at Mar 31, 2021
I Claims against the bank not acknowledged as debts		
(a) Service tax and Goods and Sevice Tax	34,395	12,545
(b) Others	28,314	20,152
II Guarantees given on behalf of constituents		
(a) In India	1,20,291	92,364
(b) Outsdie India	-	-
Total	1,83,000	1,25,061



Schedules to Profit and Loss Account

for the year ended March 31, 2022

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

Schedule 13 - Interest Earned

	Year ended March 31, 2022	Year ended March 31, 2021
I Interest /discount on advances /bills	3,13,91,224	2,90,08,290
II Income from investments	24,61,447	21,93,847
III Interest on balance with RBI and other inter-bank funds	7,44,022	7,41,995
IV Others	-	-
Total	3,45,96,693	3,19,44,132

Schedule 14 - Other Income

	Year ended March 31, 2022	Year ended March 31, 2021
I Commission, exchange and brokerage	3,81,107	2,64,907
II Profit / (loss) on sale of investments (net)	4,26,357	4,47,043
III Profit / (loss) on sale of building and other assets (net)	(3,065)	372
IV Miscellaneous income*	45,71,166	34,68,225
Total	53,75,565	41,80,547

*Includes ₹ 7.80 Crore (Previous year ₹ 61.99 Crore) of income from sale of PSL Certificates, ₹ 45.95 Crore ATM interchange income (Previous year ₹ 8.28 Crore) and ₹ 111.89 Crore Prepaid cards -Interchange income (Previous year ₹ 54.51 Crore).

Schedule 15 - Interest Expended

	Year ended March 31, 2022	Year ended March 31, 2021
I Interest on deposits	1,13,53,337	96,96,676
II Interest on RBI / inter-bank borrowings	1,92,668	1,34,630
III Other interest	26,65,331	41,33,223
Total	1,42,11,336	1,39,64,529

Schedule 16 - Operating Expenses

	Year ended March 31, 2022	Year ended March 31, 2021
I Payments to and provisions for employees	89,82,084	79,14,496
II Rent, taxes and lighting	13,21,036	10,42,610
III Printing and stationery	1,07,648	77,468
IV Advertisement and publicity	3,23,383	1,24,440
V Depreciation on bank's property	7,52,831	7,64,332
VI Directors' fees, allowances and expenses	31,684	26,371
VII Auditors' fees and expenses	10,169	7,270
VIII Legal and Professional Fees	3,00,830	2,14,679
IX Postage, telegram, telephone etc.	2,74,198	1,94,303
X Repairs and maintenance	2,45,496	2,19,138
XI Insurance	1,83,747	1,17,105
XII Commission and Brokerage	2,36,041	1,59,433
XIII Information Technology Expenses	9,06,544	5,48,547
XIV Travel & Conveyance	5,01,456	3,53,262
XV Bank and Other finance charges	10,84,008	5,26,757
XVI Cash handling charges	1,97,746	1,18,104
XVII CSR contributions	1,92,100	1,57,300
XVIII Other expenditure *	13,90,452	7,28,671
Total	1,70,41,453	1,32,94,286

*Includes ₹ 39.89 Crore Micro ATM switching fee expenses (Previous year ₹ 27.30 Crore).

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

Corporate information

1(a). Background

Equitas Small Finance Bank Limited (CIN: U65191TN1993PLC025280) ("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, Equitas Holdings Limited acquired the Company. The Company's name was subsequently changed to Equitas Finance Limited in September 2015 consequent to it becoming a Public Limited Company. Pursuant to a scheme of amalgamation approved by the Hon'ble High Court of Judicature at Madras (the "Scheme"), and upon fulfilment of all conditions specified under the said Scheme, Equitas Micro Finance Limited and Equitas Housing Finance Limited amalgamated with the Company, and the Company was renamed Equitas Small Finance Bank Limited ("ESFBL"). Consequent to the above amalgamation the microfinance and housing finance businesses of the erstwhile EMFL and EHFL were transferred to the Company effective September 2, 2016. ESFBL commenced its banking operations after the receipt of final banking license from the Reserve Bank of India on September 5, 2016. During year ended March 31, 2021, the Bank successfully completed Initial Public Offer (IPO) of its shares pursuant to which, the equity shares of the Bank got listed on National stock exchange (NSE) and BSE Ltd.

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

2. Basis of Preparation

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

2.1. The Board of Directors of Equitas Small Finance Bank Limited (ESFBL) and Equitas Holdings Limited (EHL) at their respective Meetings held on July 26, 2021

approved a Scheme of Amalgamation between EHL, ESFBL and their respective shareholders, contemplating amalgamation of EHL with ESFBL under applicable provisions of the Companies Act 2013. The Scheme was designed to achieve the RBI licensing requirement of dilution of promoter shareholding in the Bank and minimum public shareholding (MPS) requirements prescribed by SEBI Regulations, in a manner that is in the best interests of and without being prejudicial to EHL, ESFBL, their respective shareholders or any other stakeholders.

Subsequently, ESFBL achieved the MPS through a Qualified Institutions Placement (QIP) of its shares, in February 2022, after obtaining the necessary approvals. QIP comprised of issue of 10,26,31,087 equity shares of ₹ 10/- each at premium of ₹ 43.59 per share, aggregating to a fund raise of ₹ 550 crore. As a result of this QIP, the public shareholding in the Bank increased from 18.70% to 25.37%, thereby complying with the Minimum Public Shareholding (MPS) requirements prescribed by SEBI Regulations.

Consequently, the aforesaid Scheme was revised to include the change in capital structure arising from QIP as well as the necessary change in objects of the Scheme. The Scheme, so revised was approved by the Boards of EHL and ESFBL in their respective Meetings held on March 21, 2022. The Scheme has been filed with the Stock Exchanges and RBI for necessary approvals/ sanctions.

Upon coming into effect of this Scheme and in consideration of the amalgamation of EHL with ESFBL, ESFBL, without any further application, act or deed, shall issue and allot to each of the equity shareholders of EHL as on the Record Date defined in the Scheme, 231 equity Shares of ₹ 10/- each credited as fully paid up of ESFBL, in respect of every 100 Equity Shares of ₹ 10/- each fully paid up held by them in EHL.

2.2. The COVID-19 pandemic (declared as such by the World Health Organisation on March 11, 2020), has contributed to a significant decline and volatility, and a significant decrease in economic activity, in global and Indian markets. The Indian government had announced a strict nation-wide lockdown in India in March 2020 to contain the spread of the virus. Subsequently, while the national lockdown was lifted, regional post COVID-19 disruptions continued in many parts of the country as the world including India experienced multiple waves of outbreak on account of new coronavirus variants during the year ended March 31, 2022.

The impact of Covid 19 coupled with change in customer behaviour and pandemic scare has led to significant disruptions and dislocations for individuals and businesses, with consequential impact on regular banking operations including lending, deposit-



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

mobilisation, and collection activities and consequent increase in provisioning and credit cost. The country is emerging out of the pandemic and restrictions have been substantially lifted. However, outbreak of further variants of COVID-19 could not be ruled out. The extent to which any such new wave of COVID-19 pandemic would affect the Bank's operations, and financial metrics (including impact on provisioning on advances) will depend on future developments, including new information on severity of the new and evolving virus variants, action taken to spread or mitigate its impact, whether mandated or voluntary, resilience of customers to bounce back and their behaviour patterns.

3. Significant accounting policies

3.1. Use of Estimates

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

3.2. Investments

Classification:

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

- i) Held to Maturity ("HTM") – Securities acquired with the intention to hold till maturity
- ii) Held for Trading ("HFT") – Securities acquired with the intention to trade
- iii) Available for Sale ("AFS") – Securities which do not fall within the above two categories

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

Basis of classification:

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

Acquisition cost:

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

Transfer between categories

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

Valuation:

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

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

Quoted Investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. [FBIL], based on relevant RBI circular.

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

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

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 lending, as the case may be. Accordingly, amounts outstanding in Repo and Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings and Money at Call and at Short Notice respectively and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.

Disposal of investments:

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

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

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

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

3.3. Advances

Classification:

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

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

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

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

Provisioning:

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural, and Small and Micro Enterprises(SMEs) 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%. In addition, the Bank has a policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies. Advances are disclosed, net of provisions in the Balance Sheet (Also refer Note 18.4).

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.

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. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the

account during the period, in accordance with the extant RBI guidelines in this regard.

Non-performing advances are written-off in accordance with the Bank's policies. Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

Recording and Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in the financial statements, provision created is netted against gross amount of advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off / settlement of the account.

Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

3.4. Securitisation transactions and direct assignments and transfer of assets

The Bank transfers its loan receivables both through Direct Assignment route as well as transfers to Special Purpose Vehicles (SPV).

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss Account in the period in which the sale occurs.

3.5. Fixed Assets (Property, Plant and Equipment (PPE) and depreciation)

Property, Plant and Equipment, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the

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

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
Furniture and Fixtures	3 Years	10 years
Vehicles	4 Years	8 Years
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

- Leasehold improvements are depreciated over the primary lease period or over the remaining useful life of the asset, whichever is lower.
- ‘Point of Sale’ terminals are fully depreciated in the year of purchase.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the Balance Sheet date and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying

amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

PPE held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the Profit and Loss Account.

3.6. Intangible Assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Bank uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 5 years or license period, whichever is lower.

The amortization period and the amortization method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

3.7. Impairment of Assets

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account.

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

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

of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

3.8. Transactions involving foreign exchange

Initial recognition

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Treatment of Exchange differences

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

3.9. Revenue Recognition

Interest Income on loans, advances and investments (including deposits with banks and other institutions) are recognised on accrual basis. Income on Non-performing Assets is recognized upon realisation as per RBI norms.

Fee and Commission income are recognised as income when due, except in cases where the Bank is uncertain of its ultimate collection.

Bank Guarantee commission and commission on letter of credit, and locker rent are recognised on a straight-line basis over the period of contract. Interest Income on deposits / investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Income on discounted instruments is recognised over the tenor of the instruments on a straight line basis.

Dividend income, if any, is accounted for, when the right to receive the same is established.

In accordance with the RBI guidelines on Securitisation Transactions, gains arising from assignment / securitisation are amortised over the life of the underlying portfolio loans. In case of any loss,

the same is recognised in the Profit and Loss Account immediately.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the Profit and Loss Account.

3.10. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

The Bank's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short term Employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

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

Long term Employee benefits

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

Employee Stock Compensation Cost

Employee stock compensation cost for stock options is recognised as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India and Guidelines issued by the Reserve Bank of India on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff (WTD/CEO/MRTS). The Bank measures compensation cost relating to the employee stock options using the intrinsic value method. The compensation cost, if any, is amortised uniformly over the vesting period of the options. However, in respect of WTD/CEO/MRTS, as required under RBI Guidelines, the Bank has recognised expenses related to instruments granted to them on the basis of fair value of stock options using Black-Scholes model, as compensation expense over the vesting period.

3.11. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the lease term.

3.12. Accounting of Priority Sector Lending Certificate (PSLC)

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

3.13. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realizability (Also refer Note 18.20).

At each reporting date, the Bank re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

3.14. Earnings per Share

Basic earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential



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

equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.15. Proposed Dividend

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

3.16. Segment reporting

The disclosure relating to segment information is in accordance with the guidelines issued by RBI. In accordance with guidelines issued by RBI, the bank has adopted segment reporting as under:

Treasury includes all investment portfolios, Profit/Loss on sale of investments, PSLC Fee, Profit/Loss on foreign exchange transaction, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation/amortisation of premium on HTM category investments.

