



A circular illustration depicting a vibrant cityscape. The scene includes various elements: a large office building on the right, several smaller buildings, a factory with smokestacks, a person riding a bicycle, a person working at a desk, a person sitting at a table, a person walking, a tree, and a flower bed. The circle is outlined by a thick red line on the top and bottom right, and a green hand-shaped outline on the bottom left.

BEYOND BANKING

Annual Report 2022-23

Contents

02-17

Corporate Overview

- 02 About the Report
- 04 About Equitas Small Finance Bank
- 06 Key Performance Indicators
- 08 Chairman's Communiqué
- 10 MD & CEO's Message
- 14 Board of Directors
- 16 Leadership Team

18-147

Statutory Reports

- 18 Business Responsibility and Sustainability Reporting
- 22 Section A: General Disclosures
- 36 Section B: Management and Process Disclosures
- 40 Section C: Principle wise performance



- 90 Management Discussion & Analysis
- 106 Directors' Report
- 125 Report on Corporate Governance

148-215

Financial Statements

FY23 Highlights

₹3,214 Cr

Net Income

25% ↑ YoY

₹574 Cr

Profit After tax

104% ↑ YoY

9%

Net Interest Margin

1.89%

ROA

12.55%

ROE

23.80%

Capital Adequacy (CRAR)



For more details
scan here



Beyond Banking

At Equitas Small Finance Bank (Equitas SFB), 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. 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.

Since its inception, we have believed that while improving income is critical to empowerment, it may not be enough to ensure financial immunity to life's sudden and unforeseen challenges and circumstances. Guided by this vision of our founding team, we set up the Equitas Development Initiative Trust (EDIT) that focuses on education, along with preventive healthcare, and employment-related interventions, to deliver the desired impact. Such initiatives go a long way in addressing the inherent vulnerability of such societies.

At Equitas, money gets the ability to positively influence the economic well-being of the most deserving segments in our communities.

We are creating a force multiplier for inclusive progress.

About the Report

We are delighted to present to you our Annual Report, which highlights our financial and non-financial performance, perfectly aligned with the current business context. Within this report, we have meticulously furnished both qualitative and quantitative information pertaining to the past year. Our utmost priority in compiling this report is to foster transparent communication with our valued stakeholders, offering them comprehensive insights into our business progress.

Reporting Principles

This report has been prepared in accordance with Business Responsibility and Sustainability Reporting (BRSR) guidance issued by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)

Regulations of 2015. This Report aims to provide valuable insights into how the Bank generates value by sharing both financial and non-financial information. In line with the prescribed nine guiding principles for Reporting by the BRSR, we place a strong emphasis on Environmental, Social and Governance (ESG) impacts, risks, and opportunities.

Reporting Period

This Report covers financial and non-financial performance of the Bank from April 01, 2022 to March 31, 2023.

Reporting Boundary

This Report comprehensively covers the financial and non-financial information pertaining to the activities and progress of Equitas Small Finance Bank

Limited, specifically focusing on its standalone operations. The report presents significant details regarding our strategy, business model, operating context, stakeholder interests, performance, prospects, and governance, offering valuable material information.

Responsibility Statement

Our management recognises its responsibility to ensure the accuracy and reliability of the information presented in this report. The report has undergone a thorough review by our senior management, affirming that it covers all critical material issues concerning the organisation and its stakeholders. Furthermore, the report has also been reviewed and approved by Those Charged with Governance (TCWG) to ensure the highest standards of accuracy, completeness, and relevance of the information provided.

Forward-looking Statements

This Report includes statements that pertain to the future operations and performance of the Bank. It is important to note that actual results may significantly differ from the suggestions made by these statements. This variance can be attributed to various risks associated with our expectations, including but not limited to future circumstances such as technological advancements, changes in banking regulations, and other regulatory shifts in India and other jurisdictions. Additionally, factors such as natural calamities, inflation, deflation, unexpected fluctuations in interest rates, foreign exchange rates, equity prices, or other rates and prices, as well as the overall performance of the financial markets in India and globally, may also impact the outcomes.

Mapping Principles and UN Sustainable Development Goals (SDGs)



Principle 1

Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.



Principle 2

Businesses should provide goods and services in a manner that is sustainable and safe.



Principle 3

Businesses should respect and promote the well-being of all employees, including those in their value chains.



Principle 4

Businesses should respect the interests of and be responsive to all its stakeholders.



Principle 5

Businesses should respect and promote human rights.



Principle 6

Businesses should respect and make efforts to protect and restore the environment.



Principle 7

Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.



Principle 8

Businesses should promote inclusive growth and equitable development.



Principle 9

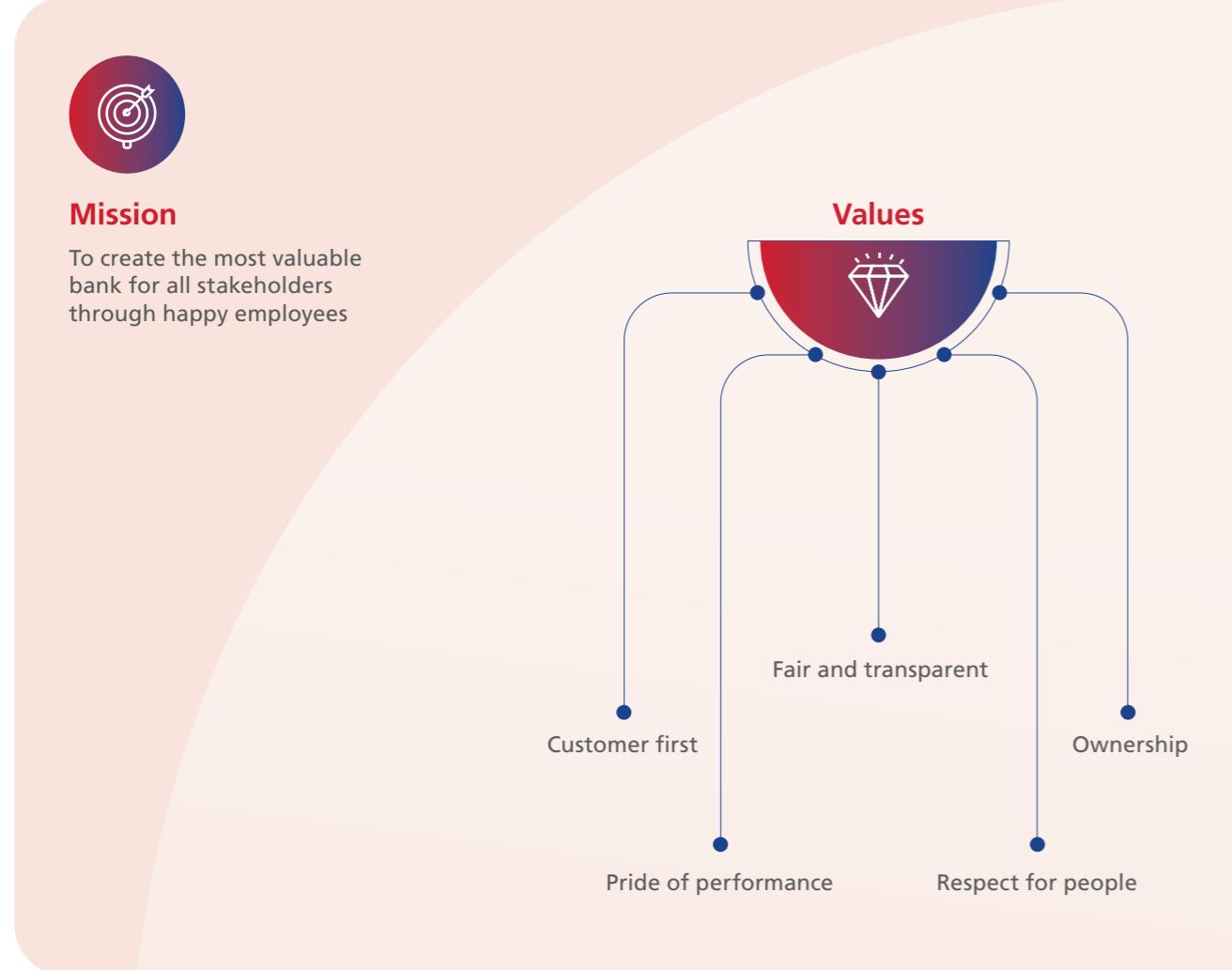
Businesses should engage with and provide value to their consumers in a responsible manner.



About Equitas Small Finance Bank

Driving inclusive progress

As one of the largest small finance banks in India, Equitas Small Finance Bank provides tailored solutions to individuals who have limited access to formal channels. We strive to drive financial inclusion to the last mile, bridging the formal-informal divide and ensuring that everyone stands to benefit from the evolving India growth story. Our extensive range of products and solutions allows us to cater to the specific needs of customers, including those with variable and cash-based income profiles.



Banking Universe

Inclusive Banking

- » Small Business Loans
- » Microfinance
- » Affordable Housing Loan
- » Agri Loan

Emerging Enterprise Banking

- » Used 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

Channels

- » Banking Outlets
- » ATM/Debit Cards
- » Mobile Banking
- » Phone Banking
- » Internet Banking
- » Call Centre
- » Video Banking

Growth Enablers

Large untapped market

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



Net Creditors

Bottom of the pyramid customers

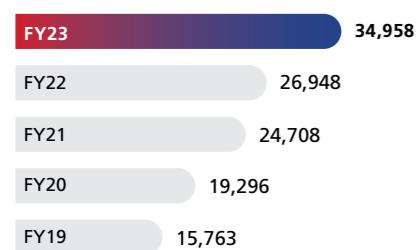


Advances

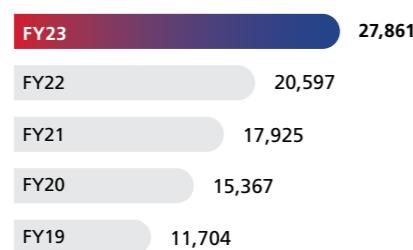
Key Performance Indicators

Delivering robust growth

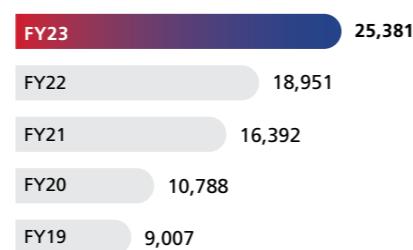
Balance Sheet Size (₹ in Crore)



Gross Advances (₹ in Crore)



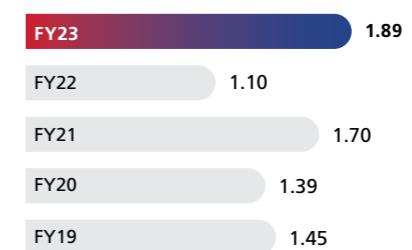
Total Deposits (₹ in Crore)



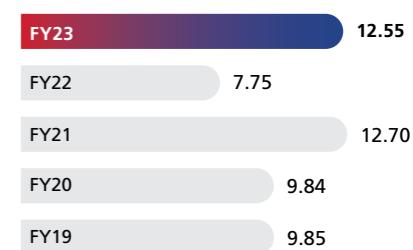
NIM (%)



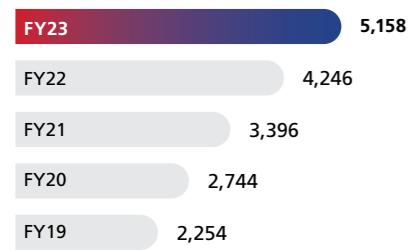
Return on Assets (%)



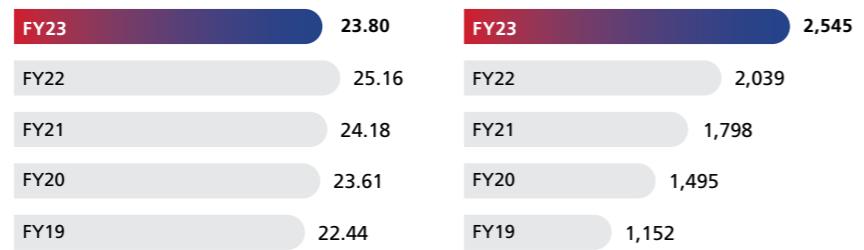
Return on Equity (%)



Net Worth (₹ in Crore)

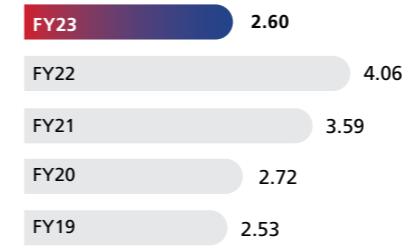


Capital Adequacy Ratio (%)

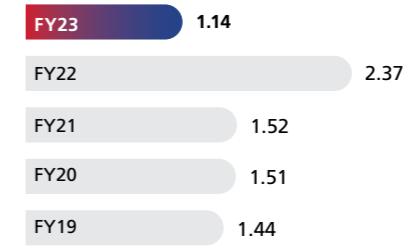


Net Interest Income (₹ in Crore)

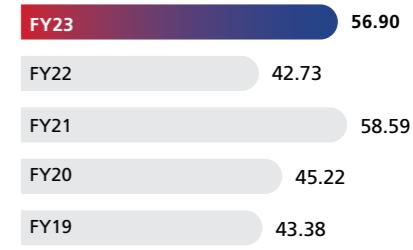
GNPA (%)



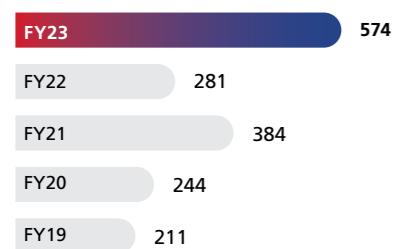
NNPA (%)



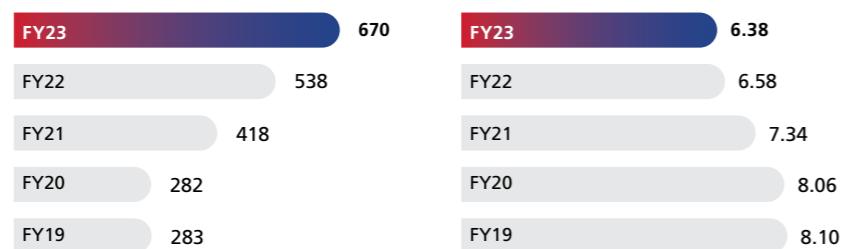
PCR (%)



Profit After Tax (₹ in Crore)



Other Income (₹ in Crore)



Cost of Funds (%)



Chairman's Communiqué

Making a meaningful difference at scale



Dear stakeholders,

The financial year gone by was an eventful one. Advanced economies grappled with a plethora of challenges including an escalation in geopolitical conflict, constrained supply chains, historically high inflation, and instability in the banking system. Although India too encountered high inflation, the India government's focus on infrastructure-led growth, the balanced policy on import sourcing, and the Central Bank's proactive stance were the bulwarks. As we course through FY24, the Indian economy remains stable with improved corporate balance sheets and well-capitalised banks.

During FY23, the environment turned favourable, largely due to the rebound in the economy as the pandemic receded. Our disbursements, collections, asset quality indicators, deposits, traction for newer products like affordable home loans, new commercial vehicle loans and user passenger car loans and Brand visibility improved. Advances grew by 35% YoY to ₹27,861 crore and deposits by 34% YoY to ₹25,381 crore. Small business loans (SBL) continued to grow at a rapid pace, with gross advances crossing ₹10,000 crore.

Our asset quality improved significantly, with GNPA at 2.60% (vs. 4.06% in FY22) and NNPA at 1.14% (vs. 2.37% in FY22), which speaks volumes about the resilience of our customer segments, as well as our proprietary credit assessment model. We have always been conservative about provisions, which is reflected in the further improvement in the provision coverage ratio (PCR) to 56.90% at the end of FY23 from



Equitas SFB's success story is not confined to spreadsheets, and operational and financial metrics. Our purpose as a bank extends far beyond mere transactions. That's why, aligned with our core values, we have embraced the 'Beyond Banking' philosophy with an unwavering commitment to making a lasting impact on the lives we touch.

42.73% at the end of FY22. The Bank remains well capitalised with total CRAR at 23.8%, significantly above the 15% regulatory requirement, to fuel the next phase of its growth journey. We also contained our cost of funds at 6.38%, despite a series of policy rate hikes by the RBI to rein in inflation.

In the coming years, we plan to build our consumer finance portfolio by foraying into credit cards and personal loans which will also further help increase stability through a diversified loan portfolio. Additionally, with the obtaining of the AD-1 license, we will work on offerings like forex cards, FCNR deposits, remittances, among others.

Before I delve deeper into our FY23 performance, it's important to address two key events which, I believe, have significant ramifications for the Bank's future. First, we completed the reverse merger of Equitas Holdings Limited with Equitas Small Finance Bank Limited. Apart from ending the anomaly of having two listed Companies with more or less the same asset base, the merger cleared the decks for Equitas Small Finance Bank to apply for a Universal Bank Licence once the guidelines for the same are issued. However, whatever be our nomenclature, our focus towards the unbanked and underbanked will remain unaltered. Inclusiveness in our view, is of trenchant significance if Equitas SFB were to remain a profitable and all-weather edifice.

Second, recall that, in May 2022, Mr. P.N. Vasudevan, MD & CEO, had expressed his desire to move on to engage in philanthropic work. This would have created a discontinuity in

leadership and turbulence in your young and evolving institution. The Board was able to persuade him to stay on. His tenure has been recently extended by the RBI for another three years, effective from July 23, 2023 and I firmly believe this augurs well for Equitas SFB.

The prudent investments we have made on people, processes and technology have started to yield results, and will continue to play a pivotal role in enriching our customers' journeys in a seamless and efficient manner. As India continues on its path to realise its ambition of becoming a technology-driven and knowledge-based developed economy, we believe we are a proxy to the growth levers of inclusive development and last mile delivery.

Staying true to the founding vision of Equitas, we continued to dedicate our resources towards the society we serve, to unlock the full potential. Through Equitas Development Initiatives Trust (EDIT), our focused interventions across our chosen areas of education, training, rehabilitation, and health care have made a meaningful difference to the lives and livelihoods of millions to date. I'm also proud to report you that the work on setting up a hospital for on affordable cancer treatment is progressing on track, which would have usher in an era of new hope and optimism for many battling the menace of cancer.

That said, Equitas SFB's success story is not confined to spreadsheets, and operational and financial metrics. Our purpose as a bank extends far beyond mere transactions. That's

why, aligned with our core values, we have embraced the 'Beyond Banking' philosophy with an unwavering commitment to making a lasting impact on the lives we touch. We listen, understand, and walk with our customers on their journeys, offering guidance and support at every step. We celebrate their triumphs, as if they were our own. And then we realise how their stories of positive change seamlessly become the real metrics of our success.

Before I conclude, I need to mention that my tenure as the Chairman of the Bank ends in April next year. It has been a pleasant and educative experience for me right from 2012, when I came in as the Chairman of Equitas Microfinance Company and stayed on to bask in the warmth of my relationship with Mr. Vasudevan and others in the Bank.

I am grateful to all of you and wish you all every happiness in life and every satisfaction in work as the future unravels. What Equitas is today has been possible only because of the faith you have reposed on us. As we move forward, we hope to reinforce this faith by continuously empowering our customers to realise their full potential.

Warm regards,

Arun Ramanathan
Part-Time Chairman and Non-Executive Independent Director

MD & CEO's Message

The good you do comes back to you!

At Equitas SFB, we are going much beyond to deliver positive change to the lives we touch, igniting hope, aspirations, and opportunities towards shared prosperity. It is an acknowledgement that when we unite in our efforts, we can create a ripple effect of goodness that extends far beyond what we could ever imagine.

Dear shareholders,

It gives me immense pleasure to report to you Equitas Small Finance Bank's solid performance in FY23. It reflects our strong fundamentals and validates our overarching growth strategy of building a stable, sustainable and scalable bank.

We are also happy to publish our maiden Business Responsibility and Sustainability Report (BRSR), which forms part of this Report. The BRSR demonstrates our core values, as well as targets, achievements and challenges in embedding Environmental, Social and Governance (ESG) aspects in everything we do. It also maps our contribution to the UN SDGs.

Although banking is not a significant carbon emitter, we implement various measures such as paperless processes through digitalisation and use of energy-efficient equipment at offices and branches. Further, we design our products and solutions to empower individuals and businesses to realise their aspirations while our social initiatives are aimed at

building sustainable communities. Our industry-leading governance standards provide the solid foundation to shape a shared future.

External environment

Globally, the financial sector is undergoing a turbulent period with a few banks in the US and Europe collapsing. However, the Indian banking system appears far more resilient, and better placed to withstand any external shocks. As India takes confident strides over the next 25 years to realise its ambition of becoming a fully developed economy, I believe a lot will depend on the robustness and resilience of the financial sector.

Overall in India and in the large urban and semi-urban geographies in particular, the sentiment is positive and micro entrepreneurs are confident about investing in their businesses, and consumer spending is bouncing back largely fuelled by the aspiring middle-income households.

The Bottom of the Pyramid continues to present itself as a large under-tapped opportunity. Structural transformation in technology, banking infrastructure, mobility, and other similar building blocks are enabling banks to increasingly address the financial services needs of this segment.

Inclusive banking

At Equitas SFB, we believe that access to banking services is transformative. We reach out to the underserved, bringing them into the formal fold of financial empowerment. Our focus on the small businesses has resulted in our average disbursement value being around ₹ 6.5 lakh per borrower (excluding microfinance and lending to NBFCs). As against the RBI mandate for Small Finance Banks to have at least 50% of their loans with value below ₹ 25 lakh, we have 80% of our loans.



We understand that upholding the highest standards of governance does have a short-term impact; however, it is an imperative for long-term sustenance of the Bank.

The loans we provide help the borrowers scale their businesses, giving them the much-needed access to capital at reasonable terms and for long term. We are the first bank for most of our borrowers. Our product variant in the form of Overdraft for such small businesspersons helps them for the first time in their life, have flexibility in accessing loans based on their business seasonality.

Highest corporate governance standards

Governance is not an item to be tick-boxed at Equitas SFB but is an opportunity to differentiate us from the rest of the banking industry. We understand that upholding the highest standards of governance does have a short-term impact; however, it is an imperative for long-term sustenance of the Bank. We thus constantly push the envelope to set benchmarks and raise the bar higher on governance and transparency in the banking industry.



P. N. Vasudevan
MD & CEO

MD & CEO's Message

Charting the next growth phase

We are at an inflection point of our next phase of sustained growth, having left the pandemic behind. Over the years, we have invested considerable time, energy and resources in setting up systems, embracing the best available technologies, strengthening our talent pool, developing proprietary models of credit assessment, building strength in collections, and establishing a robust liabilities franchise. I believe that with the foundation of converting into a Bank having been laid, the next few years should see the real benefit of this transition.

With a 'Digital First' approach and leveraging the prudent investments in people, systems, products, and customers, we are driving operational efficiencies and enhancing our overall profitability. Our balance sheet continues to be robust, and we remain well capitalised at 23.8% as against the regulatory minimum of 15%.

The retail liability franchise we have built will improve our competitiveness over time. This, combined with our experience and expertise in lending to the informal segment, strong technology backbone, innovative credit underwriting model, robust risk management, etc., places us in a position to build on the base and grow in a sustainable and profitable manner over the years to come.

28%

YoY growth in Small Business Loan (SBL) advances crossing ₹10,000 crore, recording our highest ever quarterly disbursements in the fourth quarter

A year of robust performance

For FY23, our gross advances grew 35% YoY to ₹27,861 crore and our total deposits rose 34% YoY to ₹25,381 crore. Of the total deposits, CASA accounted for a healthy 42%. Our return on assets (RoA) improved to 1.89% from 1.10% YoY while Return on Equity (RoE) rose to 12.55% for FY23. With the pandemic firmly behind us, our asset quality came back to pre-covid levels, with our GNPA at 2.60%, as of March 31, 2023.

At a granular level, our Small Business Loan (SBL) advances grew 28% YoY to cross ₹10,000 crore, recording our highest ever quarterly disbursements in the fourth quarter. We remain optimistic to scale this portfolio, as more and more customers move towards formalisation of their businesses. In vehicle finance, we continued to show strong traction as the environment cleared up and economic activity resumed. Our focus on building a high-quality affordable housing finance portfolio has started to yield results, as it now constitutes more than 10% of our overall loan book. Lastly, micro finance portfolio came back strongly with improved collection efficiencies and disbursements reaching pre-covid levels.

We closed FY23 with more than a 100% jump in profit after tax (PAT) to ₹574 crore. The Board has recommended a maiden dividend of ₹1 per share for FY23. Further, we completed the reverse merger of Equitas Holdings Ltd with the Bank, as per the approved scheme of amalgamation, which was important to help us comply with one of the licensing conditions for the Bank.

Digital focus

As a new-age bank, we continue to undertake various digitisation initiatives to empower our customers' access to our products and solutions in a simpler, faster, and more transparent way (for details, refer to our MD&A section and BRSR). With the increasing penetration of smartphones and faster data connectivity, we are investing in a dedicated app for our tiny and small merchants to help them improve their business operations and integrate their operating systems with various payments and banking solutions.