Corporate / Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under 'Retail Banking'.

Retail Banking includes lending to and deposits, from retail customers and identified earnings and expenses of the segment.

Other Banking Operations includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and reserves and other un-allocable assets, liabilities, income and expenditure.

Geographic segment

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

3.17. Provisions. Contingent Liabilities and Contingent Assets

A provision is recognized when the Bank has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank 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. Contingent assets are neither recognised nor disclosed in the financial statements.

3.18. Cash and Cash Equivalents

Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice. Cash and cash equivalents for the purpose of cash flow statement comprise of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

3.19. Short sale transactions

In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognised. Profit or loss on settlement of the short position is recognised in the Profit and Loss account.

3.20. Reward Points

The Bank runs a loyalty program, which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

3.21. Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

3.22. Corporate social responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, is recognised in the Profit and Loss Account.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

1 Regulatory Capital

a) Composition of Regulatory Capital

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 Mar 31, 2022	As at Mar 31, 2021
i)	Common Equity Tier 1 capital	3,939.14	3,150.78
ii)	Additional Tier 1 Capital	-	-
iii)	Tier 1 Capital (i + ii)	3,939.14	3,150.78
iv)	Tier 2 Capital	100.87	128.60
v)	Total Capital (Tier 1 + Tier 2)	4,040.01	3,279.38
vi)	Total Risk Weighted Assets (RWAs)	16,056.09	13,564.70
vii)	CET 1 Ratio (CET 1 as a percentage of RWAs)	24.53%	23.23%
viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	24.53%	23.23%
ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	0.63%	0.95%
x)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	25.16%	24.18%
xi)	Leverage Ratio #	14.73%	12.85%
xii)	Percentage of the shareholding of		
a)	Government of India	NA	NA
b)	State Government of India	NA	NA
c)	Sponsor Bank	NA	NA
xiii)	Amount of paid-up equity capital raised during the year*	112.75	85.88
xiv)	Amount of non-equity Tier 1 capital raised during the year	0.00	0.00
xv)	Amount of Tier 2 capital raised during the year	0.00	0.00

Leverage Ratio computed as per Basel III framework

* During the quarter/ year ended March 31, 2022, the Bank successfully completed Qualified Institutions Placement (QIP) of its shares comprising issue of 10,26,31,087 equity shares of ₹ 10/- each at premium of ₹ 43.59 per share, thereby raising ₹ 550 crore. The allotment was completed on February 19, 2022 and these equity shares of the Bank got listed on February 23, 2022 on National Stock Exchange (NSE) and BSE Ltd. As a result of this QIP, the public shareholding in the Bank increased from 18.70% to 25.37%, thereby complying with the Minimum Public Shareholding (MPS) requirements prescribed by SEBI Regulations.

The Bank, during the year ended March 31, 2022 has allotted 1,01,18,318 equity shares of ₹ 10/- each, fully paid up, on exercise of options by its employees and employees of the Holding company (Equitas Holdings Limited) in accordance with the ESFB ESOP Scheme.

* During year ended March 31, 2021, the Bank successfully completed Initial Public Offer (IPO) of its shares comprising issue of 8,48,48,484 equity shares of ₹ 10/- each at premium of ₹ 23 per share, thereby raising ₹ 280 crore and an offer for sale of 7,20,00,000 equity shares @ ₹ 33 per share, by the Equitas Holdings Limited. The equity shares of the Bank got listed on November 2, 2020 on National Stock Exchange (NSE) and BSE Ltd, thereby complying with the licensing condition of listing the shares of the Bank.

The Bank, during the year ended March 31, 2021, has allotted 10,28,164 equity shares of ₹ 10 each, fully paid up, on exercise of options by its employees and employees of the Holding company (Equitas Holdings Limited) in accordance with the Banks's Employee Stock Option Scheme.

1b) Draw down from Reserves:

The Bank has not drawn down any amount from its opening reserves during the year ended March 31, 2022 and March 31, 2021.

Share premium

An amount of ₹ 11.14 crore (Previous Year ₹ 14.82 crore) being the expenditure in connection with issue of shares during the year has been drawn down from Share Premium account as permitted under section 52 of the Companies Act 2013.



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

1c) Appropriations to reserve:

(i) 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 ₹ 70.18 Crore (Previous year ₹ 96.06 Crore) to Statutory Reserve for the year.

(ii) Capital Reserve

During the year, the Bank had appropriated ₹ 1.06 Crore (Previous Year ₹ 23.66 Crore), net of taxes and transfer to statutory reserve, to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.

(iii) 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

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

of ₹ 9.68 Crore (Previous year ₹ 7.42 Crore) to Special Reserve. There is no drawdown from this reserve during FY 21-22 and FY 20-21.

(iv) Investment Fluctuation Reserve

During the FY 2021-22, the bank has apportioned ₹ 1.25 Crore (Previous year : ₹ 1.98 Crore) to Investment Fluctuation Reserve, based on net profit on sale of investment and the value of investments in HFT and AFS category, to protect against future increase in yield, in accordance RBI guidelines.

(v) Declaration of Dividends

Considering the need to preserve capital to support growth and expansion, the Board did not recommend any dividend for the financial year ended March 31, 2022.

RBI vide its notification reference RBI/2021-22/23/DOR.ACC.REC.7/21.02.067/2021-22 Dated: April 22, 2021, stated that in view of the continuing uncertainty caused by the ongoing second wave of COVID-19 in the country, it is crucial that banks remain resilient and proactively raise and conserve capital as a bulwark against unexpected losses. While allowing banks to pay dividend on equity shares at the half of that permitted vide circular dated May 4, 2005, the said circular requires the Board of Directors of the Bank to consider projected capital position and requirements, adequacy of provisions, etc before deciding upon payment of dividend. Accordingly, considering the need to preserve capital in these uncertain times, the Board did not recommend any dividend for the financial year ended March 31, 2021.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

2 Asset Liability Management

a) Maturity pattern of certain items of assets and liabilities

i) As at 31-Mar-22

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	478.81	873.39	303.98	260.54	591.82	430.82	1,291.48	3,293.51	11,329.17	46.13	51.15	18,950.80
Advances	56.03	131.29	172.55	238.97	587.37	541.36	1,133.03	2,998.34	6,377.34	2,661.45	4,476.48	19,374.21
Investments	1,298.50	16.75	-	313.64	173.78	67.11	223.34	513.59	1,742.40	49.11	51.63	4,449.85
Borrowings	-	-	14.14	-	39.14	114.14	425.57	806.04	1,107.37	110.00	-	2,616.40
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

ii) As at 31-Mar-21

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	310.80	629.72	175.84	397.92	776.92	469.59	1,979.46	3,362.16	8,265.83	9.81	13.92	16,391.97
Advances	10.23	146.02	151.97	180.06	481.56	511.10	774.88	2,497.83	6,129.30	2,393.43	3,571.81	16,848.19
Investments	940.01	148.00	-	199.87	203.47	69.33	289.40	493.52	1,295.34	44.50	21.73	3,705.17
Borrowings	-	17.45	220.73	70.00	172.18	122.18	432.79	621.88	1,978.11	530.00	-	4,165.32
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain assumptions have been made by management of the Bank which have been relied upon by the auditors and the same are used for submitting the regulatory returns. The actual outflows may be different than the above estimates as deposits rollover assumptions are not considered in the maturity profile on a conservative basis. Also the liquid assets in the form of Reverse Repo for ₹ 1,120 Crore as on March 31, 2022 with residual maturity upto 4 days (March 31, 2021 - ₹ 2,785 Crore with residual maturity upto 9 days) were not included in the above disclosure.



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

b) (i) Liquidity Coverage Ratio (LCR)

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

Particulars	Quarter ended 30-Jun-21		Quarter ended 30-Sep-21		Quarter ended 31-Dec-21		Quarter ended 31-Mar-22	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)	6,507.00		6,296.92		5,638.22		5,205.41	
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	1,689.00	84.00	2,127.17	106.36	2,495.90	124.84	2,936.03	146.80
(ii) Less stable deposits	6,295.00	629.00	7,355.75	735.57	8,228.51	822.61	9,577.31	957.73
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	4,274.00	3,239.00	4,356.93	3,174.82	5,117.94	3,688.17	3,353.22	2,662.50
(iii) Unsecured debt	151.00	151.00	155.46	155.46	0.00	0.00	0.00	0.00
4 Secured wholesale funding								
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	147.00	44.00	132.84	24.94	114.49	8.81	105.39	6.73
6 Other contractual funding obligations	200.00	200.00	419.91	419.91	241.51	241.51	521.02	521.02
7 Other contingent funding obligations	158.00	8.00	139.39	6.76	143.78	6.98	158.31	7.68
8 TOTAL CASH OUTFLOWS	4,355.00		4,623.82		4,892.92		4,302.46	
Cash Inflows								
9 Secured lending (e.g. reverse repos)	2,399.00	0.00	1,977.40	0.00	1,738.75	0.00	1,990.23	0.00
10 Inflows from fully performing exposures	460.00	245.00	424.43	231.54	731.02	520.49	564.14	335.16
11 Other cash inflows	260.00	165.00	418.82	324.67	191.79	96.69	189.42	94.71
12 TOTAL CASH INFLOWS	3,119.00	410.00	2,820.65	556.21	2,661.56	617.18	2,743.79	429.87
13 TOTAL HQLA	6,507.00		6,296.92		5,638.22		5,205.41	
14 TOTAL NET CASH OUTFLOWS	3,945.00		4,067.61		4,275.74		3,872.59	
15 LIQUIDITY COVERAGE RATIO (%)	164.94		154.81		131.87		134.42	

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

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 an 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 investing in Level I assets resulting in comfortable level of HQLA. The Bank follows the criteria laid down by the RBI for the calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises of Government securities viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz. Refinances & Customer Deposits. All significant outflows and inflows are determined in accordance with the RBI guidelines and are included in the prescribed LCR computation. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

b) (ii) Liquidity Coverage Ratio (LCR)

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

Particulars	Quarter ended 30-Jun-20		Quarter ended 30-Sep-20		Quarter ended 31-Dec-20		Quarter ended 31-Mar-21	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		4,198.33		4,730.24		6,937.62		6,626.61
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	739.86	36.99	928.96	46.45	1,123.47	56.17	1,366.26	68.31
(ii) Less stable deposits	3,311.74	331.17	3,883.86	388.39	4,519.72	451.97	5,284.13	528.41
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Non-operational deposits (all counterparties)	2,880.83	2,259.73	3,356.97	2,703.25	3,702.09	2,937.33	4,078.68	3,203.01
(iii) Unsecured debt	126.58	126.58	235.47	235.47	279.10	279.10	325.64	325.64
4 Secured wholesale funding								

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

Particulars	Quarter ended 30-Jun-20		Quarter ended 30-Sep-20		Quarter ended 31-Dec-20		Quarter ended 31-Mar-21	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	-	-	-	-	-	-	-	-
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	145.81	46.23	245.24	109.87	227.39	72.06	247.20	92.34
6 Other contractual funding obligations	399.53	399.53	485.69	485.69	328.70	328.70	342.07	342.07
7 Other contingent funding obligations	148.61	6.92	112.93	5.25	136.08	6.69	162.91	7.93
8 TOTAL CASH OUTFLOWS		3,207.15		3,974.37		4,132.02		4,567.71
Cash Inflows								
9 Secured lending (e.g. reverse repos)	1,704.43	0.00	1,277.96	0.00	2,824.04	0.00	2,604.47	0.00
10 Inflows from fully performing exposures	47.38	29.33	285.37	156.04	482.67	255.75	478.12	257.26
11 Other cash inflows	109.73	102.45	75.83	66.73	237.18	167.16	310.60	238.71
12 TOTAL CASH INFLOWS	1,861.54	131.78	1,639.16	222.77	3,543.89	422.91	3,393.19	495.97
13 TOTAL HQLA		4,198.33		4,730.24		6,937.62		6,626.61
14 TOTAL NET CASH OUTFLOWS		3,075.37		3,751.60		3,709.11		4,071.74
15 LIQUIDITY COVERAGE RATIO (%)		136.51		126.09		187.04		162.75