We aspire to catapult financial inclusion not only by improving credit access to the underbanked, but also help them adopt new-age platforms to significantly improve their life and livelihood. Our digital focus will not only be to improve customer experience but also to bring in more operational efficiency through improved productivity as turnaround time for loan sanctioning improves and more straight through processes are executed.

In the last three years, the Bank has immensely benefited by being an early mover to market and source savings account digitally and tap into the growing base of digitally savvy customers.

Enriching people experience

At Equitas SFB, our people are our brand ambassadors. Aligned with our values, we foster a culture of high performance and strive to create a 'Happy Workplace' by 'engaging, enabling and empowering' our people with the best of practices and processes based on the core tenets of 'Care and Connect'. During FY23, our



With a 'Digital First' approach and leveraging the prudent investments in people, systems, products, and customers, we are driving operational efficiencies and enhancing our overall profitability.

HR function embarked on a digital transformation journey of its own. It shifted to a cloud-based HRMS solution – 'HoRizone' – to enable our people perform their lifecycle management and related transactions with ease and enrich them with a new level of digital experience. It has significantly augmented the digital experience for aspirants, employees, and people managers alike.

The 'High Achievers Club', a prestigious membership for top performers, continued to swell and is an aspirational club for our staff to get into.

Augmenting Brand Equitas

Our association with the Indian Premier League (IPL) has played an important role in enhancing the Equitas brand recall. We unveiled a new chapter in this journey by partnering with Gujarat Titans and Royal Challengers Bangalore, the two leading IPL franchisees this year. In Gujarat, a predominantly investor-driven market, we aim to strengthen our presence and become the preferred financial partner for our depositors. Bengaluru, on the other hand, represents one of the highest salaried youth populations in India and serves as a key market for Equitas. With a comprehensive omnichannel strategy, we aim to leverage these partnerships to drive customer acquisition by empowering our front-end teams of 93 Karnataka branches and 60 Gujarat branches.

100%+

jump in profit after tax (PAT) to ₹574 crore in FY23. The Board has recommended a maiden dividend of ₹1 per share for FY23

Beyond Banking

At Equitas SFB, we are going much beyond to deliver positive change to the lives we touch, igniting hope, aspirations, and opportunities towards shared prosperity. It is an acknowledgment that when we unite in our efforts, we can create a ripple effect of goodness that extends far beyond what we could ever imagine.

Since inception, we have been on a mission of 'Empowering through Financial Inclusion'. We continue to undertake focused intervention through Equitas Development Initiatives Trust (EDIT) to uplift communities, support education, healthcare, and improve the quality of life for low-income constituents. Under EDIT, we run 8 schools providing holistic and high-quality English medium education to over 7,500 children who are mostly first generation learners. We have been running primary health camps since inception and over the years about 6 million people have benefited from the same. Continuing on this, setting up a tertiary care centre was the logical progression.

With this in mind, we started building a hospital to provide access to high-quality cancer care under the Equitas Healthcare Foundation (EHF), jointly with Sri Ganga Sarada Mutt. Our primary and secondary camps will continue to complement the hospital, especially in creating awareness and early detection and diagnosis. We expect the hospital to commence operations in the second half of this year, and believe that it will bring new hope and provide

the right guidance in our concerted fight to reverse the course of cancer, specifically for people from low-income segments.

Further, in FY23, the Bank through its micro finance loan programme supported 34,715 persons with disabilities, of them 2,920 visually challenged. Encouraged by this inclusive model, we mainstreamed 81 Transgender persons in the women groups for the programme. Our Birds' Nest programme, rehabilitating families living on pavements scaled new heights during the year, helping over 1,000 families to move to houses and become self-sufficient. (For details, refer to our MD&A section and BRSR).

Looking ahead

The coming years look exciting not only for India but also for the banking space as many small finance banks mature. At Equitas, we are gearing up for the next phase of transformation to remain stable, sustainable and scalable for years to come.

There is a long journey ahead of us to make Equitas a household name that not only evokes a sense of trust and confidence but also becomes synonymous with the philosophy of 'beyond banking' – of giving back to the community we serve. I believe that together with all our stakeholders, we will be on a sustained growth path, leading with our hearts, creating a future where dreams flourish, lives thrive, and communities prosper.

P. N. Vasudevan
MD & CEO

Board of Directors

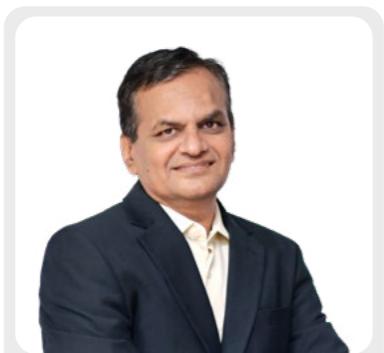


Arun Ramanathan
Part-time Chairman and
Non-executive Independent
Director (AR)

Committees



Skills/Expertise
① ② ③ ⑧



**Vasudevan Pathangi
Narasimhan**
MD & CEO (VPN)

Committees
C 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



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



**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



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

Board activities

13

Board meetings

94.60%

Board attendance

98.10%

Board committee attendance

Board independence

9

Independent Directors

9

Non-management
Directors

8 YEARS

Term limit of
Independent Directors

Committees of the Board

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

(C) Chairperson (M) 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

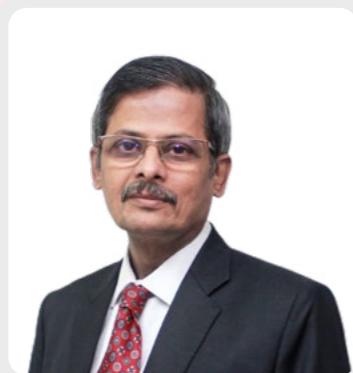
Other Committees

In addition to the committees mentioned above, our Bank has constituted various other committees, such as the 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



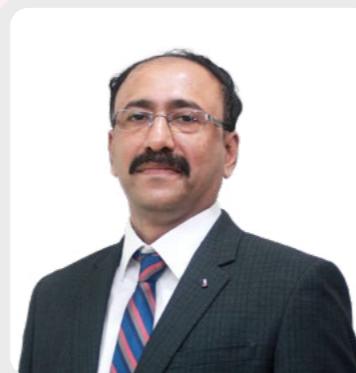
**Vasudevan Pathangi
Narasimhan**
MD & CEO



Sridharan N
Chief Financial Officer



Pallab Mukherji
Chief People Officer



Sibi PM
Chief Risk Officer



Sivaprasakash VS
Head - IAD & Vigilance



Murali Vaidyanathan
Business Head - Liabilities



Rohit Phadke
Business Head - Assets



**Natarajan
Muthusubramanian**
Head Treasury



Dheeraj Mohan
Head of Strategy,
Investor Relations, BI and CX



Sethupathy S
Head - Process & Quality Assurance



John Alex
Head – Lead Bank, Govt. Liaison
& Social Initiatives



Vivek Dhavale
Chief Technology Officer



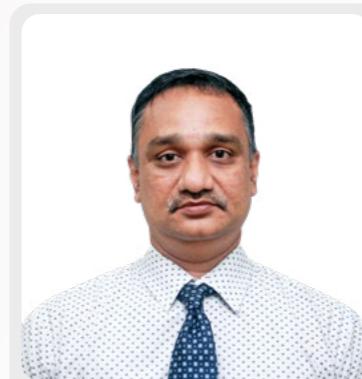
Narayanan E
Chief Information Officer



Siby Sebastian
Head - Operations & Infra



Srinivasan Purohit
Chief Compliance Officer



RAMANATHAN N
Company Secretary and
Compliance Officer



Arcot Sravanakumar
Executive Vice President & Project
Director - Health Initiatives

A stable, sustainable and scalable bank

Aligned with India's inclusive development agenda, we, Equitas Small Finance Bank, have relentlessly focused on serving the vast **underbanked and unbanked population** of the country and bringing them into the economic mainstream. In the process, we have built a **stable, sustainable, and scalable** bank with governance as a **key differentiator, and technology** and talent as key enablers.

Our first **Business Responsibility and Sustainability Report (BRSR)** is prepared in accordance with the SEBI-prescribed framework for the **top 1,000 listed companies** by market capitalisation. This report reflects our proactive approach towards providing a holistic assessment of our **business stability, growth and sustainability** by establishing a link between our financial and non-financial performance for the reporting year ending March 31, 2023.

Key Highlights of BRSR

Principle 1

92% of our employees received periodic training on business, regulations, code of business conduct and ethics as well as economic and environmental, social and governance parameters

ZERO

complaints received against Directors/ KMPs with regards to conflict of interest



Principle 3

ZERO disciplinary action against Directors/KMPs/ Employees/Workers by any law enforcement agencies for charges of bribery/corruption

100% of our employees are covered under health and accident insurance.

100% of our employees are covered under paternity, maternity and retirement benefits.

99% return to work rate and retention rate of permanent employees that took parental leave

92% employees received training on skill upgradation

ZERO safety-related incidents



Principle 2

100% focus on digitalisation and low-energy consuming technologies to minimise our environmental impact



Principle 4

3 stakeholder groups identified and regular engagement across multiple platforms to understand expectations, inform strategy, and communicate progress.



Principle 5

100% of our employees are paid more than the minimum wage

93% of our employees are trained on human rights issues and policies

ZERO

complaints made by employees on human rights issue



Principle 6

1,373.55 J
energy intensity per rupee of turnover



6.1 MT
e-waste recycled



Principle 8

100% of input material sourced from MSMEs or locally, directly from within the district and neighbouring districts

81 transgender beneficiaries



34,715 Disabled women beneficiaries

100% of our beneficiaries from vulnerable and marginalised groups

Principle 9

ZERO
data breaches reported during the reporting year

ZERO
Instances of product recalls on account of safety issues



Section A

General Disclosures

Details of the listed entity



Corporate Identity Number (CIN) of the Listed Entity	L65191TN1993PLC025280
Name of the Listed Entity	Equitas Small Finance Bank Limited
Year of incorporation	1993
Registered office address	4th Floor, Phase II, Spencer Plaza No.769, Mount Road, Anna Salai, Chennai, Tamil Nadu - 600002
Corporate address	4th Floor, Phase II, Spencer Plaza No.769, Mount Road, Anna Salai, Chennai, Tamil Nadu - 600002
E-mail	cs@equitasbank.com
Telephone	+91 44 42995000
Website	www.equitasbank.com
Financial year for which reporting is being done	2022-23
Name of the Stock Exchange(s) where shares are listed	1. Bombay Stock Exchange Limited 2. National Stock Exchange of India Limited
Paid-up Capital	₹1,110.56 crore
Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report	Name: Mr. N Ramanathan, Company Secretary Telephone: +91 44 4299 5000 Email: cs@equitasbank.com
Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e., only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together).	This report has been made on a standalone basis

Products/Services

Description of main activities

Financial and Insurance Services

100%

of turnover of entity is from commercial banking activities

Description of business activities

Banking activities by Central, Commercial and Saving banks

64191

NIC Code

Products/Services sold by the entity (accounting for 90% of the entity's Turnover)



Asset Portfolio

Our asset portfolio offers a range of solutions from small business loans, vehicle finance, microfinance, housing finance, MSE Finance and NBFC financing, designed to provide credit to informal segments. It is divided into 6 categories:

Small Business Loans

We are meaningfully addressing the large unmet financing needs of unbanked and underbanked entrepreneurs.



FY23 highlights

₹10,083 Cr Gross Advances	₹4,796 Cr Disbursements	28% YoY Growth
17.07% Yield	3.38% GNPA	100% Secured Portfolio
₹6.42 Lakh ATS at Disbursements	50.49% PCR	

Vehicle Finance

We specialise in extending vehicle financing options to new entrants in the formal financial system. Our focus is on those who are acquiring pre-owned commercial vehicles, new commercial vehicles and recently started product offerings of Used Car Loans primarily targeted to those who have prior experience in logistics and managing small fleets.



FY23 highlights

₹6,971 Cr Gross Advances	₹4,912 Cr Disbursements	38% YoY Growth
16.19% Yield	2.19% GNPA	99.96% Secured Portfolio
₹5.39 Lakh ATS at Disbursements	63.82% PCR	

Section A

Products/Services (contd.)

Micro Finance

We are primarily focusing on low-income generating groups to kickstart their business aspirations while also empowering women at the forefront to develop new ventures. We have a 100% paperless loan disbursement process in this segment.



FY23 highlights

₹5,225 Cr Gross Advances	₹4,927 Cr Disbursements	34% YoY Growth
21.37% Yield	2.31% GNPA	
₹0.49 Lakh ATS at Disbursements	74.80% PCR	

MSE Finance

With our constant support to the MSE sector, we reach out to enterprises that require working capital to fund their operations.



FY23 highlights

₹1,175 Cr Gross Advances	₹329 Cr Disbursements	1% YoY Growth
10.11% Yield	6.34% GNPA	85.84% Secured Portfolio
₹56.2 Lakh ATS at Disbursements	47.58% PCR	

NBFC Financing

We provide Term Loans to NBFCs, which are further lent to retail customers in the form of microfinance, vehicle finance, housing finance and similar sectors.



FY23 highlights

₹1,184 Cr Gross Advances	₹850 Cr Disbursements	56% YoY Growth
9.49% Yield	0.40% GNPA	100% Secured Portfolio
₹3,402 Lakh ATS at Disbursements	100% PCR	

Housing Finance

Our housing loans primarily focus on catering to the needs of owners looking to own their first property.



FY23 highlights

₹2,873 Cr Gross Advances	₹1,640 Cr Disbursements	75% YoY Growth
10.41% Yield	0.90% GNPA	100% Secured Portfolio
₹11.6 Lakh ATS at Disbursements	32.14% PCR	

Liabilities

We offer liability products in the form of deposits to a large pool of mass and mass-affluent customers. These new-age offerings are delivered through physical and digital banking channels and partnerships with fintechs.



FY23 highlights

₹974 Cr Current Account	₹9,758 Cr Saving Account	₹10,732 Cr CASA
42.28% CASA Ratio	₹14,649 Cr Term Deposit	61% Retail Term Deposits
39% Bulk Term Deposits		

Third-Party Products

We provide customers with a convenient solution for both their investment and insurance needs by offering a range of products from various asset management and insurance companies. We prioritise fulfilling the needs of our customers by actively cross-selling insurance as protection for their families.



FY23 highlights

22,288 Mutual Fund Customers	1,62,397 Insurance Policies Sold	94,962 FASTag issued
₹211.16 Cr Mutual Fund AUM	₹558 Cr Insurance Premium	

Section A

Operations

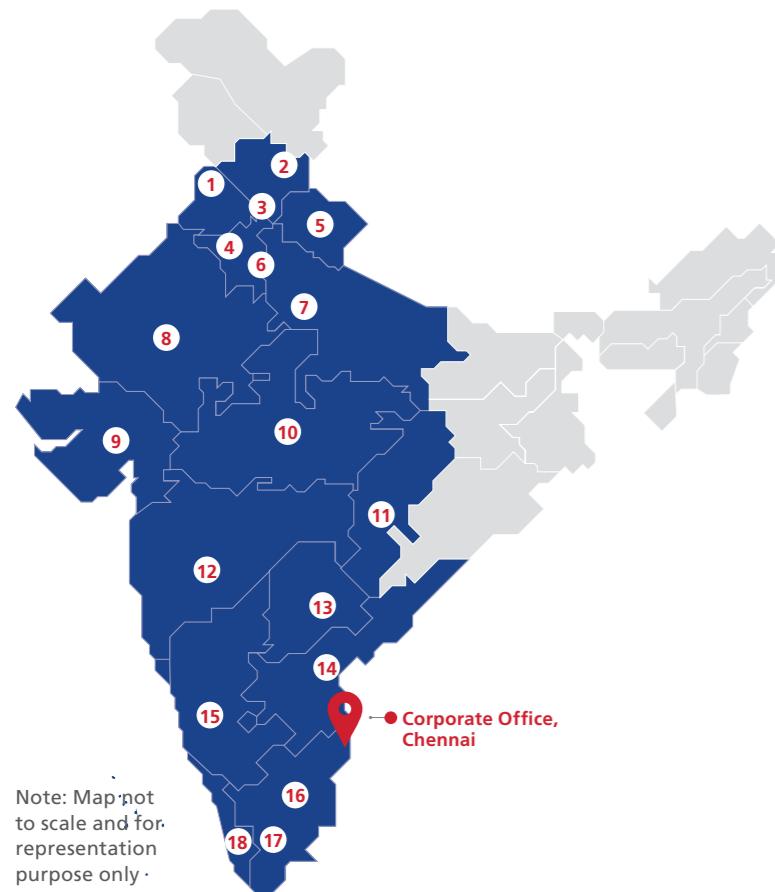
We offer diverse banking products and services to cater to the specific needs of individuals with limited access to formal financing channels, affluent individuals, MSMEs, and corporates.

Markets served by the entity



Our strategy is firmly rooted in providing credit to unbanked and underbanked micro and small entrepreneurs. We offer products that address the growing ambitions at the "bottom of the pyramid" and are fuelled by granular deposits and "value for money" banking relationships.

We have a presence in 922 locations across 18 States/Union Territories, including the National Capital Territory, within the country. However, we do not have operations in international locations.



Export contribution



As a bank, we do not engage in any export activities as they do not apply to our business operations.

Number of locations

	States	Banking outlets	ATMs
1	Andhra Pradesh	24	06
2	Chandigarh	04	01
3	Chhattisgarh	24	07
4	Gujarat	60	24
5	Haryana	28	13
6	Himachal Pradesh	03	-
7	Karnataka	93	35
8	Kerala	04	04
9	Madhya Pradesh	58	20
10	Maharashtra	150	52
11	NCT of Delhi	14	13
12	Puducherry	04	01
13	Punjab	27	10
14	Rajasthan	69	31
15	Tamil Nadu	331	120
16	Telangana	17	07
17	Uttar Pradesh	14	05
18	Uttarakhand	01	-

A brief on types of customers

	Micro-entrepreneurs
	Joint liability groups predominantly comprising women
	Small road transporters
	Proprietorships
	Non-banking financial companies (NBFCs)
	Mass and mass-affluent individuals



Employees

We are dedicated to embedding the bank's mission and values in our employees. Attracting, developing, and retaining talent is a top priority. Our people philosophy, Employee Care, and Employee Connect foster a culture of continuous learning and development.

Details as at the end of Financial Year



Employees and workers (including differently-abled)

S.No. Particulars	Total (A)	Male		Female	
		No. (B)	% (B / A)	No. (C)	% (C / A)
EMPLOYEES					
1 Permanent (D)	20,563	18,092	88%	2,471	12%
2 Other than Permanent (E)	14	11	79%	3	21%
3 Total (D + E)	20,577	18,103	88%	2,471	12%
WORKERS					
4 Permanent (F)	0	0	0%	0	0%
5 Other than Permanent (G)	0	0	0%	0	0%
6 Total (F + G)	0	0	0%	0	0%

Differently-abled Employees and workers

S.No. Particulars	Total (A)	Male		Female	
		No. (B)	% (B / A)	No. (C)	% (C / A)
DIFFERENTLY-ABLED EMPLOYEES					
1 Permanent (D)	2	2	100%	0	0%
2 Other than Permanent (E)	0	0	0%	0	0%
3 Total (D + E)	2	2	100%	0	0%
DIFFERENTLY-ABLED WORKERS					
4 Permanent (F)	0	0	0%	0	0%
5 Other than Permanent (G)	0	0	0%	0	0%
6 Total (F + G)	0	0	0%	0	0%

Participation/Inclusion/Representation of women

Board of Directors Key Management Personnel	Total (A)	No. (B)		No. and percentage of Females	
			% (B / A)		% (B / A)
Board of Directors	10	1	10%	Key Management Personnel	0
	3	0	0%		0

Turnover rate for permanent employees and workers

	FY23			FY22			FY21		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	40%	43%	40%	30%	43%	31%	23%	30%	24%
Permanent Workers	0	0	0	0	0	0	0	0	0

Holding, Subsidiary and Associate Companies (including joint ventures)

Name of holding/subsidiary/associate companies/joint ventures



Equitas Holdings Limited, the erstwhile Holding Company of the Bank has been amalgamated with the Bank in pursuance of the Order passed on January 12, 2023 by the Hon'ble National Company Law Tribunal, Division Bench-II, Chennai. As on date, we do not have any holding subsidiary or associate companies.

Section A

Corporate Social Responsibility

Our mission at Equitas is to 'Empower through financial inclusion', and we are committed to helping individuals achieve a better life and enhance their livelihood chances. To carry out this mission, we have created various programmes aimed at improving the quality of life of the people we serve. We established the Equitas Development Initiatives Trust (EDIT), a not-for-profit trust, and the Equitas Healthcare Foundation (EHF) to carry out these initiatives.

CSR details

We believe that every individual, regardless of their socioeconomic background, deserves an equal opportunity to grow and improve in life, and we are committed to empowering people so that they can fulfil their true potential and become independent and self-reliant.



Our focus areas



Health



Education



Employment

Our CSR policy outlines the principles and necessary approaches for the effective selection and implementation of CSR projects. Through our CSR initiatives, we enhance our value-creation efforts for our stakeholders as a socially responsible corporate citizen.



1 Whether CSR is applicable as per section 135 of the Companies Act, 2013

Yes

2 Turnover (₹ in Crore)

3,214.31

3 Net worth (₹ in Crore)

5,157.95

Transparency and Disclosures Compliances

Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct:



We are responsible to address our stakeholders' issues or complaints and we are always cognizant of our responsibilities as a credible SFB. For stakeholders to communicate their expectations and concerns, we have established numerous channels of communication, including grievance redressal mechanisms, customer experience and service along with grievance redressal are crucial for us, and we are focused on enhancing our standards in this area.

We have Whistle Blower Policy to ensure that unethical and improper practices or any other wrongful conduct is being reported.

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If Yes, then provide web-link for grievance redress policy)	FY23			FY22	
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year
Communities	Yes (Web link)	0	0	-	0	0
Investors (other than shareholders)	Yes (Web link)	0	0	-	0	0
Shareholders	Yes (Web link)	0	0	-	1	0
Employees and workers	Yes (Web link)	34	0	-	111	0
Customers	Yes (Web link)	3,017	71	Majority of the complain are within the TAT prescribed by RBI and Equitas	2,500	60
Value Chain Partners	Yes (Web link)	0	0	Bank is setting up the necessary infrastructure to record and monitor such complaints	0	0

Section A

Overview of the entity's material responsible business conduct issues

Equitas has implemented an integrated and balanced approach for managing risk and reward. This approach aims to minimise potential losses and damages while simultaneously maximising growth opportunities. We strive to ensure that our capital is aligned with our business strategy to protect our financial stability and reputation. Additionally, we aim to support various business activities while also enhancing stakeholder value.

Risk management

We have established a risk management system consisting of 'three lines of defence' at our organisation. The Chief Risk Officer (CRO) is responsible for overseeing the Risk Management department, which reports directly to the Managing Director. The department's main function is to identify, measure,

monitor, and manage risks with a focus on credit risk, operational risk, asset-liability management (ALM), market risk and information security risk. We have developed risk management frameworks for each of these key areas in accordance with the guidelines established by the banking regulator, RBI.