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 an 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 investing in Level I assets resulting in comfortable level of HQLA. The Bank follows the criteria laid down by the RBI for the calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises of Government securities viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz. Refinances & Customer Deposits. All significant outflows and inflows are determined in accordance with the RBI guidelines and are included in the prescribed LCR computation. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

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.

c) Net Stable Funding Ratio (NSFR)

Available Stable Funding (ASF) Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1 year	≥ 1 Year	
1 Capital: (2+3)	8,210	-	-	-	8,210
2 Regulatory capital	4,040				4,040
3 Other capital Instruments	4,170				4,170
4 Retail deposits and deposits from small business customers: (5+6)	8,228	1,499	1,319	2,427	10,096
5 Stable Deposits	3,113				2,958
6 Less stable deposits	5,115	1,499	1,319	2,427	7,139
7 Wholesale funding: (8+9)	5,073	-	-	-	2,537
8 Operational deposits	5,073				2,537
9 Other wholesale funding					
10 Other Liabilities (11+12)	2,960	-	-	-	-
11 NSFR derivative liabilities					
12 All other liabilities and equity not included in the above categories	2,960				-
13 Total ASF (1+4+7+10)					20,843
Required Stable Funding (RSF) Item					
14 Total NSFR high-quality liquid assets (HQLA)					271
15 Deposits held at other financial institutions for operational purposes	52				28
16 Performing loans and securities: (17+18+19+21+23)	-	3,726	2,999	1,204	13,427
17 Performing loans to financial institutions secured by Level 1 HQLA		311	328		211
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions					
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:		3,415	2,671		3,043
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				11,047	9,390
21 Performing residential mortgages, of which:				1,204	783
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
24 Other assets: (sum of rows 25 to 29)	2,335	-	-	-	2,311
25 Physical traded commodities, including gold					
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	42				35
27 NSFR derivative assets					
28 NSFR derivative liabilities before deduction of variation margin posted					
29 All other assets not included in the above categories	2,293				2,276
30 Off-balance sheet items	686				33
31 Total RSF (14+15+16+24+30)	3,073	3,726	2,999	1,204	16,070
32 Net Stable Funding Ratio (%)					129.70%



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

Qualitative disclosure around Net Stable Funding Ratio (NSFR) :

The objective of NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the probability of erosion of a bank's liquidity position due to disruptions in a bank's regular sources of funding that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

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

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 NSFR and monitors the same as per the operating guidelines for small finance banks. The Bank has been submitting NSFR reports to RBI from December 2021. Currently the Net Stable Funding Ratio is at optimal level compared with the prescribed regulatory limit of 100%. The bank is consistently increasing the Available Stable Funds from stable customers which significantly increases NSFR. 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, 2022

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

Particulars	Investment in India					Investment Outside India		
	Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or Joint Ventures	Others	Total Investments in India	Total Investments outside India
Held to Maturity								
Gross	3,729.30	-	-	-	-	-	3,729.30	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-
Net	3,729.30	-	-	-	-	-	3,729.30	-
Available for Sale								
Gross	686.69	-	27.64	-	-	-	714.33	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-
Net	686.69	-	27.64	-	-	-	714.33	-
Held for Trading								
Gross	-	-	6.78	-	-	-	6.78	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-
Net	-	-	6.78	-	-	-	6.78	-
Total Investments								
Gross	4,415.99	-	34.42	-	-	-	4,450.41	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-
Net	4,415.99	-	34.42	-	-	-	4,450.41	-
								4,450.41

3 Investments

a) Composition of Investment Portfolio as on March 31, 2022

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

a) Composition of Investment Portfolio as on March 31, 2021

Particulars	Investment in India					Investment Outside India		
	Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or Joint Ventures	Others	Total Investments in India	Total Investments outside India
Held to Maturity								
Gross	3,046.42	-	-	-	-	-	3,046.42	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-
Net	3,046.42	-	-	-	-	-	3,046.42	-
Available for Sale								
Gross	584.30	-	0.20	74.25	-	-	658.75	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-
Net	584.30	-	0.20	74.25	-	-	658.75	-
Held for Trading								
Gross	-	-	-	-	-	-	-	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-
Total Investments								
Gross	3,630.72	-	0.20	74.25	-	-	3,705.17	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-
Net	3,630.72	-	0.20	74.25	-	-	3,705.17	-

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

b) Movement of Provisions for Depreciation and Investment Fluctuation Reserve

S. No	Particulars	As at Mar 31, 2022	As at Mar 31, 2021
(i)	Movement of provisions held towards depreciation on investment		
a)	Opening Balance	-	-
b)	Add: Provisions made during the year	0.56	108.20
c)	Less: Write off / write back of excess provisions during the year	-	108.20
d)	Closing balance	0.56	-
(ii)	Movement of Investment Fluctuation Reserve		
a)	Opening balance	13.18	11.20
b)	Add: Amount transferred during the year	1.24	1.98
c)	Less: Drawdown	-	-
d)	Closing balance	14.42	13.18
(iii)	Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/ Current category	2.00%	2.00%

c) Sale and transfer of securities to / from HTM category

During the year, the Bank had sold SLR securities from HTM category through OMOs conducted by RBI and re-purchase of government securities by GOI (Book Value - ₹ 275.09 Crore). As on March 31, 2022, Market value of the investments held in the HTM category is ₹ 3,667.29 Crore and book value over market value is ₹ 62.02 Crore.

During the previous year, the Bank had sold SLR securities from HTM category through direct selling in secondary market (Book Value - ₹ 681.33 Crore), OMOs conducted by RBI and re-purchase of government securities by GOI (Book Value - ₹ 1,144.70 Crore). As on March 31, 2021, Market value of the investments held in the HTM category is ₹ 3,042.37 Crore and the excess of book value over market value is ₹ 4.05 Crore.

The Bank had availed option provided by RBI vide press release dated 06-Nov-20 on repayment of Targeted Long Term Repo Operations borrowings. Consequently, associated Non-SLR securities (invested out of funds borrowed in TLTRO) of Book Value ₹ 123.59 Crore were shifted from HTM to AFS category in conformity with RBI guidelines.

d) Non - SLR investment portfolio

(i) Non-performing non-SLR investments

The Bank does not have Non Performing investment under Non-SLR investment as on March 31, 2022 and March 31, 2021.

(ii) Issuer composition of Non SLR investments as at March 31, 2022:

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	1.45	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	6.30	-	-	-	-
4	Private Corporates	26.66	0.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	0.56	-	-	-	-
	Total	33.85	0.20	-	0.20	0.20

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

Issuer composition of Non SLR investments as at March 31, 2021:

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	74.45	25.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
Total		74.45	25.20	-	0.20	0.20

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.

e) Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions :

As at March 31, 2022

S. No	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31-Mar -2022 #
(i)	Securities sold under repo				
a.	Government securities	-	75.00	1.27	-
b.	Corporate debt securities	-	-	-	-
c.	Any other securities	-	-	-	-
(ii)	Securities purchased under reverse repo				
a.	Government securities	302.00	3,725.00	1,990.13	1,120.00
b.	Corporate debt securities	-	-	-	-
c.	Any other securities	-	-	-	-

Repo and Reverse Repo Transactions (including LAF) are disclosed above in Face Value terms.

As at March 31, 2021

S. No	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31-Mar -2021 #
(i)	Securities sold under repo				
a.	Government securities	-	725.61	242.93	11.00
b.	Corporate debt securities	-	-	-	-
c.	Any other securities	-	-	-	-
(ii)	Securities purchased under reverse repo				
a.	Government securities	500.00	4,250.00	2,144.96	2,785.00
b.	Corporate debt securities	-	-	-	-
c.	Any other securities	-	-	-	-

Repo and Reverse Repo Transactions (including LAF) are disclosed above in Face Value terms.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

4 Asset quality

a) Classification of advances and provisions held as on March 31, 2022

Particulars	Standard Total Standard Advances	Non-Performing			Total
		Sub-Standard	Doubtful	Loss	
Gross Standard Advances and NPAs					
Opening Balance	16,582.02	325.19	299.41	18.18	642.78
Add: Additions during the year					1,389.33
Less: Reductions during the year*					1,194.93
Closing balance	18,894.73	572.39	239.75	25.04	837.18
*Reductions in Gross NPAs due to:					
i) Upgradation					522.68
ii) Recoveries (excluding recoveries from upgraded accounts)					311.79
iii) Technical/ Prudential Write-offs					220.87
iv) Write-offs other than those under (iii) above					139.59
Provisions (excluding Floating Provisions)					
Opening balance of provisions held	83.12	134.50	204.93	18.18	357.61
Add: Fresh provisions made during the year					516.42
Less: Excess provision reversed/ Write-off loans					516.32
Closing balance of provisions held	208.98	189.97	142.70	25.04	357.71
Net NPAs					
Opening Balance		190.69	94.48	-	266.17
Add: Fresh additions during the year					872.91
Less: Reductions during the year					659.61
Closing Balance		382.42	97.05	0.00	479.47
Floating Provisions					
Opening Balance					19.00
Add: Additional provisions made during the year					-
Less: Amount drawn down during the year (Refer note below)					19.00
Closing balance of floating provisions					-
Technical write-offs and the recoveries made thereon					
Opening balance of Technical/ Prudential written-off accounts					374.55
Add: Technical/ Prudential write-offs during the year					220.87
Less: Recoveries made from previously technical/ prudential written-off accounts during the year					24.22
Closing balance					571.20

Note: The Bank has utilised 100% of floating provision of ₹ 19 Crore held as on December 31, 2020, for making specific provisions against non-performing assets amounting to ₹ 19.05 Crore, in accordance with the RBI circular, RBI/2021-22/28 DOR.STR.REC.10/21.04.048/2021-22 dated May 5, 2021.