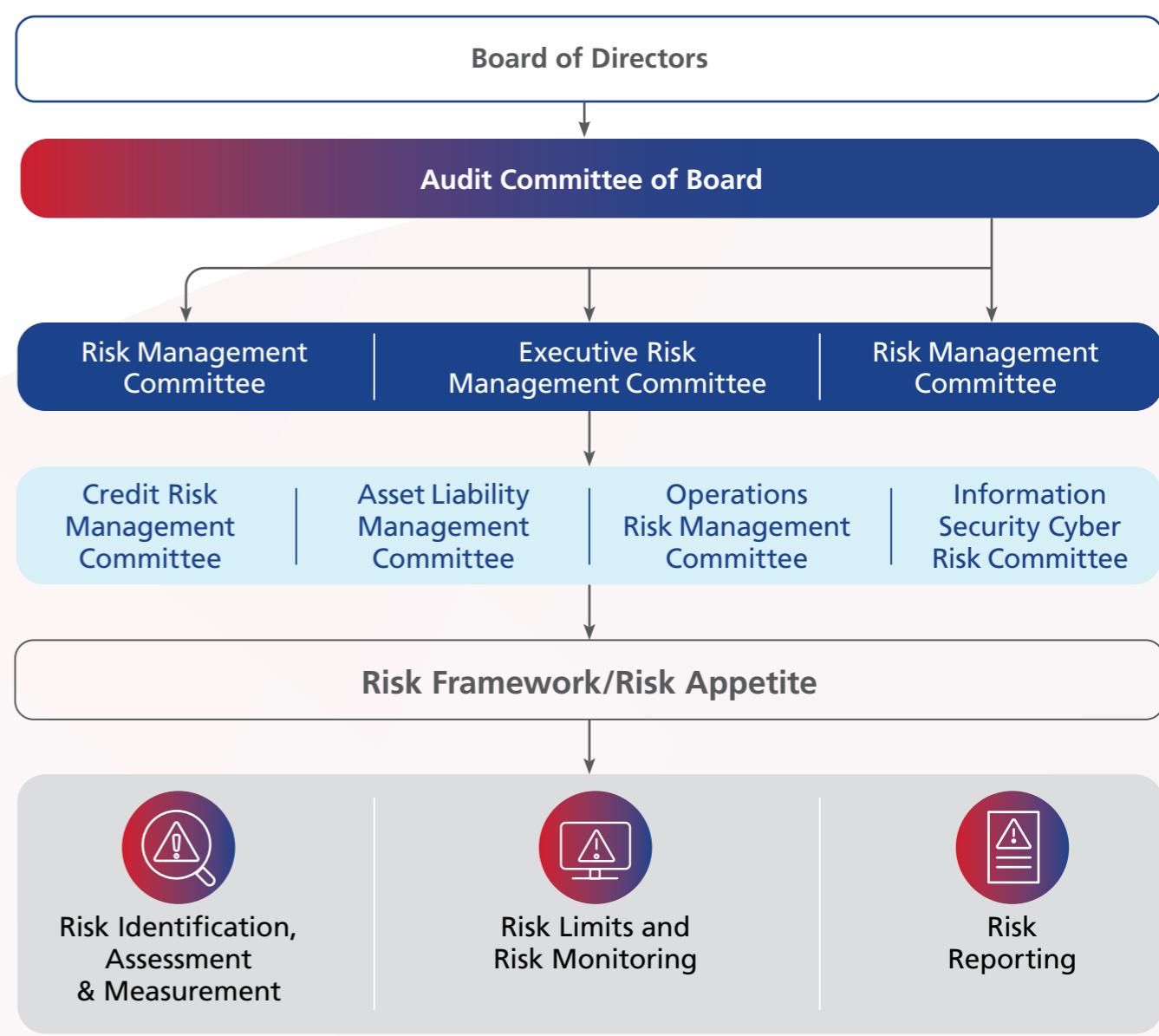
Risk governance

The Board oversees the Risk Management Committee (RMC) and other committees at the management level as part of our Risk Governance framework. The RMC is a sub-committee at the Board-level that determines risk policies and strategies for integrated risk management, covering various risk exposures

of the Bank. We have established management-level committees to address various risks, including credit risk, asset-liability management (ALM) and market risk, operational risk, and information security risk.

The Audit Committee supports the Board in carrying out its oversight responsibilities relating to financial and other reporting practices.

internal control, and compliance with laws, regulations, and ethical standards. From a risk management perspective, the committee reviews the adequacy of the Bank's risk management policies and processes and reports its findings to the Board of Directors.



Section A

Overview of the entity's material responsible business conduct issues (contd.)



Identified material issues



Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity
		Effective corporate governance enhances transparency, accountability, and investor confidence, leading to improved financial performance, access to capital and long-term sustainability.	NA	
Corporate governance				
		Failure to protect sensitive data may lead to legal and reputational risks, loss of customer trust, and regulatory penalties.	We have established a robust Security Operations Centre (SOC) to monitor and mitigate any potential data leakages and threats. We implement and monitor various measures such as data encryption at rest and during transit, a global access control policy to prevent unauthorised access, and employ tools to detect and prevent data leakages.	
Data privacy and security				
		Complying with various laws, regulations, and local statutes poses a challenge, given their multiplicity. Non-compliance risks occur in the geographies where we operate due to constantly changing regulations.	We have established a strong internal institutional infrastructure, including various internal and Board-level committees, to ensure our commitment to regulatory compliance. This enables us to maintain strict adherence to compliance standards and stay updated in a constantly evolving regulatory environment. Furthermore, we have nurtured a culture of compliance assurance and encourage our staff to always prioritise compliance, especially during times of regulatory ambiguity.	
Regulatory compliance				
		Inadequate risk management practices can lead to various risks such as credit risk, market risk, operational risk, and reputational risk, which could negatively impact the Bank's financial performance and reputation.	We have established a range of management and Board-level committees to effectively manage various risk aspects within the Bank. As a lender to informal segments, we have made significant investments to enhance governance over credit and operational risks. Leveraging our proprietary practices developed over the past decade, we have successfully navigated through challenging circumstances, including unforeseen events.	
Risk management				
		Our bank has significant exposure to small borrowers and unsecured microfinance loans. We closely monitor regulatory changes and market practices to ensure compliance and adapt our strategies accordingly.	Our business plan incorporates a thorough assessment of potential risks that could disrupt our operations, such as natural disasters, regulatory changes, and unfavourable market practices. Our guiding principle is to establish a stable, sustainable and scalable bank. We achieve this through the diversification of products and customers, proactive engagement with regulators and industry stakeholders and the valuable guidance and direction provided by our independent Board and professional Management teams. These measures allow us to effectively mitigate various risks and ensure the continuity of our operations.	
Business continuity				
		Integrating sustainability into our operations and investments can lead to increased competitiveness, cost savings, and access to new markets.	NA	
Sustainable finance				

Section A

Overview of the entity's material responsible business conduct issues (contd.)



Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity
Product innovation / responsibility		Investing in the development of sustainable products, technologies and solutions to enhance business sustainability and scalability through technology.	NA	
Economic growth		Ensuring profitability for sustained business growth for all its stakeholders through revenues and other payments, local hiring and local procurement.	NA	
Community development		Maintaining healthy relationships with local communities has enabled the Company to effectively contribute to social development and thus create a foundation for a sustainable business.	NA	
Customer experience		An unpleasant customer experience can result in losing customers or even damaging the reputation.	We have implemented various tools such as the Net Promoter Score, C-SAT surveys, Focus Group Discussions, and regular customer meets at our branches to proactively monitor customer experience and identify any early warning signs. Our dedicated Customer Experience department reports directly to the management, ensuring an unbiased view of customer interactions across all channels.	
Digital transformation		We believe digitalisation transformation is required to promote green innovation and create a work-friendly environment.	NA	
Employee health and well-being		We cultivate a positive work environment, enhancing satisfaction, productivity, and engagement by prioritising employee health and well-being. This approach also reduces absenteeism, lowers healthcare costs, and improves employee retention.	NA	
Financial inclusion		There is a significant credit gap among the underserved population, and addressing this through financial inclusion presents a substantial opportunity for our Bank.	NA	

Section B

Management and Process Disclosures

At Equitas, we believe in providing our stakeholders with transparent and detailed information about our management and processes. This allows them to make informed decisions about their involvement with us. Our disclosures offer a clear understanding of our operations, risk management, and governance which helps to build trust and a positive reputation for our organisation.

Code of conduct and policies

We have developed and implemented a range of policies aimed at upholding core values of integrity, transparency, and accountability. These policies are designed to guide the actions of all employees, directors, senior management and other stakeholders in achieving the Company's goals and delivering on its commitments to its stakeholders.

[Code of Conduct for Directors](#)

[Whistle Blower Policy](#)

[Remuneration Policy](#)

[Code of Conduct for Senior Management](#)

[Retention and Archival of Documents Policy](#)

[Material-related Party Transactions Policy](#)

[Code of Conduct for Fair Disclosure of UPSI](#)

[Dividend Distribution Policy](#)

[Corporate Social Responsibility \(CSR\) Policy](#)

To read more, Policies

Policy and Management Processes



Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs.	Y	Y	Y	Y	Y	Y	N	Y	Y
Has the policy been approved by the Board?	Y	Y	Y	Y	Y	Y	-	Y	Y
Web Link of the Policies, if available	All policies which are statutorily required to be disclosed are displayed on our website. Weblinks of policies are: Corporate Governance Policies								
Whether the entity has translated the policy into procedures.	Y	Y	Y	Y	Y	Y	-	Y	Y
Do the enlisted policies extend to your value chain partners?	Y	-	Y	Y	-	-	Y	Y	Y
Name of the national and international codes/certifications/labels/standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	-	-	-	-	-	-	-	-	-
Specific commitments, goals and targets set by the entity with defined timelines, if any.	None								
Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met.	NA								

Section B

Management and Process Disclosures (contd.)



Governance, Leadership and Oversight



Statement by the director responsible for the business responsibility report, highlighting ESG-related challenges, targets, and achievements Please refer our MD and CEO letter in page 10. (listed entity has flexibility regarding the placement of this disclosure)

Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies). Name: Mr. P N Vasudevan
Designation: Managing Director & Chief Executive Officer
DIN: 01550885

Does the entity have a specified Committee of the Board/ Director responsible for decision-making on sustainability-related issues? (Yes / No). If yes, provide details. Yes
Name: Mr. P N Vasudevan
Managing Director & Chief Executive Officer

Details of Review of NGRBCs by the Company

Subject for Review	Indicate whether review was undertaken by Director/ Committee of the Board/any other committee								Frequency (Annually/Half yearly/Quarterly/Any other – please specify)								
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P1	P2	P3	P4	P5	P6	P7	P8

Performance against above policies and follow-up actions	Y	Y	Y	Y	Y	Y	-	Y	Y	The performance against above policies and follow-up actions is reviewed at least once a year.								
Compliance with statutory requirements of relevance to the principles and rectification of any non-compliance	Y	Y	Y	Y	Y	Y	-	Y	Y	All the applicable statutory and regulatory guidelines relevant to the principles are complied.								
Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? If yes, provide name of agency.	P1	P2	P3	P4	P5	P6	P7	P8	P9	No, evaluations are carried out internally and the Heads of Departments are responsible for ensuring the effective implementation of policies. The bank's policies undergo periodic reviews at both the management and board levels.								

If answer to question (1) above is "No" i.e. not all principles are covered by a policy, reasons to be stated



Disclosure Questions

P1 P2 P3 P4 P5 P6 P7 P8 P9

The entity does not consider the Principles material to its business (Yes/No)

Y

The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)

-

The entity does not have the financial or/human and technical resources available for the task (Yes/No)

-

It is planned to be done in the next financial year (Yes/No)

-

Any other reason (please specify)

-

Section C : Principle-wise Performance Disclosure

Principle 1

Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

Banking on trust and responsibility

At Equitas SFB, corporate governance has been the key differentiator in retaining our competitive edge since inception. We strive to uphold the highest standards of transparency, accountability, fairness and ethical practices in dealing with our stakeholders. Our actions go much beyond regulatory compliance, setting industry benchmarks and ensuring a sustainable future.

Approach

Conducting business in a way while ensuring fairness and transparency towards all.

Code of Conduct for Directors

[Click Here](#)

Code of Conduct for Senior Managers

[Click Here](#)

Material-related Party Transactions Policy

[Click Here](#)

Material issues impacted

Corporate governance

Regulatory compliance

Business continuity

Economic growth

Financial Inclusion

SDG(s) impacted



Training and awareness programmes

Our Learning & Organisational Development (L&OD) team designs and offers various training and awareness programmes to foster a culture of continuous learning and improvement. The well-structured, perceptive, and engaging programmes focus on areas such as risk, finance, credit, treasury, POSH Compliance, information security, code of conduct, prevention of insider trading and prevention of fraud, among others. We thus ensure that all our people, including the BOD and KMPs, possess the requisite knowledge and skills to make informed decisions aligned with the Bank's core values and objectives.

Percentage coverage by training and awareness programmes during the financial year



Segment	Total number of training and awareness programmes held	Topics/principles covered under the training and its impact	%age of persons in respective category covered by the awareness programmes
Board of Directors	1	Program on governance	20%
Key Managerial Personnel	1	P1	33%
Employees other than BOD and KMPs	4,165	P1,2,3,4,7,8&9	92%
Workers		NA	



Testimonial - 1

The training programme was exceptional in its delivery and knowledge sharing. It maintained a high level of interactivity, keeping all participants engaged throughout. The facilitators did a remarkable job of imparting valuable information, making it an enriching experience for our team.

- Team Leader (Vendor and cash management)

Testimonial - 2

I had the opportunity to attend training programmes on leading with emotional intelligence, winning managers, and conflict transformation. I highly appreciate the efforts put into conducting these trainings with great enthusiasm and engaging content. The hours spent in training were truly interesting and valuable for my professional growth.

- Branch Manager, Chennai

Section C : Principle-wise Performance Disclosure

Principle 1

Action taken to address the issues

Details of fines/penalties/punishment/award/compounding fees/settlement amount paid in proceedings (by the entity or by Directors/KMPs) with regulators/law enforcement agencies/judicial institutions in the financial year.



We did not pay any monetary or non-monetary fines, penalties, punishments, awards, compounding fees, or settlement amounts in proceedings with regulators, law enforcement agencies, or judicial institutions during FY23 based on our materiality thresholds.



Details of the Appeal/Revision preferred in cases where monetary or non-monetary action has been appealed.

There hasn't been any instance where monetary or non-monetary action has been appealed.

Anti-corruption and anti-bribery



Does the entity have an anti-corruption or anti-bribery policy?

Yes, we have implemented a code of conduct that prohibits employees from receiving illegal gratification or engaging in corrupt practices. We ensure that our employees do not use personal funds or resources for any activity that can be done with the bank's resources. Under no circumstances, shall a bribe be disguised as a payment, gift, or business courtesy. We prohibit our employees from accepting gifts, entertainment, or incentives from current or prospective customers or suppliers. All business courtesies offered and accepted by our employees belong to Equitas Small Finance Bank, and they are not entitled to keep them for personal use. Our employees are not allowed to accept any gift that is a bribe or exercises undue influence.

Moreover, we have developed a code of conduct specifically for Directors and Senior Management to provide them with a framework for upholding the highest ethical standards when managing the Bank's affairs. The Bank's commitment to ethics and accountability is highlighted in all interactions with stakeholders, starting from the time of association with the Bank.

Disciplinary action taken for charges of bribery/corruption



Director

FY23 - 0
FY22 - 0

KMPs

FY23 - 0
FY22 - 0

Employees

FY23 - 0
FY22 - 1

Workers

FY23 - NA
FY22 - NA

Conflicts of interest



Does the entity have processes in place to avoid/manage conflicts of interest involving members of the Board?

We have a Code of Conduct for Directors and a policy on material-related party transactions that may result in a conflict of interest, either directly or indirectly, with the Bank.

Our Board members are not eligible to participate in discussions related to any item of business in which they have a personal interest. During our meetings, the Board members do not participate in the agenda items that concern them. This ensures transparency and fairness in our decision-making process and upholds our commitment to good governance.

Complaints received with regard to conflicts of interest



Director

FY23 - 0
FY22 - 0

KMPs

FY23 - 0
FY22 - 0

Details of any corrective action on cases of corruption and conflicts of interest



We did not observe any cases or incidents of conflicts of interest or corruption during the reporting period. However, if such cases or incidents arise in the future, we have appropriate policies and procedures in place to take necessary corrective actions.



Section C : Principle-wise Performance Disclosure

Principle 2

Businesses should provide goods and services in a manner that is sustainable and safe.

Solutions for a sustainable tomorrow

Given the nature of the Bank's activities, we do not have a significant carbon footprint. However, we strive to reduce our environmental impact by reducing paper usage through digitalisation and using recycled paper, eco-friendly pads and pencils, among others. We also install energy-efficient HVAC systems to optimise electricity consumption.

Approach

We ensure sustainable growth by implementing innovative solutions through a meticulous study of our actions and their impact on our stakeholders.

Material issues impacted

Economic growth

Sustainable finance

Product innovation/
responsibility

SDG(s) impacted



Essential



Leadership

Sustainable sourcing

We are committed to minimising the environmental impact of our operations through various measures, including digitisation, tech-led innovations, and recycling and reusing electronic equipment.

Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity.



Not applicable

Does the entity have procedures in place for sustainable sourcing? If yes, what percentage of inputs were sourced sustainably.



No, given the nature of the Bank's business activities, sustainable sourcing of inputs is not significant in our operations.

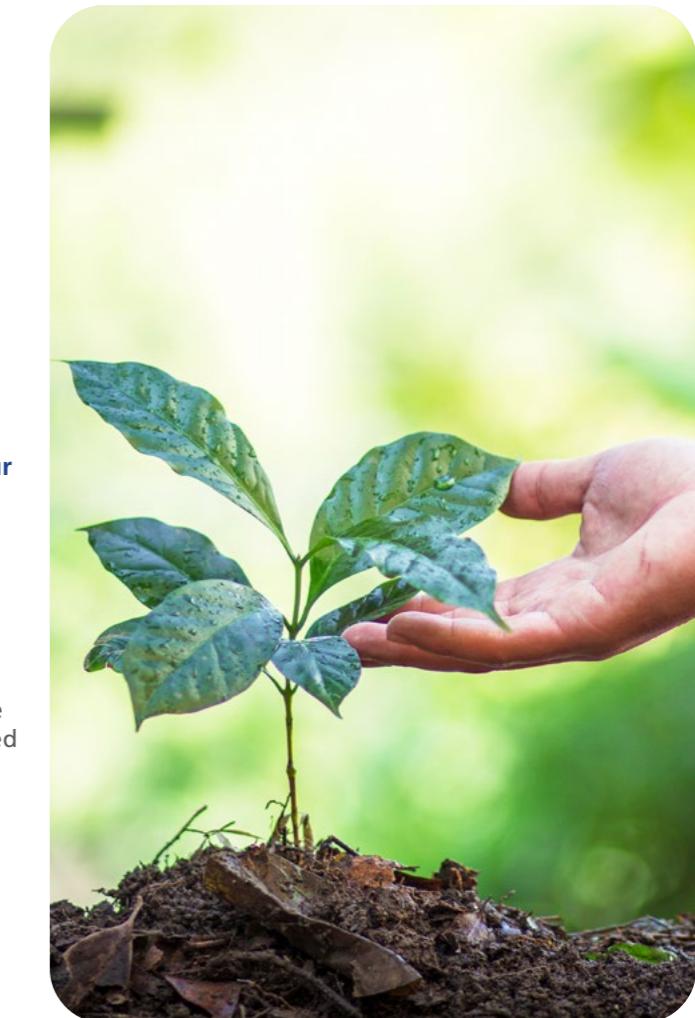
Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.



At Equitas SFB, we understand that as a provider of intangible products and services, we have limited scope for using recycled materials. However, we are committed to minimising our environmental impact wherever feasible by leveraging digital technologies, such as paperless, tab-based loan processing and recycling of E-waste through Value Chain Partners.

We launched the 'Pragati Card', a Quick Response (QR) code-based payment enquiry solution for our microfinance customers, which serves as a digital passbook that provides real-time payment information. We also encourage our account holders to embrace digital channels and platforms, such as account statements by e-mail, internet banking, mobile banking, e-wallet, and electronic toll payment, among others.

Moreover, we promote efficient resource consumption through initiatives, such as observing the run time of heating, ventilation, and air conditioning (HVAC), installing CFL and other low-energy consuming office equipment, and limiting printer and copier usage.



Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.



Given the nature of our operations, Extended Producers Responsibility (EPR) is not applicable to us.

Section C : Principle-wise Performance Disclosure

Principle 3

Businesses should respect and promote the well-being of all employees, including those in their value chains

Empowering people to propel progress

Aligned with our mission to 'Create the most valuable bank for all stakeholders through happy employees' and staying true to our core values, we foster a culture of continuous learning and improvement. Our people philosophy, based on Employee Care and Employee Connect, aims to attract, develop, and retain top talent and empower them with the requisite knowledge and skills to stay ahead of the curve.

Approach

Empowering employees by fostering a learning and supportive environment through continuous support and training.

Material issues impacted

Employee health and well-being

SDG(s) impacted



Essential



Leadership

Employee engagement

Attracting talent

Our onboarding process has been streamlined through digitisation, enabling us to onboard new employees remotely. Additionally, we have implemented a management trainee programme and conducted virtual campus connect and hiring programmes.

Employee well-being



Details of measures for the well-being of employees:

Category	Total (A)	% of employees covered by									
		Health Insurance Number (B)	Health Insurance % (B/A) (C)	Accident Insurance Number (D)	Accident Insurance % (C/A) (E)	Maternity benefits Number (F)	Maternity benefits % (D/A) (G)	Paternity benefits Number (H)	Paternity benefits % (E/A) (I)	Day care facilities Number (J)	Day care facilities % (F/A) (K)
Permanent Employees											
Male	18,092	18,092	100%	18,092	100%	-	-	18,092	100%	1,144	6%
Female	2,471	2,471	100%	2,471	100%	2,471	100%	-	-	457	18%
Total	20,563	20,563	100%	20,563	100%	2,471	100%	18,092	100%	1,601	8%
Other than Permanent Employees											
Male	11	11	100%	11	100%	-	-	11	100%	8	73%
Female	3	3	100%	3	100%	3	100%	-	-	2	67%
Total	14	14	100%	14	100%	3	100%	11	100%	10	71%

Note: We do not have any workers.



Section C : Principle-wise Performance Disclosure

Principle 3

Retaining talent

We offer employees an extensive range of benefits with a primary focus on promoting their overall well-being. Some of the key initiatives are listed below:

Onboarding Call: Our HR team members personally connect with the new joiners within 30 days of joining the bank. During this connect, the HR team checks if the new joiners are settled in their role comfortably. This is an initiative that is well appreciated by the new joiners as it helps them settle better in their new role and new environment. It also paves an opportunity for the HR and the new joiner to discuss concerns, if any, and get them resolved proactively.

Branch Visit: As part of the Connect Programme, our HR team ensured that they physically visited most branches in the country at least once during the year. They interacted with employees and provided solutions to employees through collaboration with other functions.

Performance Management: In April 2022, the Bank conducted its Annual Performance Review for FY22, which included 13,728 eligible employees. The Performance Review process is based on the Bank's Core Values of Fairness & Transparency, and Pride of Performance.

We shall continue to focus on internal parity through activities such as setting a minimum salary for identified roles and a Loyalty-Performance programme for employees who have been with the bank for more than 4 years.

Employees who consistently received high-performance ratings were recognised under the programme by being included in the High Achiever's Club (HAC).

Valar & GROW: The Assets Division launched the 'VALAR' programme, which identified employees who performed well based on various parameters and rewarded them with larger roles/Grade changes/Increments. Similarly, the Liabilities Division introduced 'GROW' (Get Ready for Opportunities at Work), a career progression programme that fast-tracked the development of employees who consistently performed well. Exclusive developmental interventions were designed and delivered that accelerated the career path of high performers and nurtured them to fulfil internal positional requirements at various supervisory and managerial roles across businesses.



Details of retirement benefits



Benefits	FY23			FY22		
	No. of employees covered as % of total employees	No. of workers covered as % of total employees	Deducted and deposited with the authority	No. of employees covered as % of total employees	No. of workers covered as % of total workers	Deducted and deposited with the authority
PF	100%	NA	Yes	100%	NA	Yes
Gratuity	100%	NA	Not deducted from the employee however deposited with the Authority	100%	NA	Not deducted from the employee however deposited with the Authority
ESI	0%	NA	NA	0%	NA	NA
Others-please specify	NA	NA	NA	NA	NA	NA

Equal opportunity

We believe in treating our diverse workforce with fairness, respect, and dignity, and discrimination based on factors like caste, creed, religion, national origin, gender, race, or ethnicity is prohibited. We also prohibit employees from assuming leadership positions in political parties or engaging in political activities, hurting religious sentiment, or instigating others to

turn against management. These conditions apply to employees' previous employment as well.

Our recruitment policy and code of conduct also emphasise equal opportunity and non-discrimination in the recruitment process and value the diverse skills and perspectives of our workforce.



Accessibility of Workplaces

Are the premises/offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.



No. However, we are currently assessing the feasibility of installing ramps, lifts, and other measures to ensure the accessibility of our premises for differently-abled employees and customers.

Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.



Yes, we have a Code of Conduct that incorporates a comprehensive equal opportunity policy. This policy is designed to promote values such as respect and non-discrimination. It is mandatory for all employees to annually sign this policy, reaffirming their commitment to upholding these principles within our work environment.

Return to work and Retention rates of permanent employees and workers that took parental leave.



Gender	Permanent employees		Permanent workers	
	Return to work rate	Retention rate	Return to work rate	Retention rate
Male	99%	100%	NA	NA
Female	98%	98%	NA	NA
Total	99%	99%	NA	NA

Section C : Principle-wise Performance Disclosure

Principle 3

Employee grievance redressal mechanism

Is there any mechanism available to receive and redress grievances for the following categories of employees and workers If yes, give details of the mechanism in brief.



We have an employee grievance redressal policy that provides employees with a mechanism to raise any grievances they may have in a fair and transparent manner. The policy outlines several levels within the Bank's hierarchy—starting from the first-level manager and going up to the Managing Director—that employees can approach if they do not receive satisfactory resolutions within a reasonable time frame.

Yes/No (If yes, then give details)					
Permanent employees	Yes				
Other than permanent employees	Yes				

Note: We do not currently have any workers.

Membership of employees and worker in association(s) or Unions recognised by the listed entity



We engage with our employees through various channels to receive constructive feedback. We regularly conduct audio bridges, which provide a platform for all employees to directly express their views, ideas, and feedback to the top management. We have a structured employee grievance redressal mechanism in place and also encourage employees to approach the CEO and Audit Committee directly in case of serious grievances or unethical practices.

Category	FY23			FY22		
	Total employees in respective category (A)	No. of employees in respective category who are part of association(s) or union (B)	% (B/A)	Total employees in respective category (C)	No. of employees in respective category who are part of association(s) or union (D)	% (D/C)
Total permanent employee	20,563	0	0%	17,607	0	0%
Male	18,092	0	0%	15,710	0	0%
Female	2,471	0	0%	1,897	0	0%

Note: We do not have any workers.



Developing talent

We continuously invest in employee training and development through several focused interventions and initiatives. We developed and imparted a series of training programmes in collaboration with internal and external partners.



Induction campaigns: Every newly hired employee goes through an 'induction programme,' which aids in their swift integration with the Bank and expedites their settling process with their teams. 99% of our new hires completed their induction within 30 days of starting.

Regulatory-mandated training: Risk, finance, credit, treasury, posh compliance, information security, code of conduct, prevention of insider trading, prevention of fraud, and other topics are covered in this training. 100% of our eligible employees completed their mandated KYC training. Employees from the Internal Audit team took part in the 'Digital Resilience Re-inventing Internal Audit Programme' organised by the Institute of Internal Auditors (IIA).

Specialised training: The training content and interventions are divided into two categories: behavioural and functional. The Bank has the in-house capabilities to produce and deliver learning content as well as to collaborate seamlessly with external learning partners.

Behavioural: Using both internal and external resources, we devised and administered a variety of behavioural interventions. Several custom-built behavioural interventions such as STAR-AOM for customer service officers to handle supervisory roles, ASCEND for Internal Audit team on team dynamics and interpersonal interactions, IMPACT for conflict management and PERFECT for personal effectiveness.

Functional: The functional learning agenda is determined by the Bank's changing business market and evolving job responsibilities. Selling skills, products, digital solutions, processes, systems & software, risk, credit, and legal aspects were prioritised by the Bank's in-house functional interventions. We have partnered with Skillsoft, a global industry leader, to digitally offer major training programmes. Specific leadership development interventions were designed and delivered for aggregator roles like 'Manager to leaders' for Liability regional sales manager, and 'Lead to Excel' for Asset cluster manager. Senior leaders across divisions were engaged in the programme on Strategy formulation and executions from the premier institute.

Details of training given to employees and workers



Category	FY23						FY22					
	Total (A)	On health and safety measures		On skill upgradation		Total (D)	On health and safety measures		On skill upgradation			
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)		
Employees												
Male	18,092	1,064	6%	16,557	92%	15,723	-	-	13,977	89%		
Female	2,471	488	20%	2,354	95%	1,898	200	11%	1,695	89%		
Total	20,563	1,552	8%	18,911	92%	17,621	200	1%	15,672	89%		

Note: We do not have any workers.

Section C : Principle-wise Performance Disclosure

Principle 3

Details of performance and career development reviews of employees and worker:



Category	FY23			FY22		
	Total (A)	No. (B)	% (B/A)	Total (C)	No. (D)	% (D/C)
Employees						
Male	18,092	13,622	75%	15,710	12,667	81%
Female	2,471	1,828	74%	1,897	1,456	77%
Total	20,563	15,450	75%	17,607	14,123	80%

Note: We do not have any workers.

Health and safety management system

Whether an occupational health and safety management system has been implemented by the entity? If yes, the coverage such system?



Yes, we have implemented multiple measures to ensure a safe work environment for all.

What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?



At Equitas SFB, many of our employees have field roles that require them to travel, and having a two-wheeler is often necessary. As a part of our policy, we make it mandatory for employees to possess a valid driving license, and we strongly encourage them to wear helmets while travelling for their safety.

Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N)



Yes. We strive to foster an inclusive workplace where every employee's voice is heard and their concerns are addressed promptly. We have launched an initiative, 'Voice of Employee' which enables our employees to report any work-related hazards or other issues they may be facing. Employees can share their complaints by emailing us at voiceofemployee@equitasbank.com. We take every complaint seriously and make continuous efforts to resolve them in a fair and transparent manner.

Do the employees/workers of the entity have access to non-occupational medical and healthcare services?



Yes, we prioritise the health and well-being of our employees and their families. As part of our commitment, we provide access to non-occupational medical and healthcare services. We offer a Group Mediclaim Policy to our employees and their enrolled family members, with a sum insured of up to ₹3 lakh.

Details of safety related incidents, in the following format:



Safety Incident/Number	Category	FY23	FY22
Lost time injury frequency rate (LTIFR) (per one million-person hours worked)	Employees	0	0
Workers	Workers	--	--
Total recordable work-related injuries	Employees	0	0
Workers	Workers	--	--
No. of fatalities	Employees	0	0
Workers	Workers	--	--
High consequences work-related injury or ill-health (excluding fatalities)	Employees	0	0
Workers	Workers	--	--

Describe the measures taken by the entity to ensure a safe and healthy workplace



We have trained and constituted an Emergency Response Team (ERT) to act/respond in emergencies at the Bank. Additionally, we conduct fire drills to train our employees on how to respond to emergencies in the event of a fire at the workplace.

Number of Complaints on the following made by employees and workers:



	FY23			FY22		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working conditions	34	0	-	111	0	-
Health & safety	0	0	-	0	0	-

Assessments for the year:



Health and safety practices	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Working conditions	NIL
	NIL

Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.



None

Section C : Principle-wise Performance Disclosure

Principle 4

Businesses should respect the interests of and be responsive to all its stakeholders.

Collaboration for impact

We believe that stakeholder engagement is critical to delivering a positive social impact. We recognise and value the diverse perspectives that our stakeholders bring to the table and strive to address their expectations. Through collaboration, transparency, and accountability, we work with our stakeholders to achieve our shared goals of empowering communities and promoting inclusion and diversity.

Approach

Ensuring the effectiveness of engagement efforts through two-way dialogue, determining their concerns and interest.

Material issues impacted

Risk management Business continuity

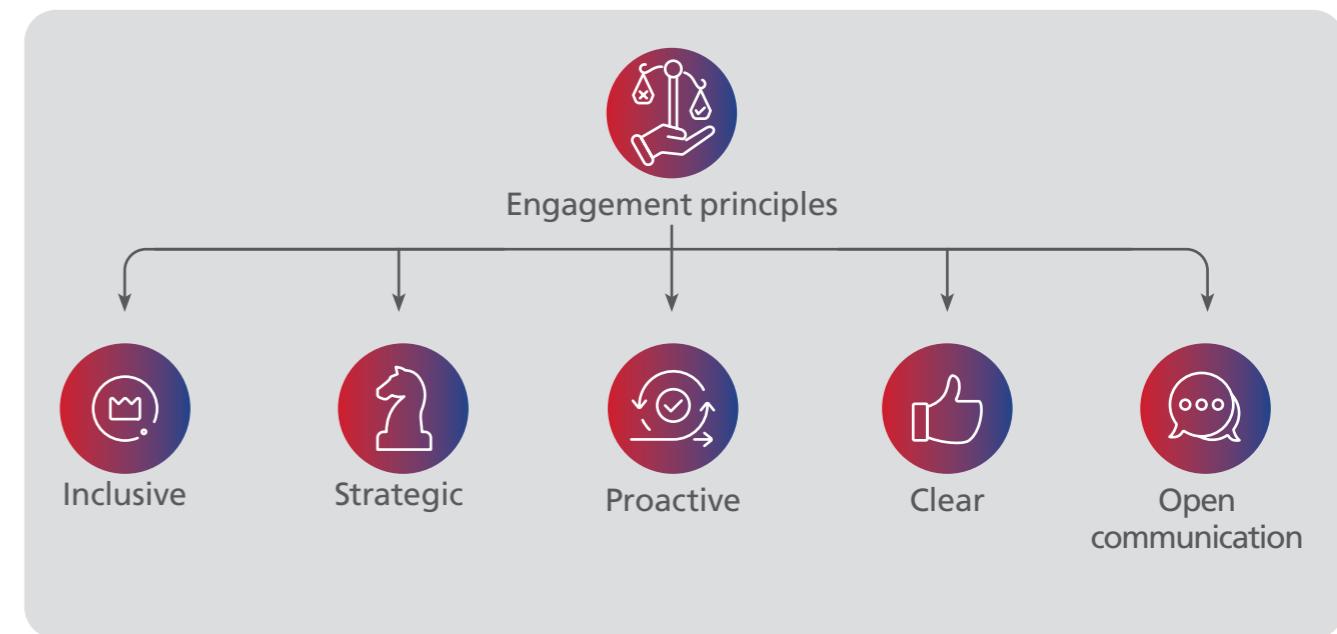
Regulatory compliance

SDG(s) impacted



Stakeholder engagement for value creation

We recognise that robust relationships with all stakeholders are critical to our drive for a sustainable business plan and addressing their concerns. To achieve this, effective engagement is integral to developing an informed understanding of our stakeholders' needs, interests, and expectations, as well as our strategic decisions.



Section C : Principle-wise Performance Disclosure

Principle 4

Stakeholder identification

Describe the processes for identifying key stakeholder groups of the entity.



We strive to identify and engage with our stakeholders in a meaningful way. By understanding their unique perspectives and concerns, we can work to address their needs and expectations and build lasting relationships based on transparency and trust. We recognise that stakeholder engagement is a continuous process and that the success of our business depends on the support and collaboration of all our stakeholders. Through open and effective communication, we can build strong partnerships that benefit not only our Company but also the wider community.

We have followed 5 steps approach to identify our key stakeholders



We have identified three stakeholder groups that are most critical to our business. As each group has unique needs and expectations, we adopt a customised and structured approach to engage with them. This ensures that we understand their perspectives and priorities and that we can address any concerns or issues effectively.



Customers



Employees



Investors



Stakeholder engagement process

List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.



Stakeholder group	Whether identified as vulnerable & marginalised group (Yes/No)	Channels of communication (Email, SMS, newspaper, pamphlets, advertisement, community meetings, notice board, website other)	Frequency of engagement (Annually/Half yearly/quarterly/ other – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Customers	Yes , a portion of customer group can be identified as marginalised	On ground hoarding and display boards across various points in the city. Online: social media, Display Ads, Search Ads etc Direct: Website, E-mail, SMS, App Push, WhatsApp In person meetings by customer service officer and other bank staff.	Branches conduct a monthly customer service meeting at the branch in addition to periodic meeting conducted by the staff at the customer location. Quarterly Online meeting , video conference with senior management and board members.	Increase awareness of product and services. Garner feedback on services deficiencies , product features and customers expectations.
Employees	No	1. Email 2. SMS 3. Notice Board at placed at work location 4. Audio bridge call Others: 5. One-on-one meeting /group meeting through Branch Visit 6. Online collaboration tools	Others – Ongoing, communication is triggered as and when need arises	1. Amendment to change in the existing policy or implementation of new policy. 2. Change in leadership roles. 3. Benefits extended to employees 4. BCP during natural calamities 5. IT security 6. Any other key employee related communication
Investors	No	E-mail, Newspaper, Website, Investor conferences and Analyst meets	Quarterly	Financial Results, AGM, Dividend Intimation, Fund Raise Intimation, Merger-de-merger intimation, Company guidance & strategy

Section C : Principle-wise Performance Disclosure

Principle 5

Businesses should respect and promote human rights

Promoting dignity for all

We are committed to preserving the respect and honour of all individuals associated with us. Our Fair Practices Code and Employee Code of Conduct firmly establish the necessary actions and conduct expected in terms of human rights and ensuring dignity for all.

Approach

Committed to promoting human rights through education, advocacy and activism for creating an equitable working environment

Whistle blower policy

[Click Here](#)

Material issues impacted

Corporate governance

Regulatory compliance

Employee health and well-being

SDG(s) impacted



Human rights

At Equitas SFB, we are committed to upholding human rights across our operations. We strive to promote, respect, and uphold human rights for all individuals who are associated with us. Our top priority is to maintain a safe and nurturing environment for our employees. To achieve this, we have implemented policies such as the prevention of sexual harassment policy and whistle-blower policy, which aim to uphold human rights and provide equal opportunities for women to achieve their professional goals.

Training on human rights

We are dedicated to fostering a culture of inclusivity, respect, and human rights within our organisation. To ensure that our employees fully comprehend their rights and responsibilities, we provide comprehensive human rights training. This training empowers our workforce to prevent discrimination, harassment, and any other violations in the workplace. In FY23, we successfully delivered human rights training to an impressive 93% of our permanent employees. By equipping our team with the knowledge and tools to uphold human rights, we strive to create a work environment where everyone feels valued, safe, and empowered.



Section C : Principle-wise Performance Disclosure

Principle 5

Employees and workers who have been provided training on human rights issues and policy(ies) of the entity



Category	FY23			FY22		
	Total (A)	No. of employees /Workers covered (B)	% (B/A)	Total (C)	No. of employees /Workers covered (D)	% (D/C)
Employees						
Permanent	20,563	19,201	93%	17,607	16,679	95%
Other than permanent	14	-	-	7	-	-
Total employees	20,577	19,201	93%	17,614	16,679	95%

Note: We do not have any workers.

Details of minimum wages paid to employees and workers



Category	FY23				FY22					
	Total (A)	Equal to minimum wage		More than minimum wage	Total (D)	Equal to minimum wage		More than minimum wage		
		No. (B)	% (B/A)	No. (C)		No. (E)	% (E/D)	No. (F)	% (F/D)	
Employees										
Permanent										
Male	18,092	0	0	18,092	100%	15,710	0	0	15,710	100%
Female	2,471	0	0	2,471	100%	1,897	0	0	1,897	100%
Other than permanent										
Male	11	0	0	11	100%	6	0	0	6	100%
Female	3	0	0	3	100%	1	0	0	1	100%

Note: We do not have any workers.

Details of remuneration/salary/wages



	Male		Female	
	Number	Median remuneration/salary/wages of respective category	Number	Median remuneration/salary/wages of respective category
Board of Directors	9	₹9,00,000	1	-
Key Managerial Personnel	3	₹1,35,68,959	0	-
Employee other than BOD and KMP	18,089	₹3,13,627	2,471	₹2,82,421
Workers	0	0	0	0

Policies and accountability

Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business?



Yes, we have established two bodies to address any human rights impacts or issues caused or contributed by our business.

Internal Complaints Committee (ICC), which is responsible for considering and addressing complaints related to sexual harassment.

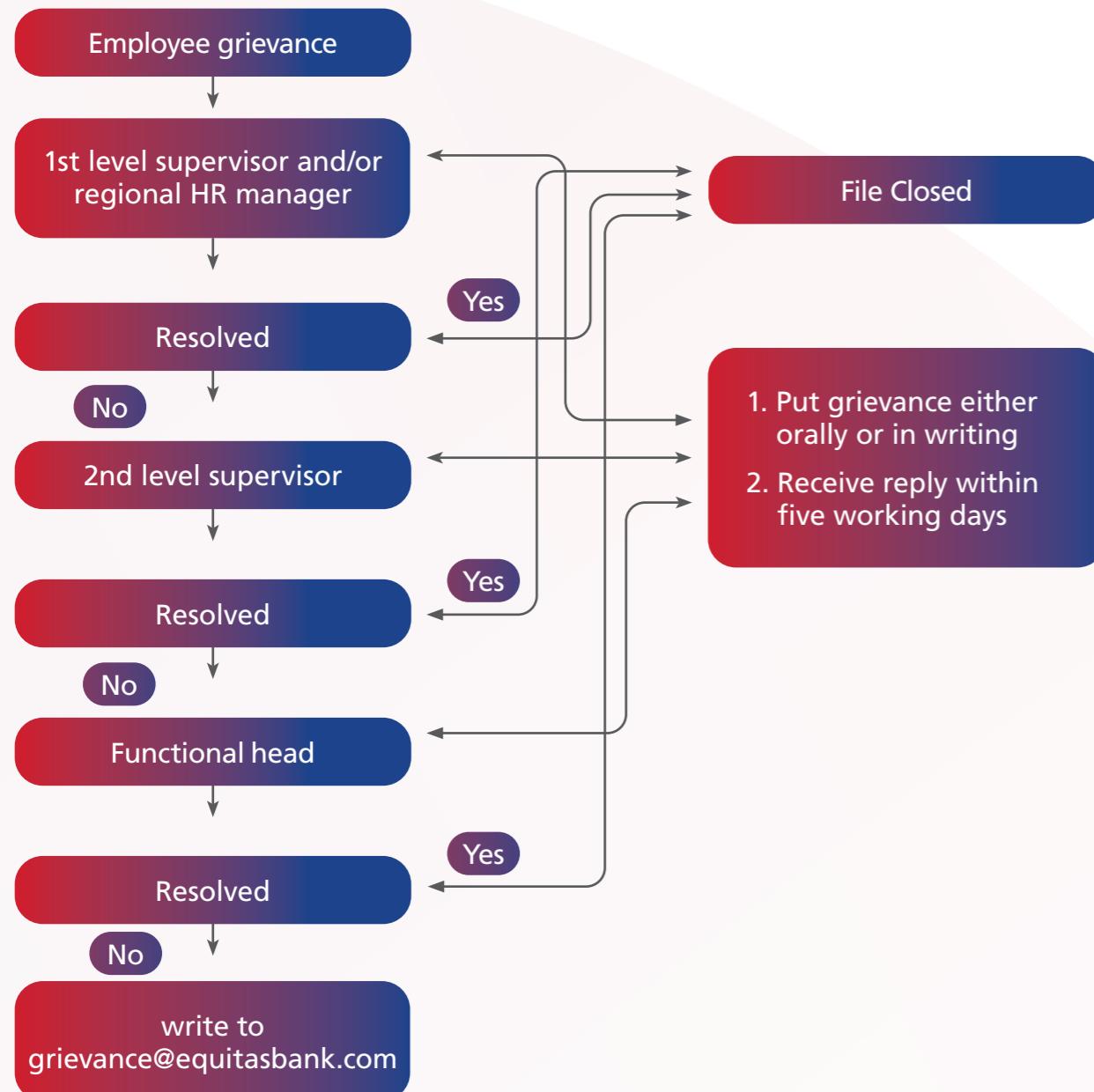
Grievance Redressal Committee, which is responsible for handling and addressing all other concerns raised by our employees.



Section C : Principle-wise Performance Disclosure

Principle 5

Grievance redressal committee



Describe the internal mechanisms in place to redress grievances related to human rights issues.



We have set up an Internal Complaints Committee (ICC) to deal with complaints of sexual harassment. If any employee experiences any such incident, they can make a written complaint to the ICC within three months of the date of the incident. Alternatively, they can file complaints via email to the ICC at nirbhaya@equitasbank.com. The Presiding Officer or any Member of the ICC would extend reasonable assistance, in case any aggrieved employee is unable to file such complaints. The ICC may extend the time limit by up to three months, if any employee fails to file complaint due to any unavoidable circumstances within the stipulated time frame.

Yes, we have established two bodies to address any human rights impacts or issues caused or contributed by our business. The Bank has a Grievance Redressal Committee to address employee concerns. If an employee is not satisfied with the level supervisor or function head, the employee can write to grievance@equitasbank.com, and the Grievances Redressal Officer will resolve it within one week. If still not satisfied, the employee can appeal to the Managing Director, who must resolve it within two weeks. The Managing Director's decision is final and binding.

Number of complaints on the following made by employees and workers



	FY23			FY22		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual harassment	5	0		6	0	
Discrimination at workplace	0	0		0	0	
Child labour	0	0		0	0	
Forced labour/involuntary labour	0	0		0	0	
Wages	0	0		0	0	
Other human rights related issues	0	0		0	0	

Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.



We have a strict policy that the contents of any sexual harassment complaint, including the identity and addresses of the aggrieved person, respondent, and witnesses, as well as any information relating to conciliation and inquiry proceedings, recommendations of the ICC, and the action taken by the management, shall not be disclosed to anybody in any manner. However, we may disseminate information regarding the justice secured to any victim of sexual harassment under this Act, without disclosing the name, address, identity, or any other particulars that could lead to the identification of the aggrieved person and witnesses.

Do human rights requirements form part of your business agreements and contracts? (Yes/No)



Yes, human rights requirements are integrated into our business agreements and contracts. We firmly believe in the inherent rights and dignity of every individual, and our policies and code of conduct reflect our commitment to upholding human rights. It is our philosophy to prioritise and safeguard human rights in all our interactions with stakeholders.

Assessments for the year:



% of your plants and offices that were assessed (by entity or statutory authorities or third parties)

Child labour	0
Forced/involuntary labour	0
Sexual harassment	0
Discrimination at workplace	0
Wages	0
Others – please specify	0

Provide details of any corrective actions taken or underway to address significant risks / concerns.



No corrective actions taken or are under way to address the risks or concerns.

Section C : Principle-wise Performance Disclosure

Principle 6

Businesses should respect and make efforts to protect and restore the environment.

Minimising environmental footprint

The banking and financial services business has a limited, direct impact on natural resources. Further, our digitalisation focus enables us to go paperless across several systems and processes. We focus on digitising the process, and use of tablets, PC and mobile phones to effectively remove paper consumption.

Approach

Adopting paperless processes, digital banking, and energy-efficient equipment to reduce our environmental impact.

Material issues impacted

Regulatory compliance

Business continuity

Sustainable finance

SDG(s) impacted

2 ZERO HUNGER 	7 AFFORDABLE AND CLEAN ENERGY 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES 	11 SUSTAINABLE CITIES AND COMMUNITIES 	13 CLIMATE ACTION
14 LIFE BELOW WATER 	15 LIFE ON LAND 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS 		



Essential



Leadership

ESG policy and framework

We have put in place a robust Micro & Small Enterprises Policy framework which embeds environmental and social safeguards into the loan application appraisal process for micro and small enterprises. In addition, we encourage our employees to embrace email communications and digital storage of documents.

Energy & Emissions

We monitor the run-time of our Heating, Ventilation, and Air Conditioning (HVAC) systems to ensure optimal energy consumption. Further, we use energy-efficient CFLs and LED light fixtures in our offices to reduce electricity consumption. We also procure office equipment such as computers, monitors, etc. with energy-saving features and certifications.

Our commitment to sustainable practices enables us to further reduce our environmental impact but also to promote a culture of accountability and responsibility.

The papers to the board and committees are completely in the electronic format totally eliminating the use of paper.



Section C : Principle-wise Performance Disclosure

Principle 6

Details of total energy consumption (in Joules or multiples) and energy intensity.

Parameter	FY23	FY22
Total electricity consumption (A)	42,209.545 GJ	41,244.274 GJ
Total fuel consumption (B)	1,940.73 GJ	1,640.03 GJ
Energy consumption through other sources (C)	-	-
Total energy consumption (A+B+C)	44,150.275 GJ	42,884.277 GJ
Energy intensity per rupee of turnover (total energy consumption/turnover in rupees)	1,373.55 J	1,664.70 J
Energy intensity (optional) – the relevant metric may be selected by the entity	-	-

- Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? No

Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India?



We do not have any sites or facilities that have been identified as Designated Consumers (DCs).

Provide details of the disclosures related to water consumption, withdrawal, and water intensity.



Currently, we do not have a system in place to track our water consumption, withdrawal, and water intensity performance.

Has the entity implemented a mechanism for Zero Liquid Discharge?



Due to the nature of our operations, zero liquid discharge is not applicable to us.

Please provide details of air emissions (other than GHG emissions) by the entity.



As the Company operates in the banking sector, air emissions are not as material to our business, we still aim to minimise their impact through various measures.

Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity.



Parameter	Unit	FY23	FY22
Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	120	101
Total Scope 2 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	5,072	4,957
Total Scope 1 and Scope 2 emissions per rupee of turnover	Units	1.62E-07 MT	1.96E-07 MT

- Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? No

Does the entity have any project related to reducing Green House Gas emission?



We are implementing various Loan Origination Systems aimed at reducing TAT for customers and eradicating the use of paper. Various other digital initiatives like the usage of tablets, PC, video banking, video KYC etc. will reduce the need for customers to physically travel to branches and execute transactions/services remotely.

Waste management

Paper conservation

We have implemented tab-based loan processing for microfinance lending and encourage customers to open Savings Accounts, Current Accounts and Term Deposits through digital platforms. We have also introduced eco-friendly paper pads, pens, and pencils in our boardroom. In addition, we limit the use of printers and copiers to reduce paper usage.

Digital footprint

We launched the 'Pragati Card', a QR code-based payment inquiry solution for our microfinance customers, which has replaced the traditional process of sticker collection and acts as a digital passbook. We also advise our account holders to adopt paper-free banking practices like e-mail statements, internet banking, mobile banking, e-wallets, and electronic toll collection. Loan Origination System Hetra, issuance of a virtual debit card for half-KYC customers, and green pin for debit card.

Provide details related to waste management by the entity.



Parameter	FY23	FY22
Total Waste generated (in metric tonnes)	-	-
Plastic waste (A)	-	-
E-waste (B)	6.1	8.3
Bio-medical waste (C)	-	-
Construction and demolition waste (D)	-	-
Battery waste (E)	-	-
Radioactive waste (F)	-	-
Other Hazardous waste. Please specify, if any. (G)	-	-
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector)	-	-
Total (A+B+C+D+E+F+G+H)	6.1	8.3
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled	E Waste	E waste
(ii) Re-used	6.1	8.3
(iii) Other recovery operations	-	-
Total	6.1	8.3
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration	-	-
(ii) Landfilling	-	-
(iii) Other disposal operations	-	-
Total	-	-

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency. No

Briefly describe the waste management practices adopted in your establishments.