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

Classification of advances and provisions held as on March 31, 2021

Particulars	Standard Total Standard Advances	Non-Performing			Total Non- Performing Advances	Total
		Sub-Standard	Doubtful	Loss		
Gross Standard Advances and NPAs						
Opening Balance	13,499.63	195.29	213.96	8.07	417.32	13,916.95
Add: Additions during the year					589.37	7,409.08
Less: Reductions during the year*					363.91	4,101.23
Closing balance	16,582.02	325.19	299.41	18.18	642.78	17,224.80
*Reductions in Gross NPAs due to:						
i) Upgradation					38.02	
ii) Recoveries (excluding recoveries from upgraded accounts)					81.16	
iii) Technical/ Prudential Write-offs					191.85	
iv) Write-offs other than those under (iii) above					52.88	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	46.10	33.61	128.02	8.07	169.70	215.80
Add: Fresh provisions made during the year					442.01	
Less: Excess provision reversed/ Write-off loans					254.10	
Closing balance of provisions held	83.12	134.50	204.93	18.18	357.61	440.73
Net NPAs						
Opening Balance		161.68	85.94	-	228.62	
Add: Fresh additions during the year					147.36	
Less: Reductions during the year					109.81	
Closing Balance		190.69	94.48	-	266.17	
Floating Provisions						
Opening Balance					19.00	
Add: Additional provisions made during the year					-	
Less: Amount drawn down during the year					-	
Closing balance of floating provisions					19.00	
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts					184.35	
Add: Technical/ Prudential write-offs during the year					191.85	
Less: Recoveries made from previously technical/ prudential written-off accounts during the year					1.65	
Closing balance					374.55	

NPA Ratio:

Ratios	As at Mar 31, 2022	As at Mar 31, 2021
Gross NPA to Gross Advances	4.24%	3.73%
Net NPA to Net Advances	2.47%	1.58%
Provision coverage ratio	42.73%	58.59%

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

b) Sector-wise advances

S. No	Sector	As at 31st Mar 2022			As at 31st Mar 2021		
		Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
(i) Priority Sector							
a)	Agriculture and allied activities	3,285.59	166.37	5.06%	2,783.97	80.47	2.89%
b)	Advances to industries sector eligible as priority sector lending	1,143.62	28.54	2.50%	739.60	27.14	3.67%
c)	Services	6,731.92	266.72	3.96%	4,663.57	242.49	5.20%
d)	Personal loans*	1,076.18	20.27	1.88%	725.47	20.78	2.86%
e)	Others	1,345.98	106.47	7.91%	1,344.60	56.66	4.21%
Sub-total (i)		13,583.29	588.37	4.33%	10,257.21	427.54	4.17%
(ii) Non-priority Sector							
a)	Agriculture and allied activities	-	-	0.00%	-	-	0.00%
b)	Industry	784.44	7.15	0.91%	924.40	6.54	0.71%
c)	Services	160.01	10.90	6.81%	166.02	26.80	16.14%
d)	Personal loans**	4,134.97	158.88	3.84%	4,655.84	168.70	3.62%
e)	Others	1,069.20	71.88	6.72%	1,221.33	13.20	1.08%
Sub-total (ii)		6,148.62	248.81	4.05%	6,967.59	215.24	3.09%
Total (i) + (ii)		19,731.91	837.18	4.24%	17,224.80	642.78	3.73%

* Personal loans includes Housing Loans

** Personal loans includes Housing Loans, Loan Against Property and Loan Against Gold

Priority sector includes ₹ 2,450 Crore (Previous year ₹ 4,800 Crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC)

The Bank has compiled and furnished the data for the purpose of this disclosure from its internal MIS system / reports.

c) Overseas assets, NPAs and revenue

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous Year : Nil).

d) Particulars of resolution plan and restructuring

The Bank has not done any restructuring of advances under "Prudential Framework for Resolution of Stressed Assets" issued vide circular DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019.

e) Divergence in asset classification and provisioning

The Financial statement for the year ended March 31, 2021 and March 31, 2022 have not been subjected to inspection by Reserve Bank of India as on the date of the financials and accordingly, the disclosure on divergence in Asset classification and provisioning as per RBI Circular: DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017 is not applicable.

f) Disclosure of transfer of loan exposures

(i) In respect of loans not in default that are transferred or acquired

During the year, there was no loan exposures transferred and no loan exposures acquired (Previous year: Nil)

(ii) In the case of stressed loans transferred or acquired

During the year, there was no stressed loans transferred and no stressed loans acquired (Previous year: Nil)



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

g) Fraud accounts

Particulars	As at 31st Mar 2022	As at 31st Mar 2021
Number of frauds reported	58	65
Amount involved in fraud	4.20	14.35
Amount of provision made for such frauds	3.42	30.38
Amount of Unamortised provision debited from 'other reserves' as at the end of the year	-	-

h) Details of Loans Restructured under Resolution Framework for COVID-19-related Stress

Details of resolution plan implemented under the Resolution Framework for covid-19 related stress as per RBI circular dated August 6,2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2022 are given below:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A) **	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year #	Of (A) amount paid by the borrowers during the half-year ##	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans	17.63	2.95	-	0.19	14.49
Corporate persons*	18.51	4.21	0.20	1.94	12.36
Of which MSMEs	10.19	4.01	-	0.48	5.70
Others	1736.79	294.66	64.10	245.48	1196.65
Total	1,772.93	301.82	64.30	247.61	1,223.50

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016.

** Includes restructuring done in respect of requests received as of September 30, 2021 processed subsequently.

represents debt that slipped into NPA and was subsequently written off during the half year.

includes change in the balances on account of interest.

- (ii) There were 1433 borrower accounts having an aggregate exposure of ₹ 94.93 crores to the Bank, where resolution plans had been Implemented under RBI's Resolution Framework 1.0 dated August 6, 2020 and now modified under RBI's Resolution Framework 2.0 dated May 5, 2021.

5 Exposures

a) Exposures to Real Estate Sector

S. No	Particulars	As at Mar 31, 2022	As at Mar 31, 2021
(i)	Direct Exposures		
	(a) Residential Mortgages - Lending fully secured by Mortgages on residential property that is or will be occupied by the borrower or that is rented" - of which housing loans eligible for inclusion in priority sector advances are rendered	9,411.58	7,834.10
	(b) Commercial Real Estate	1,094.36	767.87
	Lending secured by mortgages on commercial real estate (office buildings, retail space, multi purpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non fund based (NFB) limit	162.04	168.47
	(c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	a. Residential	-	-
	b. Commercial Real Estate	-	-
(ii)	Indirect Exposures		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	48.91	252.82
	Total exposure to Real Estate Sector	9,622.53	8,255.39

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

Exposure represents the higher of the sanctioned or outstanding to Real estate sector.

The above disclosure includes the IBPC exposure of ₹ 570 crore. (Previous year ₹ 700 crore) and includes a) Exposure to Home Loans, Loan against property against Residential mortgages other than classified under CRE-RH b) Exposure to Real Estate Builders/ Developers c) exposures where the primary source of cash flow, i.e. more than 50% of cash flows, for repayment / recovery is from lease or rental payments and such assets are taken as security and d) Indirect exposure to HFC.

Commercial Real estate exposure classification is based on RBI circular DBOD.BP.BC.No. 42/08.12.015/2009-10 dated September 9, 2009.

b) Exposures to Capital Market

S. No	Particulars	As at Mar 31, 2022	As at Mar 31, 2021
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;	34.42	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;	-	0.06
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	All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total exposure to Capital market		34.42	0.26

c) Risk category-wise country exposure

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).

d) Unsecured advances

Particulars	As at Mar 31, 2022	As at Mar 31, 2021
Total unsecured advances of the bank	3,723.31	3,300.26
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	-	-
Estimated value of such intangible securities	NA	NA

e) Factoring exposures

The factoring exposure of the Bank as at March 31, 2022 is ₹ 199.97 crore (previous year: ₹ 108.78 crore)



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

f) Intra- Group exposure

S. No	Particulars	As at Mar 31, 2022	As at Mar 31, 2021
(i)	Total amount of intra-group exposures	-	-
(ii)	Total amount of top 20 intra-group exposures	-	-
(iii)	Percentage of intra-group exposures to total exposure of the bank on borrowers/ customers	-	-
(iv)	Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	-	-

g) Unhedged foreign currency exposure

The Bank has made a provision of ₹ 0.007 crore for unhedged foreign currency exposure as required by RBI guidelines during the year ended March 31, 2022 (March 31, 2021 : ₹ 0.028 crore).

6 Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits

Particulars	As at Mar 31, 2022	As at Mar 31, 2021
Total Deposits of twenty largest depositors *	2,622.61	3,588.65
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	13.84%	21.89%

* excludes Certificate of Deposits issued.

b) Concentration of Advances*

Particulars	As at Mar 31, 2022	As at Mar 31, 2021
Total advances of twenty largest borrowers	790.65	858.98
Percentage of advances of twenty largest borrowers to Total advances of the bank	3.80%	4.76%

*Advances represents Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

c) Concentration of Exposures *

Particulars	As at Mar 31, 2022	As at Mar 31, 2021
Total Exposure of twenty largest borrowers/customers	790.65	907.96
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	3.80%	5.01%

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

d) Concentration of NPA

Particulars	As at Mar 31, 2022	As at Mar 31, 2021
Total exposure to the top twenty NPA accounts	49.93	40.82
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	5.96%	6.35%

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

7 Derivatives

The Bank have not entered into any transactions in derivatives in the current and previous years

8 (a)Disclosures relating to securitisation

The Bank does not have any securitisation transactions in the current and previous years.

(b) Assignment

The information on Direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at Mar 31, 2022		As at Mar 31, 2021	
	1	111.11	1	111.11
Number of Direct Assignments				
Total amount of Loans directly transferred / Assigned				
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR)				
as on the date of Balance Sheet				
a) Off-balance sheet exposures				
First loss		-		-
Others		-		-
b) On-balance sheet exposures				
First loss		-		-
Others		-		-
Amount of exposure to Assignment transactions other than MRR				
a) Off-balance sheet exposures				
i) Exposure to own Assignment				
First loss		-		-
Others		-		-
ii) Exposure to third party Assignment				
First loss		-		-
Others		-		-
b) On-balance sheet exposures				
i) Exposure to own Assignment				
First loss		-		-
Others		-		-
ii) Exposure to third party Assignment				
First loss		-		-
Others		-		-

9 Off balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored		
Domestic	Overseas	
Nil	Nil	

10 Transfers to Depositor Education and Awareness Fund (DEA Fund)

S. No	Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
(i)	Opening balance of amounts transferred to DEA Fund	0.06	0.01
(ii)	Add: Amounts transferred to DEA Fund during the year	0.05	0.05
(iii)	Less: Amounts reimbursed by DEA Fund towards claims	-	-
(iv)	Closing balance of amounts transferred to DEA Fund	0.11	0.06



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

11 Disclosure of Complaints

a) Summary information on complaints received by the bank from customers and from the OBOs

Complaints received by the bank from its customers

S. No	Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
1	Number of complaints pending at beginning of the year	63	54
2	Number of complaints received during the year	2,141	2,410
3	Number of complaints disposed during the year	2,144	2,401
3.1	Of which, number of complaints rejected by the bank	2	4
4	Number of complaints pending at the end of the year	60	63
Maintainable complaints received by the bank from OBOs			
5	Number of maintainable complaints received by the bank from Office of Ombudsman	359	239
5.1	Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	350	229
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	9	10
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

b) Top five grounds of complaints received by the bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 day
(1)	(2)	(3)	(4)	(5)	(6)
2021-2022					
Account opening/difficulty in operation of accounts	28	733	5% increase	19	0
Internet/Mobile/Electronic Banking	8	512	44% decrease	14	1
Levy of charges without prior notice/excessive charges/foreclosure charges	3	433	10% decrease		0
Loans and advances	17	431	46% increase	15	0
ATM/Debit Cards	5	154	13% decrease	1	0
Others	2	237	204% increase	11	0
Total	63	2500		60	1
2020-2021					
Account opening/difficulty in operation of accounts	10	698	196% increase	28	1
Internet/Mobile/Electronic Banking	19	920	24% increase	8	0
Levy of charges without prior notice/excessive charges/foreclosure charges	7	480	256% increase	3	0
Loans and advances	5	295	34% decrease	17	0
ATM/Debit Cards	11	178	2% decrease	5	0
Others	2	78	67% decrease	2	0
Total	54	2649		63	1

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for the year ended March 31, 2022

12 Disclosure of penalties imposed by the Reserve Bank of India

During the year ended March 31, 2022, RBI has not imposed any penalties on the Bank (Previous year : Nil)

13 Disclosure on remuneration

a) Qualitative disclosures

The Nomination and Remuneration Committee is chaired by an Independent Director and comprises of four (4) other Independent Directors.