As a Bank, our products and services are largely intangible and do not involve the use of many processed inputs. We dispose of our waste, such as paper and dustbin bags, through the state's municipal authorities. We also dispose of e-waste through authorised vendors. To reduce our environmental impact, we have implemented measures to reduce our use of plastics in our offices and branches, opting for more sustainable alternatives.

If the entity has operations/offices in/around ecologically sensitive areas where environmental approvals / clearances are required, please specify details.



We do not have any offices or operations located in or near ecologically sensitive areas.

Section C : Principle-wise Performance Disclosure

Principle 7

Businesses when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

Fostering meaningful relationships

We have established affiliations with various trade and industry chambers/associations. These include the Indian Banks' Association, the National Payments Corporation of India, the Confederation of Indian Industry, and the Tamil Nadu Chamber of Commerce and Industry. Through our participation in these associations, we stay abreast of the latest industry trends and developments while strengthening our relationships with other players in the ecosystem.

Approach

Our approach is to actively engage in associations and advocacy organisations, strategically influencing their mission and objectives to align with our activities.

Material issues impacted

Corporate governance

Regulatory compliance

Financial inclusion

Economic growth

SDG(s) impacted



Essential Leadership

Affiliations with trade and industry chamber/associations

We are committed to leveraging our affiliations with industry associations and forums to enhance our knowledge and expertise and drive growth across our business segments. We have been promoting various social and welfare initiatives such as responsible lending, and financial literacy, thereby creating a more transparent financial system, facilitating ease of credit access to the underbanked/unbanked, and providing operational ease of loans to people excluded from the economic mainstream.

Number of affiliations with trade and industry chamber/associations



Eight

List the top 10 trade and industry chambers/associations (determined based on the total members of such body) the entity is a member of/affiliated to.



Some of the key trade and industry association where we are represented are:

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1	Indian Banks' Association (IBA)	National
2	Fixed Income Money Market and Derivatives Association (FIMMDA)	National
3	SaDhan – The Association of Community Development Finance Institutions	National
4	Association of Mutual Funds in India (AMFI)	National
5	Confederation of Indian Industry (CII)	National
6	The Indus Entrepreneurs (TIE)	National
7	M-FIN	National
8	Association of Small Finance Banks of India (ASFBI)	National

Anti-competitive conduct

Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities.



None



Section C : Principle-wise Performance Disclosure

Principle 8

Businesses should promote inclusive growth and equitable development.

Creating social value, inspiring change

We had pledged to allocate 5% of our net profit to social initiatives when we started our journey. Our founders' vision was to provide comprehensive empowerment to women from disadvantaged backgrounds by improving their and their household's quality of life, as well as increasing access to better healthcare and education for their children. We have remained true to this vision.

Four Quarter average as of Mar'23 had an PSL achievement of 82.05% of total ANBC.

Approach

Empowering through financial inclusion

Material issues impacted

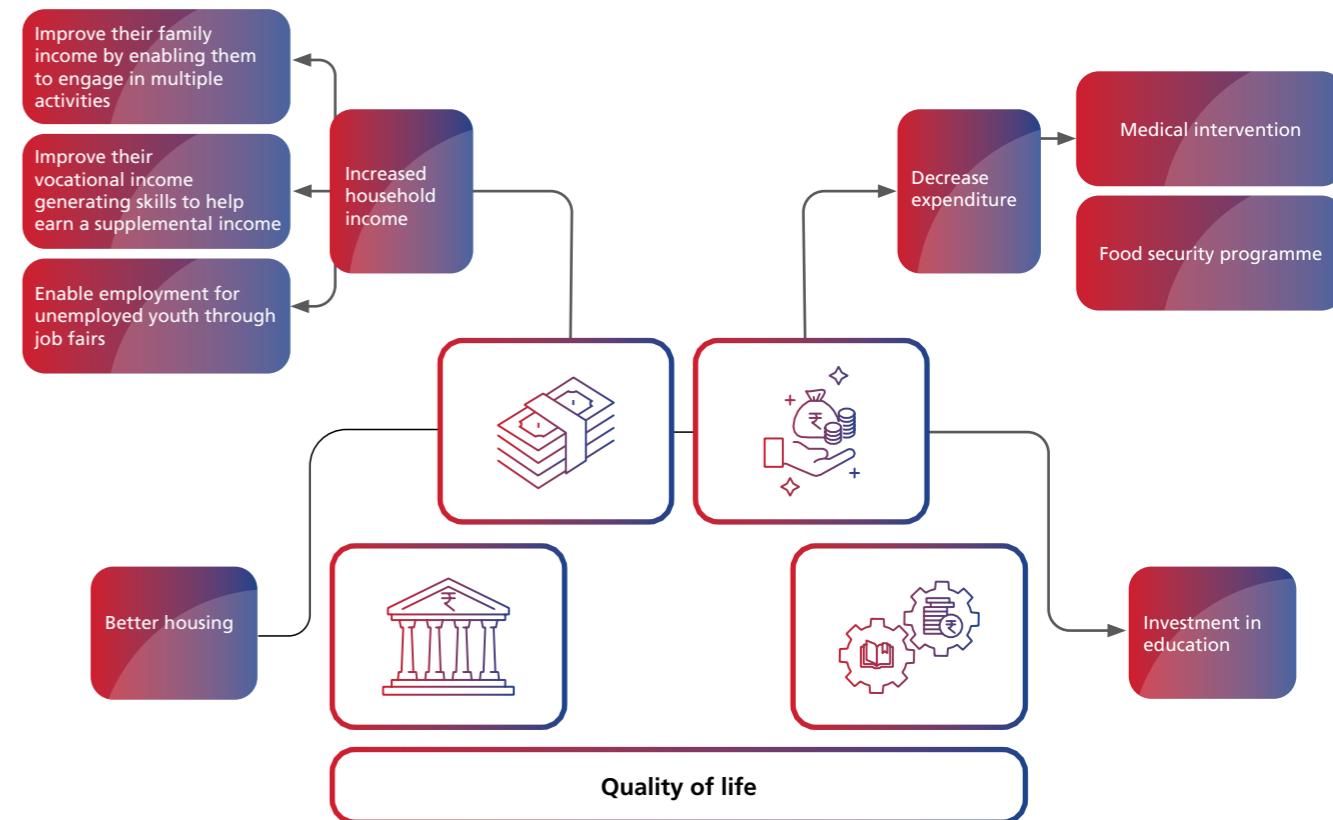
Community development

SDG(s) impacted



Social framework

The Founding team at Equitas SFB recognised that while improving income was essential for empowerment, it could be derailed by unexpected medical expenses. To prevent such setbacks, we concentrated on implementing preventive health programmes, as well as education and employment-related interventions. We believe that these initiatives will make a significant contribution to addressing the inherent vulnerabilities of these societies, thereby fostering greater resilience and stability.



Section C : Principle-wise Performance Disclosure

Principle 8

Social audit network

All of our social initiatives are rolled out across India through **Equitas Development Initiative Trust (EDIT)** and the Equitas Healthcare Foundation (EHF). Additionally, our EHF cancer hospital project is under construction.

Our objective with this assessment is to identify and measure the improvement in the lives of beneficiaries and other stakeholders impacted by each of our projects. Upon completion of the study, we have engaged SAN India to deliver a Social Impact Assessment report on the educational and community interventions of EDIT.

Objectives of social impact assessment (SIA)

- To collate both quantitative and qualitative data on the educational and community projects implemented by EDIT during the period 2019-22
- To record changes in beneficiary behaviour resulting from Equitas SFB interventions
- To document human interest stories of beneficiaries
- To report on the present status of beneficiaries and their requirements for further support

Details of social impact assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.



Name and brief details of project	SIA notification no.	Date of notification	Whether conducted by independent external agency	Results communicated in public domain	Relevant web-link
Social Impact Assessment (SIA) of EDIT for the period 2019-22	ORDER NUMBER: ESFB/FINANCE/22-23/01	20.03.2023	Yes	Yes	<<weblink>>

Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:



Name of project for which R&R is ongoing	State	District	No. of Project Affected Families	% of PAFs covered by R&R	Amounts paid to PAFs in the FY (₹)
Equitas Birds Nest-Rehabilitation of homeless Pavement	Tamil Nadu	Chennai	1,047	31.96	50,39,000

Community grievances

Describe the mechanisms to receive and redress grievances of the community.



We have shared a toll-free number (18001032977) with all Self-Help Group Women to enable them to express their grievances. Our Customer Care and CSR team members ensure that all grievances are redressed promptly.

Percentage of input material (inputs to total inputs by value) sourced from suppliers:

	FY23	FY22
Directly sourced from MSMEs/small producers	100%	80%
Sourced directly from within the district and neighbouring districts	100%	100%

Corporate social responsibility

Our focus is on promoting inclusive growth and equitable development, as the very name 'Equitas' signifies justice, fairness, and equity. The differentiated licensing of Small Finance Banks has been a step towards achieving financial inclusion and promoting equitable development.

Support to disabled women and transgenders

We have always made a conscious effort to include disabled women among our microfinance borrowers. They are identified and included in joint liability groups by our sales officers and provided microfinance loans to drive their entrepreneurial spirit.

Encouraged by the success of this model, we have started including transgender persons in our joint liability groups for women.

34,715

Disabled Women Beneficiaries

81

Transgender beneficiaries

Equitas Development Initiatives Trust (EDIT)

Through our Equitas Development Initiatives Trust, EDIT, we are dedicated to inclusive growth and equitable development. Our CSR efforts encompass multiple activities such as providing sustainable livelihood to pavement dwellers, empowering women through skill training programs, organising health camps in collaboration with hospitals, offering high-quality and affordable education to economically disadvantaged children, conducting job fairs to integrate unemployed youth into the formal economy, and more.



Section C : Principle-wise Performance Disclosure

Principle 8

Our focus areas

Health	Education and up-skilling	Employment and skill training	Rehabilitation
 Activities	 Activities	 Activities	 Activities
<ul style="list-style-type: none"> » Have tie up with 900+ hospitals for organising health screening camps as well as for providing secondary care across India » To support the farming community we also organise veterinary camps especially in rural areas. 	<ul style="list-style-type: none"> » 8 schools (seven owned and one belonging to the VSKD Trust), with a student strength of 6,719 for FY23 	<ul style="list-style-type: none"> » Trained women entrepreneurs and Transpersons are helped to sell their products through Temporary markets » Placement coordination for unemployed youth of low-income communities and disabled youth by networking with employers through job fairs 	<ul style="list-style-type: none"> » Pavement dwellers' rehabilitation programme (Equitas Birds Nest) for ending homelessness and making an impact

Outcome

The outcomes of CSR activities carried out through EDIT have been aligned with UN SDGs:



Details of beneficiaries of CSR projects

S. No. CSR project	No. of persons benefitted from CSR projects	% of beneficiaries from vulnerable and marginalised groups
1 Eye camp participants	1,53,600	100
2 Spectacles distributed (free of cost)	2,015	100
3 People covered in other medical camps	2,40,691	100
4 People covered in vaccination camps	12,90,147	100
5 Health screening at Vehicle Finance branches	782	100
6 Veterinary camps in rural areas	4999	100
7 Participants in skill training programmes	41,051	100
8 Free cataract surgeries and other surgeries through Health Helpline	1,966	100
9 Placements for unemployed youth	30,028	100
10 Swasth Mahila Health Education	3,32,110	100
11 Equitas Birds Nest (pavement dwellers' rehabilitation programme)	1,047	100
12 Temporary markets for women entrepreneurs to market their products (55 exhibitions organised by Equitas between April 2022 and March 2023 across 10 states)	784	100



Testimonial - 1

Illuminating futures

"Equitas SFB's skill training programme transformed my life. With 15 days of training in making LED bulbs and solar panels, I now have a thriving livelihood. I'm immensely grateful to them for this life-changing opportunity that brought stability and hope. Their unwavering support has been a game-changer, and I will forever cherish their commitment to transforming lives."

Testimonial - 2

Path to a new beginning

"As someone who once lived on the pavement, securing financial support from traditional banks seemed impossible. However, Equitas SFB stepped in as a beacon of hope and completely transformed my life. They not only provided me with a safe and comfortable home but also sponsored my children's education, offering them a chance at a brighter future. Additionally, Equitas SFB extended loans to help me start a small business, which now provides a steady and sustainable income for my family. Equitas SFB has been a true catalyst for the transformation of our livelihoods, and we will be forever grateful for their life-changing impact."

Section C : Principle-wise Performance Disclosure

Principle 9

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

Enhancing customer journey

At Equitas SFB, we follow a 'customer first' approach and are committed to providing exceptional experiences to all our customers. Our well-defined Voice of Customer (VOC) framework enables us to gather feedback and insights, which we use to improve our customer journeys.

Approach

Our brand approach focuses on engaging with people on an emotional level.

Material issues impacted

Customer experience

Digital transformation

Data privacy and security

SDG(s) impacted



Consumer branding

We go beyond banking and take responsibility for being good neighbours. Our commitment to giving back to the community is reflected in our legacy. Our digital content is customised to connect with our customers, and we have launched several initiatives to build our brand and increase recognition.

Circle of Life

We produced a web series called 'Circle of Life', which shares inspiring stories of real people who have gone through transformative journeys of bravery, sacrifice, and compassion. This series represents our commitment to giving back to society and highlighting the positive impact we can have on people's lives.

From surviving to thriving – the inspiring journey of Poonam

We introduced the inspiring story of Poonam Karan, a woman from Bhopal, Madhya Pradesh, who had to move to Rajasthan due to her husband's irresponsible behaviour. Despite facing financial difficulties, Poonam gathered the courage to leave her house and started wandering in search of work. She landed a job at a boutique, where she learned about stitching buttons and gained valuable experience in the next two years. The film showcases Poonam's journey of starting her own business by designing and creating her collection.

Kismat weaves her own destiny

Kismat, a woman from a small village in Rajasthan, refused to let her destiny dictate her life after the sudden loss of her husband. Despite the societal constraints on women, she had the courage to step out of her house and earn a living in Jodhpur. With determination and perseverance, she learned the art of stitching and weaved her destiny to fulfil her dreams. Her inspiring story is a testament to the power of resilience and hard work.



Section C : Principle-wise Performance Disclosure

Principle 9

Illuminating the future

Radha was a young child living in the slums, but her strict mother and alcoholic father refused to support her education. One day, Deepak, an employee of Equitas SFB, noticed her studying diligently in front of an ATM light. Deepak spent sleepless nights thinking about how to help Radha and initially tried to persuade her parents, but they refused to budge. Eventually, the Bank's legal department intervened by invoking the Right to Education Act. Along with Equitas' legal team, the principal of Radha's boarding school filed a lawsuit challenging the traditional education system in the country.

Today, Radha is the class topper in her school.

Partnership with Cricket franchisees

Our Company embarked on a new chapter in our brand's growth journey through partnerships with two of India's top cricket franchisees, Gujarat Titans and Royal Challengers Bangalore. Throughout the years, we have effectively utilised India's biggest cricketing league to enhance our brand recognition.

Through this strategic partnership, we aim to acquire customers and establish a strong and trustworthy image for our Bank. With comprehensive omnichannel strategies and our extensive branch network, we are confident in maximising our brand exposure and becoming the preferred banking partner for individuals and businesses in these markets.



Empowering Women

We have sustained our collaboration with Smriti Mandhana as our brand ambassador. Being an organisation that empowers women through our diverse banking and non-banking initiatives, this partnership aligns with our fundamental principles. By selecting the appropriate representative who can motivate women to pursue their aspirations, we aim to make a meaningful difference in the lives of our customers.



Customer experience

We revamped our ATMs and introduced Lounge facilities at select branches to enhance customer experience and convenience. We also partnered with the Times of India for the Thyagraja Awards and organised Happy Streets to celebrate the spirit of Chennai and engage with people through impactful on-ground activities in different regions.

We are committed to creating brand awareness in the localities of our branches by implementing consistent brand building with specific mediums for longer durations to increase brand visibility and create a sales funnel at select metro locations such as Chennai, Coimbatore, Hyderabad, Delhi and Chandigarh. Moreover, our social initiatives in various communities have helped us build strong equity for the 'Equitas' brand.

Equitas SFB takes pride in operating 302 unbanked rural centres across Tamil Nadu and Maharashtra, where we cater to the deep rural population through our core banking-connected Micro ATM devices. As a Business correspondent, we facilitate customers in underserved areas to withdraw and deposit money into their accounts, extending this service to customers of other banks. In FY23, our dedicated business correspondents conducted over ₹2.15 lakh transactions. These Agents are also well-trained to guide the local population on availing our bank's products, such as Gold Loan and Micro Loans against property. Additionally, we conduct periodic training sessions for all our Business Correspondents, offering them classroom learning and printed materials on safe banking practices, ethical banking, and customer service.

Digital Marketing Efforts

As a 'Digital First' Bank, we emphasise a lot on digital marketing to reach out to new customers as well as to better engage with our existing ones. We have added more communication channels, such as push notifications and WhatsApp. We have also implemented multi-channel marketing automation for customer onboarding and cross-selling. Marketing automation enables us to identify the best-suited products for everyone based on their lifecycle, behaviour, and relationship with the Bank.

Selfe Savings

Through our 'Selfe Savings' initiative, we have broken barriers and set new records in customer acquisition speed, enabling us to acquire over a million customers within a short span.



Section C : Principle-wise Performance Disclosure

Principle 9

FY23 Branding and Marketing Awards



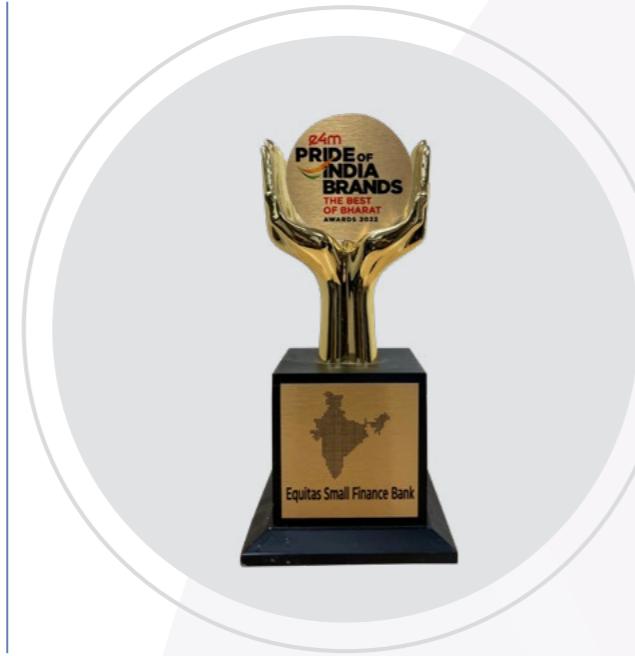
Metaverse won Campaign of the Year in The Great Indian BFSI Awards in the Innovative Use of Technology category.



Our films received recognition from IMA India, particularly the Beyond Banking film which won in the Branded Content category.



For The Love of Emails Awards – Best Email Campaign Award (For Beyond Banking - Brand Campaign)



The Best of Bharat Awards – Pride of India Brands

Consumer happiness

We have a mechanism for conducting customer satisfaction surveys using a fully automated digital platform to monitor customer satisfaction trends.

We conduct two types of surveys:

NPS Survey

NPS Survey is conducted to assess the loyalty of our customers on a bi-annual basis. The NPS survey was conducted on customers who have been assigned a Relationship Manager.

78

NPS score - liability

Customer satisfaction (C-sat) survey

We also conduct C-sat survey to assess satisfaction levels after every transaction across all bank touchpoints. We monitor C-sat across Mobile/Internet banking, ATM, Account opening, Branch Servicing, Contact Centre Servicing and Service Request Management. 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.

4.1

C-sat score

Voice of Customer (VOC) framework

We have implemented a Voice of Customer (VOC) framework to capture customer feedback and insights. This framework enables our team to drive innovation and continuously enhance customer journeys.

Our all branches conduct a monthly customer service meeting at the branch in addition to periodic meetings conducted by the staff at the customer location. Quarterly Online meetings and video conferences with senior management and board members.

Describe the mechanisms in place to receive and respond to consumer complaints and feedback.



Our goal is to provide our customers with a seamless and hassle-free banking experience. We have thus put in place a comprehensive grievance redressal policy in place to address and resolve customer complaints. These complaints can be received through various channels, such as the branch, call centre, website, or internet/mobile banking. We have a dedicated centralised grievance management team that handles all the complaints received within the specified timeframe mentioned in our customer grievance redressal policy.

We also provide an escalation mechanism to customers in case their complaint is not resolved within the specified timeframe, or if they are not satisfied with the resolution provided. We ensure that contact details of officials responsible for the redressal of complaints are readily available to customers on our website and are also displayed on notice boards at our branches.

In the event of the Bank rejecting a complaint partially or fully, we have an internal ombudsman who reviews such cases and provides their opinion on the complaint, which is then communicated to the customer.

Turnover of products and/services as a percentage of turnover from all products/service that carry information about:



Not applicable

Section C : Principle-wise Performance Disclosure

Principle 9

Number of complaints in respect of the following

Data Privacy and cyber security policy

Does the entity have a framework/policy on cyber security and risks related to data privacy?



Yes, we have a comprehensive data privacy policy in place to address cyber security and mitigate risks related to data privacy. This policy applies to all our employees and extends to third parties, including customers, business partners, and individuals using our services or products. It also covers any entities involved in the collection, storage, and processing of personal information on behalf of our organisation. Our policy governs the handling of personal information and sensitive data obtained directly from customers or through our online platforms, mobile apps, and electronic interactions. You can access our policy at [click here](#)

Complaints Received and Pending



	FY23		Remarks	FY22		Remarks
	Received	Pending		Received	Pending	
Data privacy	0	0	-	0	0	-
Advertising	0	0	-	0	0	-
Cyber-security	0	0	-	0	0	-
Delivery of essential services	2,786	64	Majority of the complain are within the TAT prescribed by RBI and Equitas SFB	2,482	58	Complaints pending resolution as on March 31, 2022, have subsequently been resolved within the stipulated timelines
Restrictive trade practices	0	0	-	0	0	-
Unfair trade practices	0	0	-	0	0	-
Other	231	7	Majority of the complain are within the TAT prescribed by RBI and Equitas SFB	18	2	Complaints pending resolution as on March 31, 2022, have subsequently been resolved within the stipulated timelines
Total number of frauds reported (non-IT)				125		
Retail Cyber & Electronic Banking Frauds reported by CPC				659		
Total				784		



Details of instances of product recalls on account of safety issues

	Number	Reasons for recall
Voluntary recalls	0	-
Forced recalls	0	-

Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty/action taken by regulatory authorities on safety of products/services.