- (a) **Remuneration Policy of the Bank covers remuneration payable for directors and employees of the Bank and all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan and gratuity.**

The functions of the committee include: recommendation of appointment of Directors to the board, evaluation of performance of the Directors, approval of the policy for remuneration payable to the employees, including senior management and key management personnel, framing guidelines for the Employee Stock Option Scheme (ESOP Scheme) and deciding on the grant of stock options to the employees and Whole Time Directors of the Bank.

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

The Bank believes in a sound compensation practice that ensures effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement. This policy is framed in accordance with the guidelines laid down by Reserve Bank of India (RBI) vide their Circular Reference no DOR. Appt. BC. No. 23/ 29.67.001/ 2019-20 dated November 4, 2019.

- (c) **Description of the ways in which current and future risks are taken into account in the remuneration processes.**

The Board of Directors through the Nomination and Remuneration Committee ("NRC") shall be responsible for formulating and making the necessary amendments to the Remuneration Policy for the Directors, Key Managerial Persons ("KMP") and Senior Executives of the Bank from time to time. The NRC may consider different aspects like risk-return alignment, cost to income ratio in framing the remuneration.

(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 the financial year as may be fixed by the Board from time to time, calculated as per the provisions of the Companies Act, 2013 and subject to the limits fixed by the Reserve Bank of India, from time to time.

Further, within the above ceiling, the remuneration payable to the Chairman of the Board shall be two times the amount payable to other Non-Executive Directors and Independent Directors and further subject to approval of RBI and the remuneration payable to the Chairman of the Audit Committee shall be 1.5 times the amount payable to other Non-Executive Directors and Independent Directors.

NEDs are to be paid such sitting fee for each meeting of the Board/ Committees of the Board attended by them, as may be approved by the Board pursuant to provisions of Section 197 of the Companies Act, 2013 read with Section 35B (1) of the Banking Regulation Act 1949. NEDs including Independent Directors shall be reimbursed any out of pocket expenses incurred by them while performing duties for the Bank.

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

On November 22, 2019, the Board of the Bank approved an ESOP scheme for the Bank for eligible employees as determined from time to time by the NRC of the Bank.

For the other categories of staff, the compensation is structured taking into account all relevant factors such as the level of the position, roles and responsibilities and the prevailing compensation structure in the industry for the similar role.

- (d) **Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.**

The Bank follows Annual Performance Review (12 months period) to link performance. Remuneration is fixed based on the grade and



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

merit rating for all the employees. Individual performances are assessed in line with business or deliveries of the Key Result Areas (KRA), top priorities of business, budgets, risk alignment 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.**

The Bank has restructured the remuneration for Material Risk Takers in line with the RBI circular dated November 4, 2019. Accordingly, the variable pay of identified MRT was determined to be between 100% to 300% of fixed pay. This variable pay was further divided into cash and ESOPs. Both the cash and ESOPs of the said MRTs is to be deferred over a period of three years in line with the risk taken. Each such MRT has performance measures aligned to risk measures and the vesting of variable pay is also pro-rated till the end of the deferral period.

- (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.**

Employees of the Bank are eligible for variable pay in terms of both cash and ESOPs. At field level this is linked to defined performance targets. Other roles may be given variable pay based on their performance ratings. The variable pay amount varies depending on both the role of the individual as well as his/her performance levels.

b) Quantitative disclosures

S. No	Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
g)	Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members.	8	12
	Remuneration paid to its members.	0.16	0.21
h)	(i) Number of employees having received a variable remuneration award during the financial year	5.00	-
	(ii) Number and total amount of sign-on/joining bonus made during the financial year.	-	-
	(iii) Details of severance pay, in addition to accrued benefits, if any.	-	-
i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	Cash: 64,57,976 No. of ESOPs: 36,228 Value of ESOPs: 10,34,128	Cash: Nil
	(ii) Total amount of deferred remuneration paid out in the financial year.	Nil (No Deferred Cash Payment)	-

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

Employees above defined grade are eligible for Employee Stock Options issued by the Bank determined by the Nomination and Remuneration Committee of the Bank. These options are granted annually based on performance ratings and role of the individual. Junior employees in cases of consistent exemplary performance are also granted options being part of High Achievers Club.

In very select instances, employees are offered options over a four year period, with a quarter of the options vesting every year. The vesting of the options are dependent on continuity and performance of the said individual.

Variable pay for MRTs have been explained in (e) earlier.

A variable component may also be made available for specific employees as agreed and included as a part of their respective compensation structure.

As on the reporting date, the Bank does not have any form of variable remuneration other than as stated above. Employees above defined grade are eligible for Employee Stock Options issued by the Bank determined by the Nomination and Remuneration Committee of the Bank. In addition, some of the employees are holding stock options issued by the Holding company under the Holding Company's Employee Stock Option scheme (Equitas ESOP Scheme 2015).

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

S. No	Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Fixed: 6,84,29,137 (as per Annual Fixed CTC) Total Variable Cash: 1,12,86,964 a) Deferred Cash: 64,57,976 b) Non Deferred Cash: 48,28,988	Fixed: 5,95,49,663 (as per Annual Fixed CTC) Variable Cash: Nil
k)	(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.	No of ESOPs: 26,08,506 Value of ESOPs: 5,63,44,257	No of ESOPs: 1,58,346 Value of ESOPs: 38,08,179
l)	Number of MRTs identified.	5	5
m)	(i) Number of cases where malus has been exercised. (ii) Number of cases where clawback has been exercised. (iii) Number of cases where both malus and clawback have been exercised.	- - -	- - -
n)	General Quantitative Disclosure. The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	Mean Pay: 4,51,715 Deviation: WTD (MD) Sal: 37.6 times Mean Pay	Mean Pay: 4,02,109 Deviation: WTD (MD) Sal: 32 times Mean Pay

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

Details of Remuneration paid to Independent Directors for the year ended March 31, 2022 and for the year ended March 31, 2021 are as under:

Name	Remuneration FY 2021-22	Remuneration FY 2020-21
Mr Arun Ramanathan (Chairman)	0.12	0.12
Mr Arun Kumar Verma	0.09	0.09
Prof Balakrishnan N	0.06	0.06
Mr Navin Puri	0.06	0.06
Mr. Ramesh Rangan*#	0.06	0.02
Mr Sridhar Ganesh\$	0.03	0.06
Mr Srinivasan N	0.06	0.06
Ms Tabassum Inamdar\$\$	0.03	0.06
Mr Vinod Kumar Sharma	0.06	0.06
Ms. Lalitha Lakshmanan\$\$\$	-	0.02
Mr Samir Kumar Barua**	0.02	-
Ms Geeta Dutta Goel*	-	-
Mr. Nagarajan Srinivasan***	-	-
Total	0.58	0.61

* Ms. Geeta Dutta Goel was appointed as Director w.e.f December 27, 2021. Ms. Geeta Dutta Goel has waived her right to receive sitting fee and remuneration payable to her as Director of the Bank.

** Mr. Samir Kumar Barua was appointed as Director w.e.f December 27, 2021. Hence, he is entitled to attend the meeting post his appointment.

\$ Mr. Sridhar Ganesh retired as Director w.e.f. September 03, 2021.



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for the year ended March 31, 2022

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

\$\$ Ms. Tabassum Inamdar retired as Director w.e.f. October 19, 2021.

\$\$\$ Ms. Lalitha Lakshmanan resigned as Director w.e.f. July 01, 2020.

*** Mr Nagarajan Srinivasan resigned as Director w.e.f. November 17, 2020. Mr Nagarajan Srinivasan has waived his right to receive remuneration/ commission/ sitting fee payable to him as Director of the Bank.

*# Mr Ramesh Rangan was appointed as Director w.e.f November 09, 2020. Hence, he is entitled to attend the meeting post his appointment.

14 Other Disclosures

a) Business Ratio

S. No Ratio	As at Mar 31, 2022	As at Mar 31, 2021
(i) Interest Income as a percentage to Working Funds *	13.14%	13.70%
(ii) Non interest income as a percentage to Working Funds *	2.04%	1.79%
(iii) Cost of Deposits	6.45%	7.13%
(iv) Net Interest Margin \$	8.27%	8.24%
(v) Operating Profit as a percentage to Working Funds ^*	3.31%	3.80%
(vi) Return on Assets @	1.07%	1.65%
(vii) Business (deposits plus advances) per employee # & (₹ in crore)	2.11	1.80
(viii) Profit per employee & (₹ in crore)	0.016	0.024

Note:

* Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X for Commercial Banks and Form IX for UCBs., during the 12 months of the financial year.

\$ Net Interest Income/ Average Earning Assets. Net Interest Income= Interest Income – Interest Expense

@ Return on Assets would be with reference to average working funds (i.e., total of assets excluding accumulated losses, if any).

For the purpose of computation of business per employee (deposits plus advances), inter-bank deposits shall be excluded.

^ Operating profit is profit for the year before provisions and contingencies.

& Productivity ratios are based on average employee numbers, which excludes contract staff, intern etc.

b) Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

Particulars	As at Mar 31, 2022	As at Mar 31, 2021
On Insurance products	35.56	24.34
On Mutual Fund products	1.15	0.65
Total	36.71	24.99

c) Marketing and Distribution

Banks does not have fees / remuneration received in respect of the marketing and distribution function (excluding bancassurance business).

d) Inter-bank participation with risk sharing

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines is ₹ 865 crore as on March 31, 2022 (Previous Year : ₹ 700 crore).

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

e) Priority Sector Lending Certificate (PSLCs)

Particulars	As at 31-Mar-22	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	-	-
Small and Marginal Farmers	-	-
Micro Enterprises	-	2,450.00
General	-	-
Total	-	2,450.00

Particulars	As at 31-Mar-21	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	-	100.00
Small and Marginal Farmers	-	1,000.00
Micro Enterprises	-	3,650.00
General	-	50.00
Total	-	4,800.00

f) Provisions and Contingencies

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

Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
Provision for NPA (including write off)	341.56	432.64
Net provision / (reversal) towards Standard assets (including provision for restructured standard assets)	125.86	37.03
Floating provision	-	-
Provision for taxes (net)	157.77	166.92
Deferred tax (net)	(60.39)	(39.88)
General Provision under COVID-19 Regulatory Package	-	(99.63)
Additional Provision of Standard Assets	26.08	-
Other Provision and Contingencies	0.34	5.29
Total	591.22	502.37

g) Implementation of IFRS converged Indian Accounting Standards (Ind AS)

The Bank is a subsidiary of Equitas Holdings Limited (EHL), a CIC-NBFC and the accounts of the Holding Company are presented as per the Indian Accounting Standards (Ind AS). The accounts of the Bank, being a subsidiary are required to be consolidated with the accounts of EHL, being the Holding Company as per the provisions of Companies Act, 2013. Since, the Bank being a material subsidiary of EHL, Bank's financial statements are converted into Ind AS format for the purpose of Consolidation with EHL accounts. Also, as required by the RBI guidelines, the accounts of the Bank are submitted to the RBI in the Ind AS format at periodic intervals. The Financials prepared by the Bank under Ind AS for the purpose of consolidation of EHL accounts are reviewed/audited and approved by the Board of Directors of the Bank.

The Bank has put in place Board approved policy on Expected Credit Loss (ECL) as per Indian Accounting Standards. The Bank carries out the Expected loss provisioning using Probability of default (PD) and Loss given Default (LGD) framework by considering historical data. Currently, the ECL computation is manual and the Bank is in the process of automating the same

h) Payment of DICGC Insurance Premium

Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
(i) Payment of DICGC Insurance Premium*	19.29	11.77
(ii) Arrears in payment of DICGC Insurance Premium	-	-

* Amount paid inclusive of GST.