None



BRSR Index

S. No.	Indicators	Page No.
Section A: General Disclosures		
Essential Indicators		
I	Details of the listed entity	22
II	Products/services	23
III	Operations	26
IV	Market served by entity	26
V	Employees	27
VI	Holding, Subsidiary and Associate Companies (including joint ventures)	27
VII	CSR Details	28
VIII	Transparency and Disclosures Compliances	29
Section B: Management and Process Disclosures		
Essential Indicators		
1	Policy and management processes	37
2	Governance, leadership, and oversight	37
Section C: Principle-wise Performance Disclosures		
PRINCIPLE 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.		
Essential Indicators		
1	Percentage coverage by training and awareness programmes on any of the Principles during the financial year.	37
2	Details of fines / penalties / punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year. (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website).	41
3	Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.	42
4	Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.	42
5	Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption.	42
6	Details of complaints with regard to conflict of interest.	43
7	Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.	43
Leadership Indicators		
1	Awareness programmes conducted for value chain partners on any of the Principles during the financial year	N/A
2	Does the entity have processes in place to avoid/ manage conflict of interests involving members of the Board? (Yes/No) If Yes, provide details of the same.	43
PRINCIPLE 2 Businesses should provide goods and services in a manner that is sustainable and safe		
Essential Indicators		
1	Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.	45
2	a. Does the entity have procedures in place for sustainable sourcing? (Yes/No) b. If yes, what percentage of inputs were sourced sustainably?	45
3	Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.	45

S. No.	Indicators	Page No.
4	Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.	45
Leadership Indicators		
1	Has the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format.	N/A
2	If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective / Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.	N/A
3	Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).	N/A
4	Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and safely disposed, as per the following format.	N/A
5	Reclaimed products and their packaging materials (as percentage of products sold) for each product category.	N/A
PRINCIPLE 3 Businesses should respect and promote the well-being of all employees, including those in their value chains		
Essential Indicators		
1	Details of measures for the well-being of (a) employees and (b) workers	47
2	Details of retirement benefits, for Current Financial Year and Previous Financial Year.	48
3	Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.	49
4	Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.	49
5	Return to work and Retention rates of permanent employees and workers that took parental leave.	49
6	Is there a mechanism available to receive and redress grievances for the following categories of employees and worker? If yes, give details of the mechanism in brief	50
7	Membership of employees and worker in association(s) or Unions recognised by the listed entity.	50
8	Details of training given to employees and workers	51
9	Details of performance and career development reviews of employees and worker.	52
10	Health and safety management system: a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage such system? b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity? c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N) d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services?	52
11	Details of safety related incidents, in the following format.	53
12	Describe the measures taken by the entity to ensure a safe and healthy workplace.	53
13	Number of Complaints on the following made by employees and workers	53
14	Assessments for the year	53
15	Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.	53

BRSR Index

S. No.	Indicators	Page No.
Leadership Indicators		
1	Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers.	N/A
2	Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.	N/A
3	Provide the number of employees / workers having suffered high consequence workrelated injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment.	N/A
4	Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment?	N/A
5	Details on assessment of value chain partners.	N/A
6	Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.	N/A
PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders		
Essential Indicators		
1	Describe the processes for identifying key stakeholder groups of the entity.	56
2	List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group	57
Leadership Indicators		
1	Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.	N/A
2	Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.	N/A
3	Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalized stakeholder groups.	N/A
PRINCIPLE 5 Businesses should respect and promote human rights		
Essential Indicators		
1	Employees and workers who have been provided training on human rights issues and policy(ies) of the entity.	60
2	Details of minimum wages paid to employees and workers.	60
3	Details of remuneration/salary/wages.	60
4	Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business?	61
5	Describe the internal mechanisms in place to redress grievances related to human rights issues.	62
6	Number of Complaints on the following made by employees and workers	63
7	Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.	63
8	Do human rights requirements form part of your business agreements and contracts? (Yes/No)	63
9	Assessments for the year	63
10	Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above	63

S. No.	Indicators	Page No.
Leadership Indicators		
1	Details of a business process being modified / introduced as a result of addressing human rights grievances/ complaints.	N/A
2	Details of the scope and coverage of any Human rights due-diligence conducted.	N/A
3	Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?	N/A
4	Details on assessment of value chain partners.	N/A
5	Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.	N/A
PRINCIPLE 6 Businesses should respect and make efforts to protect and restore the environment		
Essential Indicators		
1	Details of total energy consumption (in Joules or multiples) and energy intensity.	66
2	Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.	66
3	Provide details of the following disclosures related to water.	66
4	Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.	66
5	Please provide details of air emissions (other than GHG emissions) by the entity.	66
6	Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity.	66
7	Does the entity have any project related to reducing Green House Gas emission? If Yes, then provide details.	66
8	Provide details related to waste management by the entity.	67
9	Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your Company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.	67
10	If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details.	67
11	Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:	67
12	Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances.	67
Leadership Indicators		
1	Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format.	N/A
2	Provide the following details related to water discharged.	N/A
3	Water withdrawal, consumption and discharge in areas of water stress (in kilolitres): For each facility / plant located in areas of water stress, provide the following information: (i) Name of the area (ii) Nature of operations (iii) Water withdrawal, consumption and discharge in the following format.	N/A
4	Please provide details of total Scope 3 emissions & its intensity, in the following format.	N/A

BRSR Index

S. No.	Indicators	Page No.
5	With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.	N/A
6	If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format.	N/A
7	Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.	N/A
8	Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard.	N/A
9	Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.	N/A

PRINCIPLE 7 Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

Essential Indicators

1	a. Number of affiliations with trade and industry chambers/ associations. b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to	69
2	Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities	69

Leadership Indicators

1	Details of public policy positions advocated by the entity.	N/A
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PRINCIPLE 8 Businesses should promote inclusive growth and equitable development

Essential Indicators

1	Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.	72
2	Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity.	72
3	Describe the mechanisms to receive and redress grievances of the community.	72
4	Percentage of input material (inputs to total inputs by value) sourced from suppliers.	72

Leadership Indicators

1	Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above).	N/A
2	Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies.	N/A
3	(a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalized /vulnerable groups? (Yes/No) (b) From which marginalized /vulnerable groups do you procure? (c) What percentage of total procurement (by value) does it constitute?	N/A
4	Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge.	N/A
5	Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.	N/A
6	Details of beneficiaries of CSR Projects.	74

S. No.	Indicators	Page No.
PRINCIPLE 9 Businesses should engage with and provide value to their consumers in a responsible manner		
Essential Indicators		
1	Describe the mechanisms in place to receive and respond to consumer complaints and feedback.	81
2	Turnover of products and/ services as a percentage of turnover from all products/service that carry information about.	81
3	Number of consumer complaints.	82
4	Details of instances of product recalls on account of safety issues	83
5	Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.	82
6	Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.	83
Leadership Indicators		
1	Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).	N/A
2	Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.	N/A
3	Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.	N/A
4	Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity	N/A
5	Provide the following information relating to data breaches: a. Number of instances of data breaches along-with impact b. Percentage of data breaches involving personally identifiable information of customers.	N/A

Management Discussion & Analysis



Global Economic Review

The global economy was on a robust recovery path at the start of CY22 until it was disrupted by the outbreak of the Russia-Ukraine conflict in February 2022. More than a year into the conflict, there are no signs of de-escalation, and geopolitics, along with the economy, continued to be volatile. Policymakers in major economies were caught between a rock and a hard place with the nascent economic recovery slowing and inflation staying at historically high levels.

Inflationary pressures had built up in the system, fuelled by the massive fiscal and monetary stimulus injected by advanced economies to contain the pandemic-induced contraction in their GDP. As central Banks prepared to wind down excess liquidity, the Russia-Ukraine conflict, coupled with China's stringent 'Zero-Covid' policy, disrupted the post-pandemic normalisation of global supply chains, pushing up critical commodity prices such as crude oil, natural gas, and wheat.

(Source: *World Economic Outlook April 2023)

Further, major central Banks undertook a series of aggressive and synchronised policy rate hikes led by the US Federal Reserve which raised interest rates by 425 basis points cumulatively since March 2022. In December 2022, strong employment data and easing headline inflation pointed to a lower-than-earlier expected impact. Further, a warmer winter in Europe helped avert a near-term energy crisis while the re-opening of the Chinese economy at the end of 2022 boosted sentiments. For CY22, global economic output expanded by 3.4%.

According to the IMF*, global GDP growth is likely to slow to 2.8% in 2023, before rising to 3.0% in 2024. Inflationary pressures are expected to abate but are likely to still stay elevated, above the central Banks' comfort range as well as the pre-pandemic levels of around 3.5%. This could prompt the Central Banks in major economies to keep interest rates higher for longer, pushing up borrowing costs further and even, triggering the risk of financial contagion.



Indian Economic Review

The Indian economy showed resilience during FY23 in the face of global headwinds, driven by the sharp rebound in private consumption, higher public capital expenditure, and the structure and stability of the financial system. Private consumption as a percentage of GDP stood at a historically high level, aided adequately by a strong rebound in contact-intensive services. Manufacturing and investment activities continued to gain traction, aided by policy measures such as PM Gati Shakti and Production Linked Incentive (PLI) schemes to boost manufacturing output. Further, a well-capitalised Banking sector was in a favourable position to drive credit growth.

India also faced the challenge of reining in high inflation, which largely remained above the upper band of the Reserve Bank of India's (RBI) target range, except in November 2022. India's Central Bank resorted to cumulative policy rate hikes totalling 250 basis points since March 2022 before hitting the pause button from

April 2023 and keeping it unchanged till June 23. The RBI has reiterated its commitment to bring inflation down to 4% from the current level of above 6%. Despite a higher interest rate environment, credit growth touched an 11-year high of 15% y-o-y in FY23¹. Credit offtake increased by ₹17.8 lakh crore to ₹136.8 lakh crore in the year ending March 31, 2023, from the year-earlier period, driven by strong demand for personal loans, housing loans and auto loans. Further, higher credit demand from NBFCs and increased working capital requirements boosted credit growth. The high volatility in bond markets and increased cost for external commercial borrowings re-directed credit demand towards Banks.

Further, improved asset quality and strong capital and liquidity buffers of Scheduled Commercial Banks (SCBs) are playing a key role in addressing the buoyant credit demand and a resumption of the investment cycle. According to the RBI's Financial Stability Report, the GNPA of SCBs fell to a seven-year low of 5.0% and NNPAAs dropped to a ten-year low of 1.3% in September 2022.

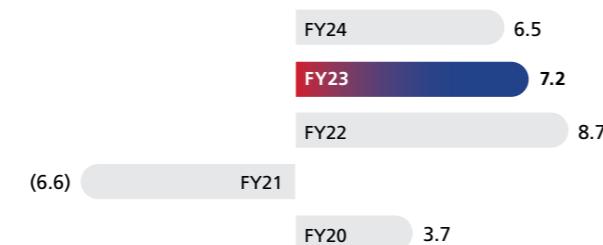
Source: ¹Care Edge Report

Management Discussion & Analysis (Contd.)

Meanwhile, deposit growth lagged credit growth for the first time since the pandemic outbreak which could be attributed to expectations of higher deposit rates, as the full rate hike transmission is yet to be completed. For FY24, credit growth is expected to be in line with GDP growth.

Although most multilateral agencies like the IMF have lowered their GDP growth expectations for India in FY24 due to multiple headwinds, the projected numbers remain in the range of 5.9-6.5%, indicating that India will remain the fastest-growing major economy. Further, buoyant tax revenues point to an upbeat investment sentiment. In addition, the progress made on digitalisation and a robust regulatory system will enable the country to maintain its growth momentum.

India's GDP growth trend (%)



Source: CSO, RBI

Further, there are ~7 crore MSMEs in India, contributing ~30% to the country's GDP and ~48% to total exports. According to data available with the MSME ministry, as on March 7, 2023, there were 1.6 crore MSMEs registered on the Udyam portal. Credit growth to the MSME sector has been at over 30.6%, on average during January-November 2022, supported by the extended Emergency Credit Linked Guarantee Scheme (ECLGS). A recent CIBIL report (ECLGS Insights, August 2022) showed that 83% of the borrowers under ECLGS were micro-enterprises. In FY21, the central government announced the Scheme to insulate MSMEs from pandemic-induced distress.

(Source: IFC)

Addressable credit gap MSME

₹25.8 Trillion

Credit gap in MSME space

₹16.8 Trillion

Credit gap in small enterprises

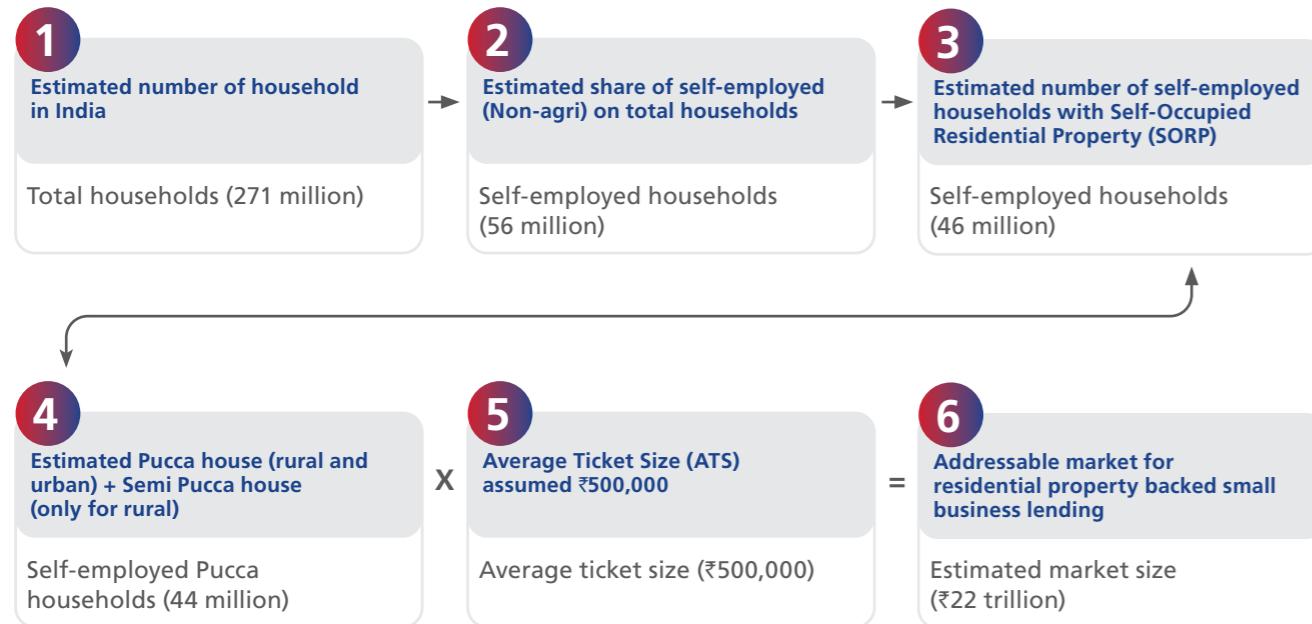
₹8.0 Trillion

Credit gap in micro enterprises



Small Finance Bank (SFB) Industry Overview

With years of experience in servicing underserved and unserved populations (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 – Small Business Loans (SBL), MSME finance, Vehicle Finance, Microfinance and Affordable Housing Loans.



Source: National Sample Survey (NSS) 73rd round (July 2015-June 2016) and NSS 76th round (July 2018 - December 2018), CRISIL Research



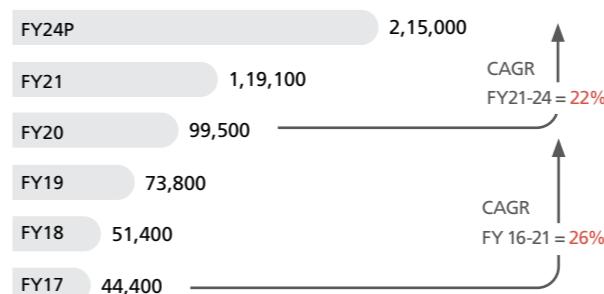
Industry Growth Drivers

SFBs with a digital-first approach, deep distribution, strong vintage in secured small-ticket loans, and

SFB Advances and Deposit growth trend

SFB Advances Trend

(₹ in Crore)

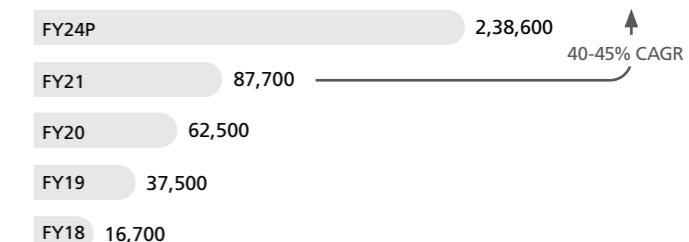


Source – Report on Trend and Progress of Banking in India 2020-21, Crisil Research

institutional knowledge of credit assessment built over cycles, are well positioned to capitalise on the vast opportunity landscape, as India further consolidates its financial inclusion drive.

SFB Deposit Trend

(₹ in Crore)



Management Discussion & Analysis (Contd.)



Performance of Key Segments

MSE Loans

MSME lending makes ~23% (₹ 27 lakh crore) of the total commercial lending exposure in India as on January 30, 2023.

Type	Amount (₹ in Lakh Crore)
V Micro (<₹10 lakh)	1.2
Micro	5.1
Small	10.7
Medium	9.8
Large	87.4
Total	114.2

Source: TransUnion CIBIL Commercial Lending Overview

Commercial Vehicle (CV)

The industry witnessed strong demand recovery and higher freight rates from the second half of FY22 and continued to remain robust into FY23. Overall domestic CV sales volume is estimated to have grown by 31-33% in FY23, in line with the economic recovery, improving transporter profitability, healthy construction activity and materialisation of deferred replacement demand. Sales of Medium and Heavy (HCV), Light Commercial Vehicles (LCV) and buses—the three major CV segments—are expected to record a combined CAGR of 13-15% between FY22 and FY27. LCV sales volume in FY23 is expected to have grown ~26-28%, over a base of ~15% in FY22, with volumes topping pre-pandemic peak (FY19). LCV demand is likely to expand at a 10-12% CAGR between FY22 and FY27, due to higher private consumption, lower penetration, greater availability of redistribution freight and improved Bank finance. MHCV sales volume is likely to rise by a 12-14% CAGR, over a low base, between FY22 and FY27, compared to ~2% CAGR during FY17-FY22, driven by improving industrial activity, steady agricultural output, and the government's focus on infrastructure. This growth would be partially offset by the efficiencies achieved from GST implementation, better road infrastructure and the commissioning of the Dedicated Freight Corridor (DFC).

Microfinance (MF)

The MF industry loan portfolio stands at ₹3.01 lakh crore, as on September 30, 2022. An additional portfolio of ₹1.99 lakh crore was under the Self-Help Group (SHG) Bank linkage programme. Banks accounted for the largest share with 37.7%, followed by NBFC-MFIs at 36.7% and SFBs at 16.6%. The balance was held by NBFCs and other MFIs. Tamil Nadu, Bihar, West Bengal, Karnataka and Uttar Pradesh were the top five states in terms of portfolio outstanding. Tamil Nadu was the leading state with a portfolio outstanding of ~₹40,000 crore. Over FY23, SFBs together grew their MF portfolio by 20%, in line with the industry growth of 22%.

Affordable Housing Finance

The overall on-book housing loan portfolio of NBFCs/HFCs and Banks reached ₹26 lakh crore as on March 31, 2022, up 14% y-o-y, as per ICRA estimates, bouncing back from an 11% drop in FY21, due to the favourable market environment post the pandemic-induced disruptions. The trend continued in Q1 and Q2 FY23, with the segment reporting 15% and 19% growth, respectively. The market share of HFCs in total housing credit stood at 32% as on September 30, 2022.

NBFC Financing

Compared to FY22, Bank borrowings by both NBFCs and HFCs increased by 3% points in FY23. Emerging out of the pandemic, collection efficiency crossed 98% close to pre-pandemic levels, according to an ICRA report. The collection efficiency of NBFCs and HFCs stood at 97%-105% in 9M FY23, as per an analysis done on ICRA-rated retail pools securitised by NBFCs and HFCs. This was supported by improved economic activity, a favourable operating environment and a return to normalcy after two years of interrupted operations. Collection efficiency is expected to remain robust going forward. Many NBFCs have adopted strong credit risk assessment frameworks to ensure the quality of credit creation. Various policies in the aftermath of the pandemic ensured liquidity support, relief to borrowers through moratoriums etc., which eased financial conditions and provided NBFCs adequate time and resources to weather the shock and leverage on their grass-root level reach to channelise credit to productive sectors and revive growth.



About Equitas Small Finance Bank

Equitas Small Finance Bank (Equitas SFB) is one of the largest SFBs in India. As a new-age Bank is one of the fastest growing economies, the 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, Small & Medium Enterprises (SMEs) and Corporates.

Aligned with its core values, Equitas SFB'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 also offers non-credit solutions comprising ATM-cum-debit cards, life and non-life Insurance products and mutual funds from reputed insurers and asset management companies, respectively, becoming a one-stop solution for the diverse needs of its customers.

As a stable, sustainable and scalable Bank, Equitas is well positioned to capitalise on the exponential industry growth potential and also contribute to the national and global development goals.

Opportunities and Threats

Given the segments the Bank operates in, there exists a huge credit gap, which offers immense opportunities for the Bank to capitalise on and record sustained growth over the long term. Further, the increased formalisation

of the Indian economy presents significant potential for the Bank to expand its base. However, a cyclical industry downturn or any natural calamity poses immense risk to the Bank, as the customer segments the Banks serve are often the ones to take the hit first. In addition, intensifying competition could impede the Bank's future growth.

Financial Performance

The Bank's performance in FY23 was robust. Net interest income increased 25% YoY to ₹2,544.72 crore from ₹2,038.53 crore. Other income grew 25% YoY to ₹669.58 crore from ₹537.56 crore.

Operating expenses rose to ₹2,038.30 crore from ₹1,704.14 crore, as the Bank focussed on increasing its employee base, investing in technology and improving brand visibility on the back of improving business momentum. The cost-to-income ratio came in at 63.41% compared to 66.15% the year earlier. The provision coverage ratio improved to 56.90%. Asset quality improved significantly, with Gross Non-Performing Assets (GNPA) at 2.60%, as against 4.06% in FY22. Net NPA came in at 1.14%, as against 2.37% in the earlier period.

Profit before tax came in at ₹768.80 crore. After providing for Income Tax of ₹195.21 crore, Profit After Tax (PAT) came in at ₹573.59 crore, up 105% YoY from ₹280.73 crore in FY22. RoA was at 1.89% and RoE was at 12.55%. As on March 31, 2023, the Bank's total balance sheet size stood at ₹34,958.13 crore, up from ₹26,947.62 crore, as on March 31, 2022.

Profit & Loss summary

	(₹ in Crore)	FY23	FY22
Net interest income	2,544.72	2,038.53	
Other Income	669.58	537.56	
Net Income	3,214.30	2,576.09	
Operating expenses	2038.30	1704.14	
Operating profit	1,176.00	871.95	
Provisions	366.87	493.84	
Provision for Security Receipts (SR)	40.33	-	
Profit Before Tax (PBT)	768.80	378.11	
Taxes	195.21	97.38	
Profit After Tax (PAT)	573.59	280.73	

Management Discussion & Analysis (Contd.)

Key Ratios

	FY23	FY22	(%)
Yield on advances	16.99%	17.62%	
Cost of funds	6.38%	6.58%	
Spread	10.61%	11.04%	
Net Interest Margin (NIM)	9.00%	8.54%	
GNPA	2.60%	4.06%	
Credit cost	1.56%	2.60%	
Provision coverage	56.90%	42.73%	
NNPA	1.14%	2.37%	
ROA	1.89%	1.10%	
ROE	12.55%	7.75%	

Balance Sheet

	₹ in Crore	
	FY23	FY22
Capital and liabilities		
Capital	1,110.56	1,252.03
Reserves and surplus	4,047.39	2,994.14
Deposits	25,380.56	18,950.80
Borrowings	2,973.76	2,616.40
Other liabilities and provisions	1,445.86	1,134.25
Total	34,958.13	26,947.62
Assets		
Cash and balances with RBI	1,173.91	2,076.99
Balances with Banks and money at call and short notice	70.35	55.52
Investments	6,664.56	4,449.85
Advances	25,798.56	19,374.21
Fixed assets	379.13	200.44
Other assets	871.62	790.61
Total	34,958.13	26,947.62



Business Review

Gross Advances

Particulars (₹ in Crore)	FY23	FY22	YoY %
Small Business Loans	10,082.54	7,919.95	27%
Vehicle Finance	6,971.09	5,046.97	38%
Housing Finance	2,873.49	1,601.95	79%
Micro Finance	5,224.69	3,906.81	34%
MSE Finance	1,175.30	1,163.94	1%
NBFC	1,184.37	758.42	56%
Others*	349.02	198.87	75%
Total#	27,860.50	20,596.91	35%

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

Gross Advances including IBPC

Liabilities

Particulars (₹ in Crore)	FY23	FY22	YoY %
Demand Deposits	973.53	772.15	26%
Savings Bank Deposits	9,758.40	9,083.22	7%
Term Deposits	14,648.63	9,095.43	61%
Retail Deposits	8,882.73	7,093.02	25%
Bulk Deposits	5,765.90	2,002.41	188%
Total	25,380.56	18,950.80	34%

Management Discussion & Analysis (Contd.)



Information Technology

The Banking industry is moving towards a service-oriented architecture to empower customers through digital platforms. Open Banking is also gaining popularity. Equitas SFB has embarked on an architectural transformation journey in the areas of IT infrastructure, application and information security by investing in cutting edge tools to leverage social, mobile, analytics and cloud platforms.

Further, the increased digital footprint has resulted in 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 technology team at Equitas SFB is in the process of defining a risk approach that focuses on enabling quick delivery, near-zero vulnerabilities during deployment, advanced system behaviour-based detection, threatless end devices, frameworks for upcoming technologies and regulatory compliance.

Initiatives

Equitas SFB has developed a state-of-the-art internet Banking and Mobile Banking application with enhanced customer experience through personalised journeys, improved UI/UX designs and other feature-rich options. It has also created a mobile app for customers which enables them to directly apply and avail of loans and other facilities offered exclusively for borrowers. Further, the Bank is making loan origination across verticals paperless and analytical, thereby enabling faster decision-making and quicker disbursements.

The Bank has also upgraded the core Banking software to the latest version to enable scale-up of business and launch differentiated services in the future. It has strengthened the API layer to support microservices and monetise API to improve partner connectivity and create a robust and high-performance Banking platform of the future. It has undertaken private and public cloud initiatives to address future scale-up and has developed a state-of-the-art unified CRM.

In FY23, the Bank focussed on further strengthening its risk management framework and implemented several steps to improve the processes. The Bank conducts an in-depth analysis of key portfolio segments to identify pockets of stress within sub-segments like geography, ticket size, and customer segment, among others, on a regular basis and based on the findings, actions were taken to ensure there is no dilution in the overall asset quality of the Bank. In addition, the Bank conducts regular assessments at the loan level, including for large borrowers, to make sure that it takes necessary actions to prevent accounts from becoming NPA.

The Early Warning Signal framework supports the monitoring of Large Borrowers. The Bank has a conservative provision policy for the NPA portfolio. It has also been proactive in providing additional provisions to exposure to any stressed sector as well as to the portions of the portfolio showing signs of stress, within the standard assets of the Bank. Stress testing forms an integral part of risk monitoring. The Bank continued to carry out periodic stress testing to measure the after-effect of COVID as well as other recent economic developments, to gain insights on the impact of extreme situations on the Bank's risk profile, and capital position and has designated a Board level Committee for review and sale of stressed assets.