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

i) Movement in provision for debit card reward points

Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
Opening provision for reward points	0.48	0.22
Provision for reward points made during the year	1.35	0.48
Utilisation / Write back of provision for reward points	0.48	0.22
Effect of change in rate for accrual of reward points	-	-
Effect of change in cost of reward points	-	-
Closing provision for reward points	1.35	0.48

j) Fixed Assets - details of software

Particulars	As at 31-Mar-22	As at 31-Mar-21
Opening cost	67.34	79.13
Additions during the year	20.80	21.45
Less: Deletions	-	2.91
Less: Amortization to date	28.40	30.33
Closing balance	59.74	67.34

k) Contingent liabilities

Claims against the Bank not acknowledged as debts includes liability on account of Service tax, Goods and Service Tax, amount transferred to DEAF 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.

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 in case the customer fails to fulfill their financial or performance obligations.

l) 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 Bank, 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.

m) 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).

n) Letters of Comfort

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

o) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the bank (Ultimate Beneficiaries). The Bank has not received any fund from any party(s) (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

p) Corporate Social Responsibility Activities

Operating expenses include the following amounts towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

Details of CSR expenditure	Year ended 31-Mar-22	Year ended 31-Mar-21
a) Gross amount required to be spent by the Bank	8.16	4.96
b) Amount spent	-	-
i) Construction/acquisition of any asset	19.21	15.73
ii) On purposes other than (i) above		
% of Average net profit spent for the last three financial years	4.71%	6.35%

15 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 Bank has recognised ₹ 44.95 crores (Previous Year: ₹ 38.27 Crore) towards Provident Fund contributions in the Profit and Loss Account. The contributions payable to the fund by the Bank is at rates specified in the rules of the scheme.

Defined Benefit Plans

Gratuity

The Bank has a funded gratuity scheme for its employees and the Gratuity liability has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary is as follows:

Particulars	As at 31-Mar-22	As at 31-Mar-21
Change in defined benefit obligations during the year		
Present value of defined benefit obligation at beginning of the year	44.03	32.67
Current service cost	15.28	11.40
Interest cost	2.44	1.94
Benefits paid	(4.15)	(1.29)
Actuarial (gains)	(2.90)	(0.69)
Present value of Defined Benefit Obligation at end of the year	54.70	44.03
Change in Fair Value of Assets during the year		
Plan Assets at beginning of the year	25.50	22.08
Add: Adjustments to the opening balance	0.89	1.97
Expected return on plan assets	1.53	1.46
Actual Bank contributions	-	-
Actuarial gain / (loss)	(1.53)	(0.01)
Plan Assets at End of the Year	26.39	25.50
Liability Recognised in the Balance Sheet		
Present value of defined benefit obligation	(54.70)	(44.03)
Fair value of plan assets	26.39	25.49
Net Liability Recognised in the Balance Sheet	(28.31)	(18.54)



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for the year ended March 31, 2022

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

Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
Cost of Defined Benefit Plan for the year		
Current service cost	15.28	11.40
Interest cost	2.44	1.94
Expected return on plan assets	(1.53)	(1.46)
Net actuarial gains	(1.37)	(2.64)
Net Cost Recognized in the Profit and Loss account	14.82	9.24
Return on Plan Assets	1.53	1.46
Assumptions		
Discount rate (Refer Note (b))	6.20%	5.81%
Interest rate (Estimated rate of return on assets)	7.00%	6.00%
Future salary increase (Refer Note (a))	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%

Notes:

- a) 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.
- b) 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.
- c) Experience Adjustments:

Particulars	For the year ended 31- Mar-22	For the year ended 31- Mar-21	For the year ended 31- Mar-20	For the year ended 31- Mar-19	For the year ended 31- Mar-18
Projected benefit obligation	54.70	44.03	32.66	23.50	17.88
Fair value of plan assets	26.39	25.49	22.08	20.63	11.85
Surplus/ (Deficit)	(28.31)	(18.54)	(10.58)	(2.87)	(6.03)
Experience adjustments on plan liabilities - gains	(2.90)	(0.69)	(1.03)	(1.71)	(1.50)
Experience adjustments on plan assets - gains / (losses)	(1.53)	(0.01)	-	(1.18)	(0.95)

d) Category of Plan Assets

Particulars	% of fair value to total plan assets as at 31-Mar- 22	% of fair value to total plan assets as at 31-Mar- 21
Government securities	0%	0%
Debenture and bonds	0%	0%
Equity shares	0%	0%
Others	100%	100%

Long-term Compensated Absences and Leave Encashment

The key assumptions used in the computation of provision for long term compensated absences and leave encashment as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
Assumptions:		
Discount Rate	6.20%	5.81%
Future Salary Increase	10.00%	10.00%
Attrition rate	20.00%	20.00%

The Bank has made changes to the leave policy w.e.f.01st April 2021 and necessary effect has been given in the financial statement.

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for the year ended March 31, 2022

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

16 Disclosures- Accounting Standards

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. Also, refer Schedule 17.3.16.

As at 31-Mar-22

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	371.56	3,452.25	109.91	63.51	3,997.23
Segment Results	137.00	213.44	29.67	53.49	433.60
Unallocated (income)/expenses					55.49
Operating profit					378.11
Income taxes					97.38
Net Profit					280.73
Other information					
Segment assets	6,365.73	19,271.97	1,100.59	-	26,738.29
Unallocated assets					213.61
Total assets					26,951.90
Segment liabilities	5,343.83	16,406.29	930.86	-	22,680.98
Unallocated liabilities					24.75
Total liabilities					22,705.73
Net assets / Capital employed	1,021.90	2,865.68	169.73	-	4,057.31
Unallocated Net assets / Capital employed					188.86
Total Capital Employed					4,246.17
Additional information					
Capital expenditure	-	87.74	5.01	-	92.75

As at 31-Mar-21

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	396.21	3,055.08	99.41	61.77	3,612.47
Segment Results	190.52	292.45	15.69	32.82	531.48
Unallocated (income)/expenses					20.21
Operating profit					511.27
Income taxes					127.05
Net Profit					384.22
Other information					
Segment assets	7,004.97	16,418.89	1,131.39	-	24,555.25
Unallocated assets					153.22
Total assets					24,708.47
Segment liabilities	6,075.38	14,239.15	981.25	-	21,295.78
Unallocated liabilities					16.35
Total liabilities					21,312.13
Net assets / Capital employed	929.59	2,179.74	150.14	-	3,259.47
Unallocated Net assets / Capital employed					136.87
Total Capital Employed					3,396.34
Additional information					
Capital expenditure	-	46.76	3.19	-	49.95



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

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.

17 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
Entities under the same Management	Equitas Development Initiatives Trust Equitas Healthcare Foundation
Key Management Personnel (KMP)	Vasudevan PN, MD & CEO N Sridharan, Chief Financial Officer Sampathkumar KR, Company Secretary
Relatives of MD & CEO	P V Choodamani Late Pathangi Narasimhan Komala P N P.V. Varshini P.N. Sriraman P.N. Malolan P.N. Janardhanan P.N. Madhavan
Relative of Chief Financial Officer	Balambika S
Relative of Company Secretary	Sangeetha S

ii. Transactions with the Related Parties

Transactions	Name of the Related Party	Year ended 31-Mar-22	Year ended 31-Mar-21
Expenses			
CSR Contribution	Equitas Development Initiatives Trust	10.20	2.17
	Equitas Healthcare Foundation	9.01	13.56
Income			
Safe Deposit Locker Rent	Key Management Personnel	0.00	0.00
	Relatives of Key Management Personnel	0.00	-
Deposits			
Term deposits received	Equitas Holdings Limited	122.04	287.91
	Equitas Technologies Private Limited	-	0.20
	Equitas Development Initiatives Trust	0.06	0.24
	Key Management Personnel	0.42	1.62
	Relatives of Key Management Personnel	0.00	0.04
Term deposits closed	Equitas Holdings Limited	77.39	241.87
	Equitas Technologies Private Limited	-	0.20
	Equitas Development Initiatives Trust	-	4.23
	Key Management Personnel	0.80	-
	Relatives of Key Management Personnel	0.02	0.02

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

Transactions	Name of the Related Party	Year ended 31-Mar-22	Year ended 31-Mar-21
Interest on Term Deposits	Equitas Holdings Limited	16.23	16.70
	Equitas Development Initiatives Trust	0.01	0.30
	Equitas Technologies Private Limited	-	0.00
	Key Management Personnel	0.16	0.07
	Relatives of Key Management Personnel	0.01	0.01
Interest on Savings Deposits	Equitas Development Initiatives Trust	0.37	0.27
	Equitas Healthcare Foundation	0.94	0.51
	Key Management Personnel	0.08	0.08
	Relatives of Key Management Personnel	0.02	0.00
Reimbursement of IPO expenses	Equitas Holdings Limited	-	14.83
Guarantees released during the period	Equitas Holdings Limited	-	52.00
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)	Vasudevan PN, MD & CEO	2.24	1.48
	N Sridharan, Chief Financial Officer	1.21	0.92
	Sampathkumar KR, Company Secretary	0.30	0.24

Under the ESFB Employees Stock Option Scheme, 2019 (ESFB ESOP, 2019) of the Bank, the Key Management Personnel were allotted the following shares:

Name of the Key Management Personnel	Year ended 31-Mar-22	Year ended 31-Mar-21
Vasudevan PN	-	-
N Sridharan	1,19,840	47,500
Sampathkumar KR	-	-
Total	1,19,840	47,500

Under the ESFB Employees Stock Option Scheme, 2019 (ESFB ESOP, 2019) of the Bank, the Key Management Personnel were granted the following options:

Name of the Key Management Personnel	Year ended 31-Mar-22	Year ended 31-Mar-21
Vasudevan PN	16,85,489	-
N Sridharan	72,680	-
Sampathkumar KR	9,280	26,960
Total	17,67,449	26,960

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 Bank as a whole.

iii. Balances outstanding at the end of the year

Particulars	Name of the Related Party	As at 31-Mar-22	As at 31-Mar-21
Payables			
Term Deposit outstanding	Equitas Holdings Limited	272.30	227.66
	Equitas Development Initiatives Trust	0.21	0.15
	Key Management Personnel	1.80	2.19
	Relatives of Key Management Personnel	0.09	0.11
Interest Payable on term deposits	Equitas Holdings Limited	2.53	2.55
	Equitas Development Initiatives Trust	0.00	0.00
	Key Management Personnel	0.01	0.02
	Relatives of Key Management Personnel	0.00	0.00



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

Particulars	Name of the Related Party	As at 31-Mar-22	As at 31-Mar-21
Demand Deposits	Equitas Holdings Limited	8.82	0.44
	Equitas Technologies Private Limited	0.18	0.62
Savings Deposit	Equitas Development Initiatives Trust	6.35	5.98
	Equitas Healthcare Foundation	6.20	17.85
	Key Management Personnel	1.18	1.42
	Relatives of Key Management Personnel	0.35	0.18

iv. Maximum Outstanding during the year

Particulars	Name of the Related Party	Maximum Outstanding during Apr 21 to Mar 22	Maximum Outstanding during Apr 20 to Mar 21
Term Deposit	Equitas Holdings Limited	274.71	357.66
	Equitas Development Initiatives Trust	0.21	4.38
	Equitas Technologies Private Limited	-	0.20
	Key Management Personnel	2.43	2.19
	Relatives of Key Management Personnel	0.11	0.11
Demand Deposits	Equitas Holdings Limited	21.43	227.67
	Equitas Technologies Private Limited	1.25	1.18
Savings Deposit	Equitas Development Initiatives Trust	10.01	7.60
	Equitas Healthcare Foundation	23.56	17.85
	Key Management Personnel	1.80	2.88
	Relatives of Key Management Personnel	0.61	1.74
Others			
Corporate Guarantees	Equitas Holdings Limited	-	52.00

18 Operating leases (AS 19)

The Bank has taken a number of premises on operating leases for branches, offices, ATMs and residential premises for staffs. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
Future lease rentals payable at the end of the year		
- Not later than one year	67.99	64.53
- Later than one year but not later than five years	185.38	218.69
- Later than five years	27.59	25.43
Total minimum lease payments recognised in the Profit and loss account	68.38	64.34
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.

19 Earnings per Share (AS 20)

Particulars	Year ended 31-Mar-22	Year ended 31-Mar-21
Net profit after tax	280.73	384.22
Basic weighted average number of equity shares	1,15,54,79,917	1,08,95,31,274
Diluted weighted average number of equity shares	1,17,06,52,926	1,10,14,06,583
Nominal value of Equity shares (₹)	10.00	10.00
Basic Earnings per share (₹)	2.43	3.53
Diluted Earnings per share (₹)	2.40	3.49

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

During the year ended March 31, 2022, the Bank granted 81,61,946 options (Previous year 96,94,716 options) to its employees and the employees of Equitas Holding Limited under the ESFB Employees Stock Option Scheme 2019. These options have dilutive impact on the earnings per share.

20 Deferred Taxes (AS 22)

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

Particulars	As at 31-Mar-22		As at 31-Mar-21	
	Assets	Liabilities	Assets	Liabilities
Timing difference on account of:				
Impact of difference between tax depreciation and depreciation/amortization for financial reporting.	23.85		20.43	
Expenditure charged to the profit and loss account in the current year but allowed for tax purposes on payment basis.*	35.17		32.74	
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viiA) of Income Tax Act, 1961.	90.10		67.15	
Provision for advances	59.16		25.70	
Others	12.34		11.77	
Provision for special reserve u/s 36(i)(viii) of Income Tax Act, 1961	7.01		4.57	
Net closing balance carried to the Balance Sheet (included in Schedule 11 - Others)	220.62	7.01	157.79	4.57

*Amount pertains to Provision for Leave encashment ₹.21.01 crore (Previous year: ₹. 20.58crore), Provision for Gratuity ₹.7.12 crore (Previous year: ₹. 4.66 crore) and Provision for Bonus and Others ₹.7.03 crore (Previous year: ₹. 7.50 crore).

21 Employees Stock Option Scheme

a) Equitas ESOP Scheme 2015

Under the Equitas ESOP Scheme 2015, EHL stock options are granted to some of the eligible employees of the Bank. As the administrator of the Employee Stock Option Scheme, EHL has informed the Bank that there are no costs to be transferred to the Bank with respect to the options granted. The outstanding options as at the respective years is given below.

Particulars	As at	As at
	31-Mar-22	
Options outstanding	51,976	1,10,420

b) ESFB ESOP 2019

During the year ended 31st March 2020, the bank established a employee stock option scheme titled ESFB Employees Stock Option Scheme, 2019 (ESFB ESOP 2019) effective from November 22, 2019. Under the plan, the Bank was authorized to issue upto 110,000,000 options (including 33,487,873 options under Grant 1 issued as a replacement option for the Scheme under the Holding Company) to eligible employees of the Bank and the Holding Company. Each option entitles for apply and allotment of one fully paid share on payment of exercise price during the exercise period.



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

As at March 31, 2022, 377,39,487 (previous year 438,18,120) (net of forfeitures and cancellation) options were outstanding, which were granted at various exercise prices. The following are the outstanding options as at March 31, 2022.

ESOP Scheme	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	(All amounts in crore of ₹, unless otherwise specified)
Particulars	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11
Date of Grant	22-Nov-19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20	26-Sep-20	15-Feb-21	15-Feb-21	15-Feb-21	15-Feb-21	22-Mar-21	22-Mar-21
Date of Board Approval	22-Nov-19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20	26-Sep-20	15-Feb-21	15-Feb-21	15-Feb-21	15-Feb-21	22-Mar-21	22-Mar-21
Exercise Price Per Option (₹)	27.00	27.00	38.00	38.00	38.00	33.00	34.00	35.00	40.00	56.00	56.00
Total Options granted	3,34,87,873	12,00,000	64,38,855	2,82,000	38,00,360	1,00,000	1,58,346	2,91,000	4,00,000	38,02,510	11,42,500
Vesting Period	(Vesting over 3 years) 30-Nov-20 to 15-Dec-22	(Vesting over 4 years) 12-Dec-20 to 12-Dec-23	(Vesting over a period of two years) 29-Jan-2021 to 29-Jan-2022.	(Vesting over a period of four years – 25% of each year) 1-Apr-2021 to 1-Apr-2024	(Vesting over a period of one year) 26-Sep-2021	(Vesting over a period of one year) 15-Feb-2022	(Vesting over a period of three years) 22-Feb-2022 to 22-Feb-2024	(Vesting over a period of four years) 22-Feb-2022 to 22-Feb-2025	(Vesting over a period of one year) 22-Mar-2022	(Vesting over a period of one year) 22-Mar-2022 to 22-Mar-2025	(Vesting over a period of four years) 22-Mar-2022 to 22-Mar-2025
Method of Settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Particulars	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11
Exercise Period	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options
Graded Vesting	92 % on 12 months and 8 days from the date of grant	25 % on 12 months and 20 days from the date of grant	67 % on completion of One year from the date of grant	25 % on 12 months and 20 days from the date of grant	12 months from the date of grant	12 months from the date of grant	1/3 rd on expiry of 12 months from the date of grant	25 % on 12 months from the date of grant	12 months from the date of grant	25 % on 12 months from the date of grant	25 % on 12 months from the date of grant
1 st Vesting	6 % on expiry of one year from the 1 st vesting date	25 % on expiry of one year from the 1 st vesting date	33 % on expiry of one year from the 1 st vesting date	25 % on expiry of one year from the 1 st vesting date	-	-	1/3 rd on expiry of one year from the 1 st vesting date	25 % on expiry of one year from the 1 st vesting date	-	-	25 % on expiry of one year from the 1 st vesting date
2 nd Vesting	2 % on expiry of two years from the 1 st vesting date	25 % on expiry of two years from the 1 st vesting date	-	25 % on expiry of two years from the 1 st vesting date	-	-	1/3 rd on expiry of two years from the 1 st vesting date	25 % on expiry of two years from the 1 st vesting date	-	-	25 % on expiry of two years from the 1 st vesting date
3 rd Vesting	-	25 % on expiry of three years from the 1 st vesting date	-	25 % on expiry of three years from the 1 st vesting date	-	-	-	-	-	-	25 % on expiry of three years from the 1 st vesting date
4 th Vesting	Partly based on continuance of service and partly based on performance rating	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	On Continuance of Service	Partly based on continuance of service and partly based on performance rating	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	Partly based on continuance of service and partly based on performance rating	Partly based on continuance of service and partly based on performance rating
Vesting Conditions	Partly based on continuance of service and partly based on performance rating	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	On Continuance of Service	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	Partly based on continuance of service and partly based on performance rating

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

ESOP Scheme	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019
Grant	Grant 12	Grant 13	Grant 14	Grant 15	Grant 16	Grant 16	Grant 17
Date of Grant	01-Jun-21	30-Jul-21	05-Jul-21	30-Jul-21	05-Feb-22	05-Feb-22	07-Feb-22
Date of Board Approval	01-Jun-21	30-Jul-21	04-Mar-21	30-Jul-21	05-Feb-22	05-Feb-22	07-Feb-22
Exercise Price Per Option (₹)	60.00	64.00	50.00	64.00	57.85	57.85	57.85
Total Options granted	8,37,657	51,76,800	2,82,000	1,80,000	5,03,805	11,81,684	
Vesting Period	(Vesting over a period of three years) 01-Jun-2022 to 01-Jun-2024	(Vesting over a period of one year) 30-Jul-2022	(Vesting over a period of four years) 05-Jul-2022 to 05-Jul-2025	(Vesting over a period of four years) 30-Jul-2022 to 30-Jul-2025	(Vesting over a period of three years) 05-Feb-2023 to 05-Feb-2025	(Vesting over a period of three years) 07-Feb-2023 to 07-Feb-2025	
Method of Settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Particulars	Grant 12	Grant 13	Grant 14	Grant 15	Grant 16	Grant 16	Grant 17
Exercise Period	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options
	Graded Vesting						
1 st Vesting	1/3 rd on expiry of 12 months from the date of grant	12 months from the date of grant	25 % on 12 months from the date of grant	25 % on 12 months from the date of grant	38.03 %/on expiry of 12 months from the date of grant	38.03 %/on expiry of 12 months from the date of grant	
2 nd Vesting	1/3 rd on expiry of one year from the 1 st vesting date	-	25% on expiry of one year from the 1 st vesting date	25% on expiry of one year from the 1 st vesting date	32.76% on expiry of one year from the 1 st vesting date	32.76% on expiry of one year from the 1 st vesting date	
3 rd Vesting	1/3 rd on expiry of two years from the 1 st vesting date	-	25% on expiry of two years from the 1 st vesting date	25% on expiry of two years from the 1 st vesting date	29.21% on expiry of two years from the 1 st vesting date	29.21% on expiry of two years from the 1 st vesting date	
4 th Vesting	-	-	25% on expiry of three years from the 1 st vesting date	25% on expiry of three years from the 1 st vesting date	-	-	
Vesting Conditions	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	Partly based on continuance of service and partly based on performance rating	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	Based on performance rating	
Exercise Period:	Eligible to exercise the options up to three years from the date of vesting.						
Manner of vesting:	In a graded manner over 1 to 4 years commencing from the date of grant.						