ALM and Market Risk Management

Market Risk is defined as the possibility of loss to a Bank caused by changes in the market variables such as interest rates, credit spreads, equity prices, etc. The Market Risk Management unit is responsible for identifying and escalating any risk, limit excesses on a timely basis. The unit is also responsible to establish a comprehensive risk management policy to identify, measure and manage liquidity and interest rate risk. The market risk team monitors the investment portfolio and the daily activities carried out by Treasury along with the set risk tolerance limits as per market risk policy such as Var, PV01, and Modified Duration. The impact of interest rate risk on trading books is actively measured using trading book risk metrics like PV01, duration etc. The Bank assesses interest rate risk in the balance sheet from both earnings and economic perspectives.

Liquidity risk is assessed from both structural and dynamic perspectives, and the Bank uses various approaches like the stock approach, cash flow approach and stress test approach to assess liquidity risk. The risk team monitors the broad liquidity profile of the Bank through the Liquidity Coverage Ratio, Net Stable Funding Ratio and Structural Liquidity Statement.

Information Security Risk

The Bank has a robust risk management framework in place to identify, assess and manage information security risks and has made significant progress in

enhancing its information security governance through monitoring at the IT & Security Committees. The Bank has an Information Security Group, which addresses information and cyber security-related risks. The function is governed by Board-approved policies on information security and cyber security. Further, the Bank has an assessment programme in place to manage the information security risks for vendors.

Equitas SFB carries out periodical awareness exercises to ensure employees are updated on information security practices. It has invested in strong technical and administrative controls to proactively prevent, detect, contain and respond to any suspicious activity. The Bank has deployed a layered security defence with cutting-edge technology to defend and protect information and assets. These include but are not limited to next-gen firewalls, intrusion prevention systems and anti-DDoS, next-gen anti-malware, proactive defence through web application firewalls, periodic vulnerability and penetration testing, security architecture review and data security assessments.

A security operation centre is in place which monitors alerts and anomalies 24x7 in the Bank's perimeter and internal network and systems. The Bank has put in place controls to ensure that security controls are on par with the defined standards. It periodically conducts phishing awareness and simulation exercises. Further, the advisories and alerts from regulators and CERT-In are acted upon to strengthen the Bank's cyber and information security. The Bank also regularly participates in cyber drills conducted by the Institute of Development and Research on Banking Technology (IDRBT).

Operational Risk Management

Operational Risk is "the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. It excludes Strategic and Reputational Risks but includes Legal Risk". Strategic and Reputational risks are second-order effects of Operational Risk. Legal risk includes, however, is not limited to, exposure to penalties, fines, punitive damages arising out of supervisory action, civil litigation damages, related legal costs and any private settlements.

The Operational Risk Management Committee (ORMC) chaired by the MD & CEO is responsible for supervising the implementation of the Operational Risk Management Framework in the Bank. The Committee guides, and oversees the functioning, implementation, and maintenance of operational risk management activities of the Bank, with a special focus on:

- **Process review:** All new processes including amendments, BRD, URD and so on are subject to a mandatory review by the Operational Risk



Risk Management

Managing risk is fundamental for ensuring the sustained profitability and stability of an organisation. Equitas SFB 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 a risk management structure that augments its risk evaluation and management capabilities while allowing it to stay nimble to adapt to the changing business and regulatory environment in an efficient and effective manner.

The Board of Directors is responsible for the governance of risks and approves the Bank's risk management policies. To ensure a focused approach, the Board has delegated the responsibility to a sub-Committee

(Risk Management Committee of the Board), which reviews the implementation of risk management policies and monitors the risk mitigation measures. The Bank has various management-level Committees like Enterprise Risk Management Committee, Asset Liability Management Committee, Credit Risk Management Committee, Operational Risk Management Committee and Information Security & Cyber Risk Committee, among others, which meet periodically to review the risks comprehensively in the respective areas. The Bank also has an independent risk management function headed by the Chief Risk Officer.

Credit Risk

Credit Risk is defined as the probability of a financial loss resulting from a borrower's failure to repay a loan. The Bank has put in place prudent risk management practices, starting from the screening of borrowers to the assessment of limits, disbursements, and monitoring of accounts, to make sure that the potential losses arising out of Credit Risk are minimised.

Management Discussion & Analysis (Contd.)

Management Department (ORMD). The Risk and Control Self-Assessment (RCSA) is conducted by the ORMD for all the processes, along with the relevant stakeholders. Process Approval Panel (PAP) takes into consideration the RCSA, with control rating and risk rating, before approving any process. The CRO is also a member of PAP.

- Monitoring Key Risk Indicators (KRI):** The Bank has identified KRI across 15 functionals to monitor risk as part of the ORM Framework. The thresholds for each of the KRIs have been finalised in consultation with the stakeholders.
- Operational Risk Loss Database Management:** Operational Risk incidents are reported by employees in incident reporting tool. These incidents are reviewed and are classified as per Basel Risk Types. The gap resulting in OR incidents are subsequently reviewed to identify the cause and take corrective action and preventive action, as applicable. The critical incidents are presented to ORMC for review and guidance to strengthen the controls.
- Outsourcing Risk Assessment:** 'Outsourcing' is defined as the Bank's use of a third party (either

an affiliated entity within the corporate group or an entity that is external to the corporate group) to perform certain activities on a continuing basis that would normally be undertaken by the Bank itself, now or in the future. Key activities undertaken during Outsourcing risk assessment includes a pre-onboarding risk assessment of the partners covering financial strength, and shareholding pattern to identify the ultimate beneficial owner and internal controls available in the firm.

Business Continuity Management: Business Continuity Management is in place to ensure continued service to customers during any unforeseen adverse events. The Bank has established a Business Continuity Management Committee at the management level to monitor its business continuity preparedness on an ongoing basis. The Committee reports to the RMC of the Board. The Bank's Business Continuity Plan has well-defined roles and responsibilities for IT activities through disaster recovery programmes and non-IT through simulation across the branches; periodic drills are conducted to test the effectiveness of recovery plans.

- d) Providing advisory support to operating departments in interpreting regulatory provisions and directions and enabling compliance with the regulations, in letter and in spirit. The Compliance function will reach out to RBI as well, where necessary, for clarity in interpreting regulations.
- e) Evaluating and approving all new products, policies and outsourcing arrangements, and periodic review and amendments to existing policies, products and outsourcing arrangements, for compliance with regulations
- f) Assessment and monitoring of compliance risk of the Bank at an overall level as well as at a granular level, in accordance with the Board-approved Compliance Risk Assessment framework and reporting the outcome to the Board.
- g) Putting in place a framework for implementation of Anti-Money Laundering (AML) regulations and guidelines, ongoing assessment and monitoring of AML risk arising out of account-level transactions, introduction of new products and channels, expansion to new geographies, customer categories etc and periodic reporting of the outcome to the Board.
- h) Performing thematic assessment of the Bank's policies, processes and systems with specific attention to certain critical areas, recommending and implementing process and system enhancements to minimise the probability of non-compliance.



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. The internal audit function in the Bank has sufficient authority, stature, independence and resources within the Bank, thereby enabling Internal Auditors to carry out their assignments with objectivity.

Internal Audit department has the responsibility to develop an annual Audit Plan using appropriate risk-based methodology, including risks or control concerns identified by Management and the Audit Committee, and submit that plan to the Audit Committee for review and approval. Implement the annual Audit Plan, as approved, including, and as appropriate, any special mandates or projects requested by Management and the Audit Committee.

Internal Audit Department undertakes Risk Based Internal Audit (RBIA), covering all the Banking outlets (Branches, BCs), Credit Audit, Revenue Audit, Information System (IS) Audit, Thematic Audits and Head Office function audits as per the approved annual audit plan. Concurrent Audit is being carried out for various areas like Treasury, KYC/AML compliance, Payroll, Operations of central processing units, other expenditure etc. based on the mandatory regulatory guidelines on concurrent audit and internal risk assessment.

Information System (IS) Audit is also part of Internal audit function. The scope of IS audit covers all information systems used by the Bank in related activities viz. system planning, organisation, acquisition/development, implementation, delivery and support to end-users. The scope also covers monitoring of implementation in terms of its process effectiveness, input/output controls and accomplishments of system goals. All IS audits are carried out periodically by a team of CISA qualified auditors and external CERT-in empanelled firms.

The internal audit team also tests the internal financial controls against the criteria established by the Bank, aligned with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

Internal Audit was carried out diligently as per the approved plan and the reports were reviewed at appropriate levels and remedial actions were taken. The Bank's Internal Audit Function works in close co-ordination with second line of defence i.e. Risk Management Department and Compliance Department.

Treasury

Treasury primarily focuses on Balance Sheet Management, liquidity management and maintenance of statutory reserve ratios such as Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Basel ratios such as Liquidity Coverage Ratio (LCR) and Net Stable Funding



Compliance

The Compliance Function, headed by the Chief Compliance Officer, has been set up as an independent function within the Bank to assist the Management in identifying the Compliance risk across the organisation and manage them by framing appropriate policies, procedures, oversight etc., It oversees the implementation of regulatory standards across the Bank with a primary focus on the design and maintenance of compliance framework, training on the regulatory and conduct risks and effective communication of compliance expectations etc.

The Compliance Function reviews policies and products rolled out by the Bank. It has put in place the required framework to monitor transactions and test the implementation of regulations. This Function proactively engages with the regulators to ensure compliance with all applicable regulations.

Its scope of activities can be broadly listed as under

- Identification and dissemination of new regulations and amendment to existing regulations to the top Management, clearly identifying actionables arising therefrom, processes responsible to implement the same and timelines for implementation.
- Tracking the implementation of regulatory actionables arising from prevailing regulatory framework, new regulations, regulatory amendments, audit observations, compliance testing observations and RBI inspection observations and reporting the status of the same to Senior Management and the Board at periodic intervals.
- Formulating risk-oriented compliance assessment plan for the year, with the approval of Audit Committee, implementing the plan, reporting the findings to Audit Committee and tracking them to completion.

Management Discussion & Analysis (Contd.)

Ratio (NSFR) mandated by RBI. 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. The Treasury team consists of experienced professionals with proven track record in Balance Sheet Management and Trading. Treasury actively trades in SLR Securities, generating incremental revenue in addition to interest income earned with focus on maximising portfolio yield. The Bank's Investment portfolio consists of Treasury Bills, Central Government Securities, State Government Securities, Equity Shares and Mutual Funds Units.

During the year, the Bank's Treasury has successfully enabled and participated in Standing Deposit Facility for prudent funds management. Treasury is facilitated with Integrated Treasury Management Systems (ITMS) to capture transactions, settlement of trade and manage Market Risk and ALM Risk for the Bank. Further, Treasury is also equipped with various platforms like Bloomberg, Refinitiv, Cogencis, and other systems to provide

real-time financial data and news feed, to achieve a competitive edge in the market. CCIL Platform such as Negotiated Dealing System- Order Matching (NDS-OM), NDS-Call, Triparty Repo dealing and Settlement (TREPS), Clearcorp Repo Order Matching System (CROMS) to undertake transactions in Securities and Money Market.

Treasury also participates in the equity market (both primary and secondary), focusing on additional revenue generation and income diversification. During the year under review, Treasury raised funds using a combination 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 broad base the Bank's liabilities profile.

To encourage Diversity & Inclusion, various initiatives were launched, such as Creche expense reimbursement and exclusive Professional Development Program for women employees.

Talent Development

The Centre of Excellence (CoE) for Talent Development continued its focus on upskilling the Bank's employees' capabilities through its developmental interventions. To augment the Bank's in-house talent pipeline and equip them with the required competitive skillset, several **customised learning solutions** were designed and delivered during FY23.

Senior Leadership Development interventions:

Developed in-house Behavioural Competency Framework for Leaders at various levels and integrated them with the Bank's Leadership Development Programmes. Partnered with Aon (a global expert in Leadership Assessment & Development) and co-created a structured developmental intervention (Leadership Development Programme) for the Bank's Senior Leadership cohort. The cohort, as a part of its development journey, successfully completed its first assessment phase during FY23.

Programmes focused on emerging technology trends:

The Bank focused on designing specialised programmes that equipped its employees to stay abreast of emerging tech-driven Banking systems and digital technologies. Several organisation-wide digital transformational initiatives were launched, and through sustained development interventions, the Bank seamlessly integrated them into its operational system. For instance, new digital applications like **Hetra LoS Application** (application for loan sourcing introduced in Vehicles Finance division) and other LoS to highlight a few initiatives.

Programmes catering to evolving business needs:

Development interventions were tailored and delivered to address the specific business requirements (in line with changing business strategy, structure, systems and products). These interventions prepared the Bank's employees to stay nimble and vigilant against evolving business scenarios. Senior Leaders across business divisions were engaged in various development interventions addressing this specific need which included a programme on **Strategy Formulation and Execution** from a premier institute and an exclusive webinar focusing on **Open Network for Digital Commerce (ONDC) and Emerging Opportunities for the Bank**.



Human Resources

The Human Resources (HR) function collaborates with diverse businesses and functions of the Bank to foster a culture of high performance. Aligned with a shared belief and the core values integral to Equitas SFB's DNA, the HR function remains committed to creating a '**Happy Workplace**' by '**Engaging, Enabling and Empowering**' the Bank's employees through the best of People Practices and Processes centred on the core tenets of '**Care and Connect**'.

During FY23, the HR function embarked on a digital transformation journey. It shifted to a cloud-based HRMS solution – **HoRizone** – to enable the Bank's employees perform their lifecycle management and related transactions with ease and enrich them with a new level of digital experience. It has significantly improved the mobile and web experience for candidates, employees and people managers alike. New-gen features like Chatbot, Jinie and workplace collaborator, Zippie empowers the Bank's employees to seek answers for routine queries.

Talent Acquisition

The Bank ended FY23 with an employee strength of 20,563, up 16.8% YoY. With increased focus on hiring women employees, the Bank raised the number of women employees by ~28% YoY; women now comprise 12% of the Bank's total workforce.

The digitised hiring and onboarding process enables the Bank to ramp up hiring seamlessly wherever and whenever required. Through structured Induction Programmes and other learning initiatives for new employees, HR continues to reinforce the Bank's core values and culture.

Talent Management

In April 2022, the Bank conducted its Annual Performance Review for FY22, which included 13,728 eligible employees. The Review process is based on the Bank's core values of 'Fairness & Transparency' and 'Pride of Performance'.

To promote employee wellness, the Bank hosted various initiatives, such as the Employee Assistance Programme, Tai Chi at Work, Comprehensive Health Check-up etc.

Culture initiatives

Culture 'awareness' workshop:

The HR team continued to provide orientation on the **Bank's mission, core values and its associated behaviours**. For FY23, **579 culture workshops** were conducted covering **10,558 employees**.

Culture deepening initiatives:

Designed and launched several new initiatives to disseminate and deepen the culture agenda across the Bank. Key programmes include byte-sized user interactive **refresher video modules**, **Sanskriti** (the monthly culture newsletter) and **NEEV** (the culture deepening workshop engaging business leaders). **High Five Club** (HFC, a culture recognition programme) was launched and rolled out to reward business leaders. Through the HFC programme, **16 leaders** from the branch community were recognised under various reward categories.

Diversity & Inclusion:

Creating a more diverse and inclusive work environment is evolving as a key strategic initiative for the Bank. The Bank believes in embracing talent representing diverse backgrounds, perspectives and experiences, as it fuels the Bank's ability to further grow its business and enhance value to its stakeholders.

In this pursuit, the Bank in collaboration with International Finance Corporation (IFC) has started shaping its strategy and approach towards successfully implementing and driving the D&I agenda. A corporate gender dashboard was created by IFC in consultation with the Senior Leadership team. Gender sensitisation workshops were conducted for MANCO members and senior leaders. Subsequently, a selected cohort from the HR team underwent a 'Train the Trainer' (TTT) programme on how to choose appropriate propagating channels and further cascade the learnings at the branch level.

Recognitions

The Bank's efforts in building a conducive workplace earned its recognition in the industry. Equitas SFB was recognised among the '**Best Places to Work in India**' by AmbitionBox in the Banking industry in the year 2022.

Management Discussion & Analysis (Contd.)



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 SFB 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 2022-23 academic year stands at 6,719; ii) skill development of

women through training in tailoring and embroidery, doll making, artificial jewellery making, candle making etc.; iii) pavement dwellers rehabilitation programme (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 COVID vaccination drive and ensured 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 created awareness. 54,252 vaccination camps were organised immunising more than 5 million people.



Support to women with disabilities and transgenders

Since 2010 the Bank, through its Micro Finance loan programme, has supported cumulatively 1,62,766 women with disabilities and 34,715 persons with disabilities during the year. Of these, 2,920 visually challenged persons were supported during the year and cumulatively 27,684. Every year as part of observing the International Day for Persons with

Disabilities, Equitas celebrates and honours women achievers for overcoming disability and proving their business acumen.

Encouraged by this inclusive model, Equitas SFB has mainstreamed 363 Transpersons into the women groups. The Bank also has facilitated interest free loans from other NGOs to 27 Transpersons for starting and expanding their businesses.

Nature of Activity

	Number of Beneficiaries FY23	Cumulative from 2008
No. of eye-camp participants [A]	1,53,600	27,14,539
No. of spectacles [free of cost]	2,015	1,20,201
People covered in other Medical Camps [B]	2,40,691	40,26,164
People covered in Vaccination Camps [C]	12,90,147	57,52,876
Total [Eye camps + Med. Camps+ Vaccination Camps[A]+[B]+[C]]	16,84,438	1,24,93,579
Health Screening at Vehicle Finance Branches	782	47,389
Veterinary camps in Rural areas	4,999	17,027
Participants in skill training programs	41,051	6,25,065
Free cataract surgeries and other surgeries through Health Helpline	1,966	66,941
Placements for unemployed youth	30,028	2,53,957
Swasth Mahila Health Education	3,32,110	6,44,000
Equitas Birds Nest (pavement dwellers' rehabilitation program)	1,047	3,276
Temporary markets for women entrepreneurs to sell their products (55 exhibitions in FY23 across 10 states)	784	802

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 Bank

Place: Chennai

Date: July 20, 2023

P N Vasudevan
MD & CEO
DIN: 01550885

Arun Ramanathan
Chairman
DIN: 00308848

Directors' Report

To
The Members
Equitas Small Finance Bank limited

Your Directors have pleasure in presenting the Seventh Annual Report on the business and operations of the Bank, together with the audited Accounts of the Bank for the financial year ended March 31, 2023 (FY 2022-23).

1. Summary of Financial Performance

The summary of Bank's financial performance for the FY 2022-23 compared to the previous financial year 2021-22 is given below:

Particulars	For the Year ended March 31, 2023	For the Year ended March 31, 2022	(₹ in lakhs)
Deposits & Other Borrowings	28,35,431.58	21,56,719.73	31.47%
Advances	25,79,855.66	19,37,420.60	33.16%
Total Income	4,83,146.38	3,99,722.58	20.87%
Operating Profits (Profits before Provision, Depreciation and Taxation)	1,26,054.53	94,723.00	33.08%
Less: Depreciation	8,453.78	7,528.31	12.29%
Less: Provision and contingencies	40,720.35	49,383.69	(17.54)%
Less: Provision for Taxation	19,521.35	9,737.82	100.47%
Net Profit	57,359.05	28,073.18	104.32%
Add: Profit brought forward from previous year	1,09,679.97	89,823.86	22.11%
Profit and Loss Account balance adjustment on account of amalgamation	(87,825.49)	-	-
Total Profit Available for Appropriation	79,213.53	1,17,897.04	(32.81)%
Appropriations			
Transfer to Statutory Reserve	14,339.76	7,018.30	104.32%
Transfer to Special Reserve	1,202.11	968.43	24.13%
Transfer to Capital Reserve	-	105.63	(100.00)%
Transfer to Investment Fluctuation Reserve	3,807.79	124.71	2953.31%
Balance carried over to Balance Sheet	59,863.87	1,09,679.97	(45.42)%

2. Dividend

The Board of Directors at their meeting held on May 05, 2023, has recommended a dividend of Re.1/- per equity share (i.e., 10%) of face value ₹10/- each, subject to the approval of the Members at the ensuing Seventh Annual General Meeting (AGM). The Dividend, if approved by the Members would be paid to those Members whose name appears in the Register of Members as on the Record Date mentioned in the Notice convening the Seventh AGM.

In accordance with Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the RBI guidelines, the Bank has formulated and adopted a Dividend Distribution Policy and the same is available on the website of the Bank [Click here](#)

3. Transfer to Reserves

As per the requirement of RBI Regulations, the Bank has transferred the following amounts to various reserves during the year ended March 31, 2023.

Amount transferred to	₹ in lakh
Statutory Reserve	14,339.76
Special Reserve	1,202.11
Investment Fluctuation Reserve	3,807.79

4. Deposits

Being a Bank, the disclosures relating to deposits as required under Rule 8(5)(v) and (vi) of the Companies (Accounts) Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013, are not applicable. The Bank receives and accepts deposits, the details of which are enumerated in the financial statements for FY 2022-23.

5. Capital Adequacy

The Capital Adequacy Ratio stood at 23.80% as on March 31, 2023 as against the minimum requirement of 15% stipulated by the Reserve Bank of India (RBI). The Net Worth of the Bank as on the said date was ₹5,15,794.77 Lakhs.

6. Material changes and commitments affecting the Financial Position of the Bank after the Balance Sheet date as at March 31, 2023

There were no material changes and commitments between the end of Financial Year 2022-23 and the date of this report, affecting the financial position of the Bank.

7. 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.

8. Operational highlights and state of the Bank's affairs

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 and Sustainability Report

The Management Discussion and Analysis Report as stipulated under Regulation 34(2)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Report on Corporate Governance for FY 2022-23 along with General Shareholder Information and the Business Responsibility and Sustainability Report forms part of this annual 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 A.

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 and Equitas Small Finance Bank Limited

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

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 crores which was utilized 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 was filed with the Stock Exchanges and RBI for necessary approvals/sanctions. The RBI vide its letter dated May 6, 2022 granted its conditional NOC to the Scheme and the No Observation letters towards the aforesaid scheme were received from the National Stock Exchange of India Limited (NSE Ltd) and BSE Limited on June 10, 2022.

Further, a joint application was filed by EHL and ESFBL with Hon'ble National Company Law Tribunal, Division Bench-II, (Chennai NCLT) on June 18, 2022 and the meetings of the equity shareholders and unsecured Creditors of EHL and the Bank and Depositors of the Bank holding deposits above ₹3 lakhs were convened on September 06, 2022 and September 07, 2022 respectively, in adherence with the Order passed by the Hon'ble National Company Law Tribunal on July 22, 2022.

Followed by the approval of the shareholders, creditors and depositors in the meetings as mentioned above, a joint petition was filed with the Chennai NCLT, wherein the NCLT had accorded its approval for the aforesaid Scheme vide its Order dated January 12, 2023. The Scheme became effective from February 02, 2023, upon filing the certified true copy of the NCLT order with Registrar of Companies, Chennai as ordered by NCLT.

Upon the effectiveness of the Scheme, EHL was dissolved without winding up and the Board of Directors of the Bank at its meeting held on February 08, 2023 approved the extinguishment of shares held by EHL and allotted equity shares to the EHL shareholders as on record date as consideration for

Directors' Report (Contd.)

the transfer and vesting of undertaking in the Bank as per the terms of the Scheme.

The fractional entitlements arising out of the aforesaid allotment were dealt as per the terms of the scheme and the sale proceeds were distributed to the shareholders on March 21, 2023 and the report of Committee of Independent Directors and Audit Committee were filed with SEBI.

The aforesaid allotment in pursuance of the Scheme was made in demat form only, as per SEBI directives. The said allotment also comprised allotment of 2,99,336 fully paid-up equity shares of ESFBL to a suspense demat account, being held on behalf of the shareholders of EHL holding shares in physical form, as on the record date.

The Board of directors approved the balance sheet of the merged entity as on January 01st, 2023 (Appointed date) on February 23, 2023.

Share Capital

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

The Bank has allotted in aggregate 29,38,696 equity shares to employees of the Bank under the ESFB Employees Stock Option Scheme, 2019.

Extinguishment of Equity Shares held by Equitas Holdings Limited (EHL) in the Bank

Upon the effectiveness of the Scheme, EHL was dissolved without winding up and 93,39,43,363 (Ninety three Crores thirty nine lakhs forty three thousand three sixty three only) equity shares held by EHL in the Bank (erstwhile Promoter of the Bank) were cancelled and extinguished.

Allotment of Equity Shares to the eligible record date Shareholders of Equitas Holdings Limited

Pursuant to the effect of the scheme, 78,95,35,166 (Seventy eight crores ninety five lakhs thirty five thousand one hundred and sixty six only) fully paid equity shares of ₹10/- each were allotted to the eligible Equity shareholders of EHL as on the Record date i.e., February 03, 2023 as per the share exchange ratio envisaged in the approved scheme i.e., 231 equity shares of ₹10 each of ESFBL in respect of every 100 equity shares of ₹10 each fully paid up held by them in EHL as consideration for transfer and vesting of undertaking of EHL in ESFBL in terms of the Scheme.