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

Particulars	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11
Date of Grant	22-Nov-19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20	26-Sep-20	15-Feb-21	15-Feb-21	15-Feb-21	15-Feb-21	22-Mar-21	22-Mar-21
Outstanding Options as at April 1, 2020	3,22,85,276	12,00,000	62,76,641	2,82,000	-	-	-	-	-	-	-
Options granted during the Period	-	-	-	-	38,00,360	1,00,000	1,58,346	2,91,000	4,00,000	38,02,510	11,42,500
Less: Options Forfeited / Lapsed	41,29,432	30,000	3,91,347	-	2,67,170	-	-	-	-	74,400	-
Options Exercised	10,19,810	-	8,354	-	-	-	-	-	-	-	-
Outstanding options as at March 31, 2021	2,71,36,034	11,70,000	58,76,940	2,82,000	35,33,190	1,00,000	1,58,346	2,91,000	4,00,000	37,28,110	11,42,500
Options granted during the Period	-	-	-	-	-	-	-	-	-	-	-
Less: Options Forfeited / Lapsed	19,99,159	-	3,53,481	7,050	4,51,770	-	1,04,004	9,700	10,000	3,76,385	3,11,252
Options Exercised	86,18,456	-	7,17,466	-	7,82,396	-	-	-	-	-	-
Outstanding options as at March 31, 2022	1,65,18,419	11,70,000	48,05,993	2,74,950	22,99,024	1,00,000	54,342	2,81,300	3,90,000	33,51,725	8,31,248
Vested	1,60,06,919	5,70,000	48,05,993	63,450	22,99,024	1,00,000	18,114	87,300	90,000	33,51,725	1,27,748
Yet to vest	5,11,500	6,00,000	-	2,11,500	-	-	36,228	1,94,000	3,00,000	-	7,03,500
Weighted Average of the remaining maturity (in years)	1.79	3.29	2.18	3.54	2.49	2.88	3.88	3.92	4.42	2.98	4.50

Particulars	Grant 12	Grant 13	Grant 14	Grant 15	Grant 16	Grant 17
Date of Grant	01-Jun-21	30-Jul-21	05-Jul-21	30-Jul-21	05-Feb-22	07-Feb-22
Outstanding Options as at April 1, 2020	-	-	-	-	-	-
Options granted during the Period	-	-	-	-	-	-
Less: Options Forfeited / Lapsed	-	-	-	-	-	-
Options Exercised	-	-	-	-	-	-
Outstanding options as at March 31, 2021	8,37,657	51,76,800	2,82,000	1,80,000	5,03,805	11,81,684
Options granted during the Period	8,37,657	51,76,800	2,82,000	1,80,000	5,03,805	11,81,684
Less: Options Forfeited / Lapsed	-	4,99,460	-	-	-	-
Options Exercised	-	-	-	-	-	-
Outstanding options as at March 31, 2022	8,37,657	46,77,340	2,82,000	1,80,000	5,03,805	11,81,684
Vested	-	-	-	-	-	-
Yet to vest	8,37,657	46,77,340	2,82,000	1,80,000	5,03,805	11,81,684
Weighted Average of the remaining maturity (in years)	4.17	3.33	4.77	4.83	4.77	4.77

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

- (b) The fair value of options used to compute Pro-forma net profit and earnings per Equity Share have been estimated on the date of the grant, using Black-Scholes model by a Merchant Banker.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

Variables	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11
Grant Date	22-Nov-19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20	26-Sep-20	15-Feb-21	15-Feb-21	15-Feb-21	15-Feb-21	22-Mar-21	22-Mar-21
Risk Free Interest Rate	5.56% to 6.06%	5.85% to 6.59%	5.83 % to 6.12%	5.81 % to 6.41%	4.66%	4.68%	4.68% to 5.46%	4.68% to 5.46%	4.68% to 5.75%	4.82%	4.82% to 5.97%
Expected Life	2.52 to 4.53 yrs	2.50 to 5.51 yrs	2.50 to 3.51 yrs	2.52 to 5.52 yrs	2.50 yrs	2.50 yrs	2.50 yrs to 4.50 yrs	2.50 yrs to 4.50 yrs	2.50 yrs to 5.50 yrs	2.50 yrs	2.50 to 5.51 yrs
Expected Volatility	32.63% to 35.63%	32.71% to 35.41%	32.66% to 32.86%	32.86% to 35.33%	40.98%	42.05%	39.30% to 42.03%	39.30% to 42.03%	39.30% to 42.03%	42.24%	39.21% to 42.13%
Dividend Yield	-	-	-	-	-	-	-	-	-	-	-
Price of the underlying Share at the time of the Option Grant (₹)	27.00	27.00	38.00	38.00	38.00	33.00	34.00	35.00	40.00	56.00	56.00
Fair Value of the Option (₹)											
1 st Stage	7.10	7.17	10.11	10.22	11.35	20.76	20.20	19.65	17.11	16.69	16.66
2 nd Stage	8.70	8.82	12.41	12.45	-	-	-	21.73	19.38	-	19.60
3 rd Stage	10.69	10.83	-	14.53	-	-	-	23.81	21.63	-	22.52
4 th Stage	-	12.13	-	16.94	-	-	-	-	23.83	-	25.33
Variables	Grant 12	Grant 13	Grant 14	Grant 15	Grant 16	Grant 17					
Grant Date	01-Jun-21	30-Jul-21	05-Jul-21	30-Jul-21	05-Feb-22	07-Feb-22					
Risk Free Interest Rate	4.76% to 5.56%	4.77%	4.84% to 5.98%	4.77% to 5.95%	5.10% to 6.05%	5.10% to 6.05%					
Expected Life	2.50 yrs to 4.50 yrs	2.50 yrs	2.50 yrs to 5.51 yrs	2.50 yrs to 5.51 yrs	2.50 yrs to 4.50 yrs	2.50 yrs to 4.50 yrs					
Expected Volatility	43.09% to 38.27%	43.04%	42.96% to 37.88%	43.04% to 37.68%	43.84% to 38.85%	43.84% to 38.85%					
Dividend Yield	-	-	-	-	-	-					
Price of the underlying Share at the time of the Option Grant (₹)	59.15	64.00	49.70	64.00	57.85	57.85					
Fair Value of the Option (₹)											
1 st Stage	18.10	19.40	21.76	19.40	18.45	18.45					
2 nd Stage	21.01	-	24.56	22.51	21.41	21.41					
3 rd Stage	23.56	-	26.93	25.30	24.01	24.01					
4 th Stage	-	-	29.57	28.35	-	-					

Volatility

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of Volatility used in the Black -Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time.

c) Dividend Yield

Expected dividend yield has been calculated based on the dividend declared for 1 financial year prior to the date of grant. The dividend yield has been derived by dividing the dividend per share by the market price per share on the date of grant.



Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2022

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

Had compensation cost for the stock options granted under the Scheme been determined based on the fair value approach, the Bank's net profit / (loss) and earnings per share would have been as per the Proforma amounts indicated below:

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Net Profit as per Statement of Profit and Loss (as reported)	280.73	384.22
Add: Stock Based Employee Compensation Expense included in profit before tax	1.27	-
Less: Stock Based Compensation Expense Determined under Fair Value based Method (Proforma)	(19.35)	(21.68)
Net Profit - Proforma	262.65	362.54
Basic Earnings per Share of ₹ 10 each (as reported)	2.43	3.53
Basic Earnings per Share of ₹ 10 each (Proforma)	2.27	3.33
Diluted Earnings per Share of ₹ 10 each (as reported)	2.40	3.49
Diluted Earnings per Share of ₹ 10 each (Proforma)	2.24	3.29
Also refer Note 19 of Schedule 18.		

22 Prior period comparatives

Prior period comparatives have been reclassified / regrouped by the management, wherever necessary.

As per our report of even date

For **T R Chadha & Co LLP**,
Chartered Accountants
Firm Registration No.: 006711N/N500028

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

Sheshu Samudrala
Partner
Membership No: 235031
Place: Chennai
Date: May 04, 2022

Arun Ramanathan
Chairman
DIN:00308848
Place: Chennai
Date: May 04, 2022

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885
Place: Chennai
Date: May 04, 2022

Arun Kumar Verma
Director
DIN:03220124
Place: Chennai
Date: May 04, 2022

As per our report of even date

For **Varma & Varma**,
Chartered Accountants
Firm Registration No.: 004532S

P R Prasanna Varma
Partner
Membership No: 025854
Place: Chennai
Date: May 04, 2022

N Sridharan
Chief Financial Officer
Place: Chennai
Date: May 04, 2022

Sampathkumar KR
Company Secretary
M.No:A27466
Place: Chennai
Date: May 04, 2022

Notes

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Corporate Information

Board of Directors

Mr. ARUN RAMANATHAN
Chairman and Independent Director

Mr. ARUN KUMAR VERMA
Independent Director

Prof. BALAKRISHNAN N
Independent Director

Mr. RAMESH RANGAN
Independent Director

Prof. SAMIR KUMAR BARUA
Independent Director

Mr. SRINIVASAN N
Independent Director

Ms. GEETA DUTTA GOEL
Independent Director

Mr. VINOD KUMAR SHARMA
Independent Director

Mr. NAVIN PURI
Independent Director

Mr. VASUDEVAN P N
Managing Director and Chief Executive
Officer (MD & CEO)

Key Managerial Personnel (Other than MD & CEO)

Mr. SRIDHARAN N
Chief Financial Officer

Mr. SAMPATHKUMAR K R
Company Secretary

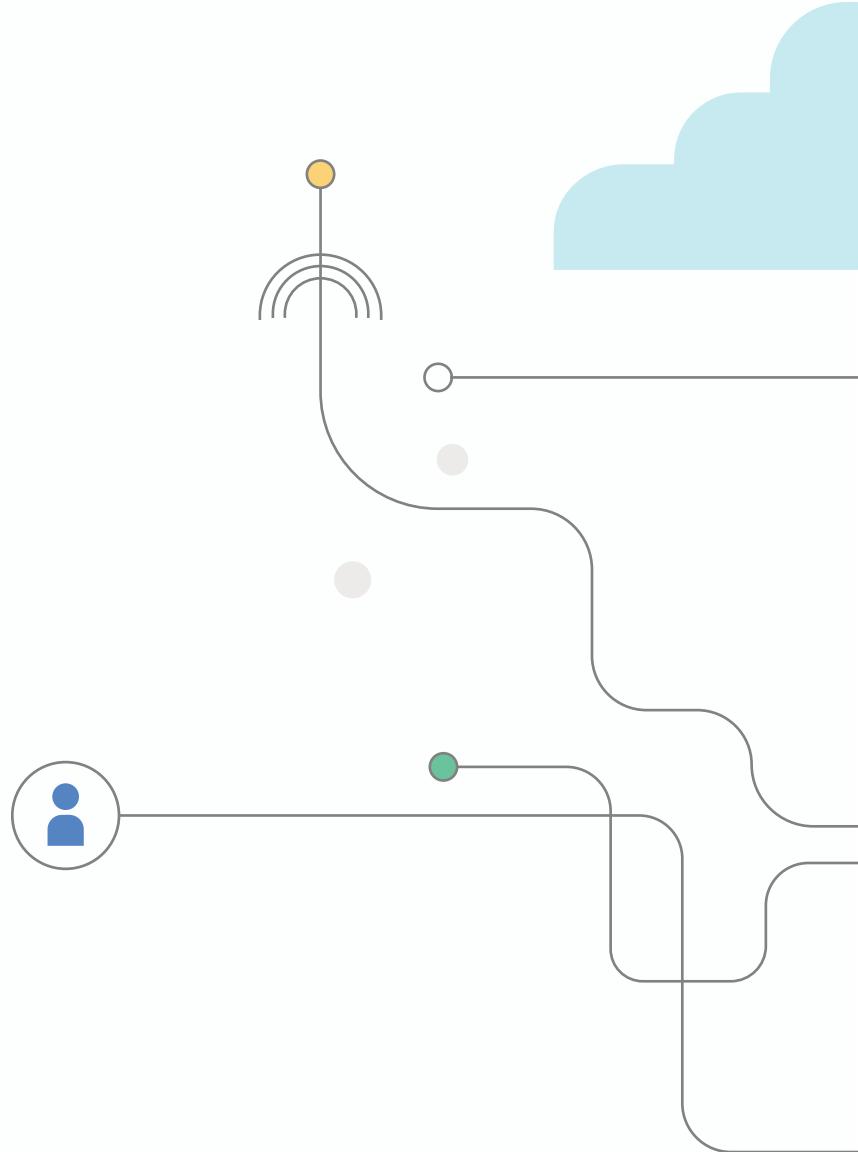
Registered Office:

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Chennai – 600002 Tel: +91 44 4299 5000 | Fax: +91 44 4299 5050
Email: Corporate@equitas.in | Website: www.equitasbank.com
CIN: L65191TN1993PLC025280**

Statutory Auditors:

**Varma & Varma
Chartered Accountants
Sreela Terrace, Level 4, Unit -D
105, 1st Main Road,
Gandhi Nagar Adyar
Chennai - 600 020, Tamil Nadu
Ph: +91 44 24452239, 24423496**

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