Consequently, the total issued and paid-up share capital of the Bank decreased to ₹1,110,55,81,540 (One thousand one hundred ten crores fifty five lakhs eighty one thousand five hundred and forty rupees only) comprising of 111,05,58,154 (One hundred and eleven crore five lakhs fifty eight thousand one

hundred and fifty four only) equity shares with face value of ₹10 each.

Apart from the above, the Bank did not raise any additional equity share capital during the year.

13. Meetings of the Board

During the FY 2022-23, our Board met thirteen (13) 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 & the relevant Rules made thereunder and the applicable SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Board Committees

The details pertaining to the Audit Committee and other Committees of the Board are provided in the Corporate Governance section forming part of this report. All the recommendations made by the Audit Committee during the year were accepted and implemented by the Board. During the year under review, there was no change in the composition of any of the committees.

14. Directors and Key Managerial Personnel (KMP)

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 & KMP

During the year, the appointment of Prof. Samir Kumar Barua (DIN: 00211077) and Ms. Geeta Dutta Goel (DIN: 02277155) as Independent Directors for a period of 5 years with effect from 27th December, 2021 was approved by the Members at the Sixth Annual General Meeting held on 19th July, 2022. Further, the re-appointment of Mr. Vasudevan P N (DIN: 01550885) as Managing Director & CEO for a period of 3 years with effect from 23rd July, 2023 was approved at the Board meeting held on December 23, 2022, and approved by RBI vide its letter dated June 15, 2023, which is subject to the approval of Members.

The Members had approved the appointment of Mr. Murali Vaidyanathan (DIN: 09594986), Sr President & Country Head-Branch Banking-Liabilities and Mr. Rohit Gangadharrao Phadke (DIN: 07293524), Sr President-Retails Assets as Whole Time Directors of the Bank to be designated as Executive Directors to hold the office for a period of three years from date of approval from RBI or from such date and period as may be approved by RBI.

However, RBI vide its letter dated 11th August, 2022 had agreed to the appointment of one Executive Director position although the Bank had requested

for appointment of two Executive Directors for which the Members of the Bank had also accorded their approval. Considering the RBI's advice for one position, the Bank had decided to defer the matter for the present and consider the same at an appropriate time.

Directors liable to retire by rotation

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 at the ensuing AGM of the Bank and being eligible, offers himself for re-appointment. The Nomination and Remuneration Committee and the Board of Directors recommend his re-appointment and the same has been placed for approval of the Members at the ensuing Annual General Meeting.

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)

In terms of Section 203(1) read with Section 2(51) of the Act and Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank had the following KMPs as on March 31, 2023:

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 Ramanathan N	Company Secretary (CS)

During the year, the Board at its meeting held on June 30, 2022, on the recommendation of the Nomination and Remuneration Committee had approved the appointment of Mr. Ramanathan N (Membership Number: A28366) as the Company Secretary and Compliance Officer of the Bank w.e.f July 1, 2022. Mr Sampathkumar KR, the erstwhile Company Secretary of the Bank had moved to another control function

within the Bank by way of job rotation with effect from July 01, 2022.

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 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV of the Companies Act, 2013

Independent Directors have confirmed that they are not aware of any circumstance or situation, which exists or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgement and without any external influence. The Board has assessed the confirmations submitted by the Independent Directors and had taken the same on record. In the opinion of the Board, all the Independent Directors are independent of the Management.

16. Evaluation of performance of the Board and its committees

The performance of the Board, Committees of the Board, Chairman, Individual Directors & Key Managerial Personnel were evaluated on the basis of criteria as approved by the Board. All the Directors were provided the criteria for evaluation and forms, which were duly filled. The feedback from the Directors was consolidated and those relating to the Directors were shared with the respective Directors and feedback relating to the Committees and the Board were discussed with the respective Committees & 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 is available in our website at [click 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, 2023, the applicable accounting standards have been followed along

Directors' Report (Contd.)

- 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 judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2023 and of the profit of the Bank for the year ended on that date,
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities,
- iv) annual accounts have been prepared on a going concern basis,

(i) Ratio of remuneration of each director with median employee remuneration.

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

Mr. Arun Ramanathan, Chairman	6.47:1
Mr. Arun Kumar Verma, Chairman, Audit Committee	4.85:1
Mr. P N Vasudevan, MD & CEO	60.51:1
Mr. Vinod Kumar Sharma, Independent Director	3.24:1
Prof. Balakrishnan N, Independent Director	3.24:1
Mr. Srinivasan N, Independent Director	3.24:1
Mr. Navin Puri, Independent Director	3.24:1
Mr. Ramesh Rangan, Independent Director	3.24:1
Prof. Samir Kumar Barua, Independent Director	3.24:1
Ms. Geeta Dutta Goel, Independent Director	NA

(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

The percentage increase in the remuneration of all the Independent Directors except for Ms. Geeta Dutta Goel is 60%. Ms. Geeta Dutta Goel has waived her right to receive the remuneration. The remuneration to Directors does not include sitting fees. The increase in remuneration of Key Managerial Personnel is provided below:

Chief Executive Officer - 6%
 Chief Financial Officer - 17%**
 Company Secretary - Mr. Sampath Kumar K R-27%\$
 Mr. Ramanathan N -NA
 \$ Mr. Ramanathan N was appointed as the Company Secretary and Compliance Officer of the Bank w.e.f July 1, 2022 so % increase in remuneration is not applicable.
 **does not include perquisite value

(iii) the percentage increase in the median remuneration of employees in the financial year

6%

(iv) the number of permanent employees on the rolls of the Bank as on March 31, 2023

20,563

- 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 Directors are given in the Corporate Governance Report. The Independent 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.

- (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.
- (vi) Affirmation that the remuneration is as per the remuneration policy of the Bank.

The average percentage increase in salaries of employees other than the managerial personnel in the last financial year was 6% and for KMP the increase was in the varying range of 6% to 27% for the financial year 2022-2023. The increase during the year is based on remuneration policy of the Bank and reflects the Bank's reward philosophy as well as the results of the salary benchmarking exercise.

The Management affirms that 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 are 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.

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, respectively as the Joint Statutory Auditors of the Bank. The said appointments were approved by the Members at the Fifth AGM held on August 12, 2021. The appointment was approved by RBI for FY 2021-22 vide its letter dated July 13, 2021. The tenure of M/s T R Chadha & Co LLP (TRC), Chartered Accountants, (Firm Registration No: 006711N/N500028) shall end at the conclusion of the ensuing Seventh AGM of the Bank.

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 'Five' complaints under the Whistle Blower Policy of the Bank. The functioning of the mechanism is reviewed by the Audit Committee from time to time. No personnel of the Bank has been denied access to the Audit Committee.

22. Ratings of Debt Instruments

The Bank had redeemed the debt instruments during the FY and the details of the same along with the ratings applicable for those debt instruments are disclosed in the Corporate Governance Report, which forms part of this Annual Report.

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 from 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.

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 2022-23 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 and 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 had accordingly recommended their continuance to the Board.

The Board of Directors of the Bank at its Meeting held on June 14, 2023 considered the recommendation of Audit Committee and approved the re-appointment of M/s Varma and Varma, Chartered Accountants, as one of the Joint Statutory Auditors for the FY 2023-24 as they continue to satisfy the eligibility Norms as per the RBI guidelines. Further, the Board of Directors at the aforesaid meeting, on the recommendation of the Audit Committee, considered and approved the appointment of M/s A S A & Associates LLP, Chartered Accountants, (Firm Registration No: 009571N/ N500006 as one of the Joint Statutory Auditor for the period from FY 2023-24 to FY 2025-2026 subject to approval of the Members at the ensuing Annual General Meeting. RBI has approved the aforesaid appointment vide letter dated July 07, 2023.

Auditors' Report:

There are no qualifications, reservations or adverse remarks made by the Joint Statutory Auditors of the

Bank, M/s. Varma & Varma, Chartered Accountants and M/s. T R Chadha & Co LLP, Chartered Accountants in their report on the financial statements for the FY 2022-23. Further, pursuant to Section 143(12) of the Companies Act, 2013, the Joint 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 the 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 special resolution dated February 08, 2021 as required by Regulation 12 of erstwhile SEBI (Share Based Employee Benefits) Regulations, 2014. Further, as recommended by the Nomination and Remuneration Committee of the Board, the Board of Directors at its Meeting held on 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.

As per the scheme approved, the Bank is entitled to grant an aggregate number of up to 11,00,00,000 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. There were no material changes in the Employee Stock Option Scheme and the Scheme is in compliance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. A certificate from CS Dr. B Ravi, Managing

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	Mr.Vasudevan P N	MD & CEO	10,78,431	57.20	5.28%
2	Mr. Sridharan N	CFO	63,140	43.60	0.31%
3	Mr.Ramanathan N	Company Secretary	Nil	NA	NA

Partner, M/s B Ravi & Associates, Practicing Company Secretaries and the Secretarial Auditor of the Bank, that the Employee Stock Option Scheme has been implemented in accordance with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and is in accordance with the resolutions passed by the Members of the Bank is enclosed as Annexure B.

The disclosures as mandated under the provisions of Regulation 14 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, is available in our website [click here](#)

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

Information as required under Section 62 of the 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	2,04,10,628
Number of options forfeited / lapsed during the year	65,96,673
Number of options vested during the year	65,47,866
Number of options exercised during the year	29,38,696
Number of shares arising as a result of exercise of options	29,38,696
Money realized by exercise of options (INR), if scheme is implemented directly by the company	10,36,71,878.50
Loan repaid by the Trust during the year from exercise price received	Not applicable
Option Granted but not vested	1,99,62,337
Options Vested but not exercised	2,86,52,409
Options Available for Grant	4,73,00,076

- 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 - NIL
- C) identified employees who were granted option, during any one year, equal to or exceeding 1% 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 issued by CS Dr. B Ravi, Managing Partner, M/s B Ravi & Associates (C.P. 3318) is enclosed as Annexure C. 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.

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 2022-23, the Bank had no activity relating to Conservation of energy or technology absorption.
- 26.2 During FY 2022-2023, the total foreign exchange earned by the Bank was Nil and the total foreign exchange outgo was ₹375.32 lakhs.

27. Particulars of contracts or arrangements with Related Parties

All contracts / arrangements / transactions entered by the Bank during the Financial Year 2022-2023 with related parties were in its ordinary course of business and on an arm's length basis. During the year, the Bank had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the policy of the Bank on materiality of related party transactions or which is required to be reported as per Section 188 and other applicable provisions, if any, of the Act read with the Rules made thereunder. The Policy on Related Party Transactions is available on the website of the Bank at [click here](#)

28. Risk Management

The Bank has formulated and adopted a robust Risk Management framework. The Bank has also constituted Risk Management Committee of the Board, which periodically reviews the risks faced by the Bank and the practices/ processes followed to manage them. Details of the same are covered in the MD&A report.

29. Internal Financial Controls

The Bank has clear delegation of authority and standard operating procedures, which are in accordance with the approved policies of the Bank. 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 provide reasonable assurance on the preparation of financial statements and the reliability of financial reporting. The Bank also ensures that the internal controls are operating effectively.

30. IND AS Implementation

In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), converged with International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and Non-Banking Financial Companies (NBFCs). However, currently the implementation of Ind AS for banks has been deferred by RBI till further notice pending the consideration of some recommended legislative amendments by the Government of India. The Bank is in an advanced stage of preparedness for implementation of Ind AS, as and when these are made applicable to the Indian banks

As required by the RBI guidelines, the accounts of the Bank are converted into Ind AS format and submitted to the RBI at periodic intervals. 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. The Bank has identified an IT solution for Ind AS reporting and is currently in the process of implementing the solution.

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. The particulars of complaints under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 during the FY 2022-23 are as follows:

- a. Number of complaints filed during the financial year : 5
- b. Number of complaints disposed of during the financial year : 5
- c. Number of complaints pending as on end of the financial year : 0

33. Depository System

As the Members are aware, the Bank's Equity Shares are tradable in electronic form. As on March 31, 2023, out of the Bank's total equity paid up share capital comprising of 1,11,05,58,154 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 the facility of dematerialisation.

34. The Annual Return under MGT-7 as required under the Companies Act, 2013 is available at the website of the Bank at [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.

GENERAL DISCLOSURE

Your Directors state that no disclosure or reporting is required in respect of the following matters as there were no transactions on these matters during the year under review:

- Issue of equity shares with differential rights as to Dividend, voting or otherwise
- The Bank has not issued any warrants, debentures, bonds or any non-convertible securities
- The Bank has not bought back its shares, pursuant to the provisions of Section 68 of Act and the Rules made thereunder.
- The financial statements of the Bank were not revised.
- The Bank has not failed to implement any corporate action
- There was no application made / proceeding pending under the Insolvency and Bankruptcy Code, 2016.

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 erstwhile Holding company. The Directors place on record their sincere thanks to the valued constituents 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: July 20, 2023

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Corporate Social Responsibility (CSR) Report

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

1. Brief outline on CSR Policy of the Company:

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. A brief note on various projects undertaken by the Bank is enclosed as annexure.

2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr Srinivasan N - Chairman	Independent Director	3	3
2	Ms. Geeta Dutta Goel	Independent Director	3	3
3	Mr. Vinod Kumar Sharma	Independent Director	3	3
4	Mr Vasudevan P N	MD&CEO	3	3

3. The web-link(s) where 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. The executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of Rule 8, if applicable, is disclosed on the website of the bank at [click here](#)

- 5. (a) Average net profit of the company as per sub-section (5) of section 135 – ₹42,987.31 lakhs.
- (b) Two percent of average net profit of the company as per sub-section (5) of section 135 – ₹ 859.75 lakhs
- (c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years - Nil
- (d) Amount required to be set-off for the financial year, if any - Nil
- (e) Total CSR obligation for the financial year [(b)+(c)-(d)] – ₹859.75 Lakhs

- 6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project) – ₹1,404.00 lakhs
(Total spent by implementing agencies for the financial year 2022-23 is ₹ 1,853.45 lakhs which includes ₹ 449.45 lakhs of previous years' contributions towards on-going projects)
- (b) Amount spent in Administrative Overheads - Nil
- (c) Amount spent on Impact Assessment – ₹ 5.90 lakhs
- (d) Total amount spent for the Financial Year [(a)+(b)+(c)] – ₹ 1,409.90 lakhs.
- (e) CSR amount spent or unspent for the Financial Year:

Total amount spent for the Financial Year. (in ₹ lakhs)	Total amount spent for the Financial Year. (in ₹ lakhs)			
	Total Amount transferred to Unspent CSR Account as per subsection (6) of section 135.	Amount	Date of transfer	Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of Section 135.
1,409.90	Nil	NA	NA	NA

(f) Excess amount for set-off, if any:

Sl. No.	Particular	Amount (in ₹ lakhs)
(1)	(2)	(3)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	859.75
(ii)	Total amount spent for the Financial Year	1,409.90

Sl. No.	Particular	Amount (in ₹ lakhs)
(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	550.15
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	-
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	550.15

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6	7	8
Sl. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of section 135	Balance Amount in Unspent CSR Account under sub-section (6) of section 135	Amount spent in the financial year of section 135	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub-section (5) of Section 135, if any	Amount remaining to be spent in succeeding financial years	Deficiency, if any
		(in ₹ lakhs)	(in ₹ lakhs)	(in ₹ lakhs)	Amount (in ₹ lakhs)	Date of Transfer	(in ₹ lakhs)
1	FY 21-22	Nil	Nil	Nil	Nil	Nil	Nil
2	FY 20-21	Nil	Nil	Nil	Nil	Nil	Nil
3	FY 19-20	Nil	Nil	Nil	Nil	Nil	Nil

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year: Yes

Details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent (₹ in Crore)	Details of entity/ Authority/ beneficiary of the Registered Owner	
(1)	(2)	(3)	(4)	(5)	(6)	
1	Computer	NA	April 01, 2022-March 31, 2023	46.77	CSR00001339	Equitas Gurukul Matriculation Higher Secondary School Trichy, Dindigul, Coimbatore, Salem, Karur, Cuddalore, Kumbakonam
2	Furnitures	NA	April 01, 2022-March 31, 2023	3.64		Trichy, Coimbatore, Salem, Cuddalore
3	Additions to Building-Construction store room Address: Equitas Gurukul Matriculation Higher Secondary School No.38, Kasimalli Nagar, near DSL Kalyana mahal, Kullanampatti, Natham road, Dindigul-624003	624003	April 01,2022-March 31,2023	1.55		Dindigul

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent (₹ in Crore)	Details of entity/ Authority/ beneficiary of the Registered Owner
4	Musical instruments	NA	April 01,2022-March 31,2023	0.78	Kumbakonam
5	Lab equipments	NA	April 01,2022-March 31,2023	1.60	Trichy, Dindigul, Salem, Karur, Cuddalore, Kumbakonam
6	Sports equipments	NA	April 01,2022-March 31,2023	6.55	Trichy, Dindigul, Coimbatore, Salem, Karur, Cuddalore, Kumbakonam
7	Office equipments	NA	April 01,2022-March 31,2023	8.89	Trichy, Dindigul, Coimbatore, Salem, Karur, Cuddalore, Kumbakonam

9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per subsection (5) of section 135. – The Bank had spent more than 2%

Vasudevan P N
MD & CEO

Place: Chennai
Date: July 20, 2023

N. Srinivasan
Chairperson – CSR Committee

Annexure to CSR Report – FY 2022-23

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).

The social 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 (erstwhile promoter of the Bank) and now held by the Bank as approved by RBI vide letter dated January 13, 2023.

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 out CSR initiatives on behalf of the Bank.

CSR activities carried out through Equitas Development Initiatives Trust (EDIT) and Equitas Healthcare Foundation (EHF) 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 6,700 students. More than three fourths of the students are from Economically Weaker Sections as well as socially disadvantaged sections of the society.

B. Skill development

Equitas has imparted training to 6,25,065 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.

Equitas also has helped these trained women entrepreneurs to market their products by organizing temporary markets. In 2022-23, the CSR Team has organized 56 such exhibitions and has helped 784

women entrepreneurs exhibit and sell their products. Out of the 784 entrepreneurs, 10 are transgenders and 40 are visually impaired. In 2023-24, the Trust is planning to organize 100 Exhibitions across India.

C. Pavement dwellers rehabilitation program (Equitas Birds Nest)

This programme 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. 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 2022-23, 1047 families have been moved into houses, taking the cumulative beneficiaries under the program to 3276 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, micro loan was sanctioned. 100% repayment was observed in those loans till date.

D. Placement Service :

In another proactive step, Equitas facilitates job fairs for unemployed youth from low income communities, with the help of recruiters and employers. Till date, gainful employment to over 2,53,957 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 Women which would help in early detection of non-communicable diseases. Cumulatively imparted to over 6.44 lakh women.

2. **Medical Camps:** By partnering with 900+ hospital and foundations spread across 10 states, Equitas conducts around 400 medical camps every month, benefiting about 40000 people every month. Using the same model, we were able to collaborate with the Govt. in conducting COVID Vaccination camps and were able to vaccinate 57,52,876 persons, with financial assistance from Opportunity International, Australia. In health

camps cumulatively 67,40,703 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 operational by September 2023.

4. Equitas Sugam Clinics

Equitas has piloted this new service, specifically to address the need among families belonging to Low Income Households (LIH) availing doctor consultation. Under this model at EDIT clinic, a qualified doctor is 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 78,470 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 for getting inpatient treatment for serious illnesses at a discount to normal cost. This initiative has benefitted 66941 members.

COMPOSITION OF BOARD OF TRUSTEES OF THE TRUSTS AS ON 31ST MARCH 2023

Equitas Development Initiatives Trust (EDIT)	Equitas Healthcare Foundation (EHF)
1. Dr C K Gariyali, IAS (Retd)	1. Mr Rangachary N, IRS (Retd), Ex-Chairman IRDAI & CBDT
2. Ms Jayshree Nambiar, Educationist	2. Dr Gariyali C K, IAS (Retd)
3. Ms Sabitha D, I.A.S (Retd.)	3. Mr S. Ramadorai, Former advisor to GOI
4. Mr Anoop Jaiswal IPS (Retd)	4. Dr Hemanth Raj, Executive Vice Chairman, Adyar Cancer Institute
5. Mr P N Vasudevan, MD & CEO, Equitas Small Finance Bank Limited	5. Mr P N Vasudevan, MD & CEO, Equitas Small Finance Bank Limited

Compliance Certificate on ESFB Employees Stock Option Scheme, 2019

Pursuant to Regulation 13 of the Securities Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

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, **B RAVI & ASSOCIATES**, represented by its Managing Partner **CS Dr B Ravi**, having its office at Old No 16, New No 42, Rathinam Street, Gopalapuram, Chennai 600 086 vide Firm Registration No:**P2016TN052400**, Company Secretaries in practice, have been appointed as the Secretarial Auditor for the financial year 2022-2023, vide a resolution passed at its meeting held on 04.05.2022 by the Board of Directors of Equitas Small Finance Bank Limited (hereinafter referred to as 'the Company'), having CIN: L65191TN1993PLC025280 and having its registered office at 4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai- 600 002.

This certificate is issued pursuant to Regulation 13 of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as "the Regulations"), for the year ended 31st March 2023.

Management Responsibility:

It is the responsibility of the Management of the Company to implement the Scheme(s) including designing, maintaining records and devising proper systems, establishing and maintaining effective controls for properly recording the information related to the Schemes in the records maintained by the Company, to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively and also to ensure the authenticity of documents and information furnished.

Verification:

The Company has implemented ESFB Employees Stock Option Scheme, 2019 in accordance with the Regulations and the Special Resolution(s) passed by the members at the General Meetings/ Postal Ballot of the Company held on 31st January 2019, 22nd November 2019 and 8th February, 2021 respectively and subsequent regulatory changes made to the scheme pursuant to SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as approved by the Board of directors at their meeting held on 28th January, 2022.

For the purpose of verifying the compliance of the Regulations, We have examined the ESFB Employees Stock Option Scheme, 2019 furnished by the Company, the Articles of Association of the Company and the Resolutions

Annexure - B

passed at the meeting of the Board of Directors and the Shareholders at the General Meeting(s).

We have read the minutes of the meetings of the Nomination and Remuneration Committee held during the year, noting in terms whereof, 185,60,997 options were granted to the employees which inter-alia includes 40,696 (Forty thousand six hundred and ninety six only) stock options under ESOP 2019 to the eligible employees under the erstwhile EHL ESOP Scheme in adherence with the Scheme of amalgamation approved by the Hon'ble National Company Law Tribunal, Division Bench II, Chennai (NCLT) vide its Order dated January 12, 2023. We have also read the minutes of Stakeholders Relationship Committee and noted that 29,38,696 equity shares of ₹ 10/- each were allotted during the financial year ended 31st March 2023.

We have also examined the relevant provisions of the Regulations applicable, Companies Act, 2013 and Rules made there under and relevant Accounting Standards as prescribed by the Central Government and such other documents required to issue this certificate.

Certification:

In our opinion and to the best of our knowledge and according to the verifications as considered necessary and explanations furnished to us by the Company and its Officers, we certify that the Company has implemented the ESFB Employees Stock Option Scheme, 2019 in accordance with the applicable provisions of the Regulations and Resolution(s) passed in the General Meeting(s) of the Company.

Assumption & Limitation of Scope and Review:

1. Our responsibility is to give certificate based upon our examination of relevant documents and information. It is neither an audit nor an investigation.
2. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.
3. This certificate is solely for your information and it is not to be used, circulated, quoted, or otherwise referred to for any purpose other than for the Regulations.

Place: Chennai
Date: 26.04.2023

For **B RAVI & ASSOCIATES**
COMPANY SECRETARIES

CS DR.B RAVI

FCS No.: 1810 CP No.: 3318
MANAGING PARTNER
Firm Registration Number: P2016TN052400
Peer Review Certificate Number: 930/2020
UDIN: F001810E000197973

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 : 18.04.2023

**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st March 2023**

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

To
The Members,
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, 2023 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, 2023 according to the provisions to the extent applicable of:

- (i) The Companies Act 2013("the Act") and the rules made there under issued by the Ministry of Corporate Affairs from time to time;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations to the extent of Foreign Direct Investment;
- (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");
- (vi) The Following Industry Specific Laws and the rules, regulations, directions, guidelines, circulars and instructions framed there under:
 - a) Reserve Bank of India Act (RBI), 1934, The Banking Regulation Act, 1949 read with the rules, regulations, directions, guidelines, licenses and circulars issued by RBI for compliance by Small Finance Bank;
 - b) Prevention of Money-Laundering Act (PMLA), 2002 and The Prevention of Money-Laundering (Maintenance of Records, etc) Rules, 2005;
 - c) Negotiable Instruments Act, 1881.
 - 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 reports submitted to the Board and

- 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 Non- Convertible Securities) Regulations, 2021;
- 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).

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.

The Bank has redeemed the Non-Convertible Debt Securities listed with the BSE Limited and hence the Bank does not have any debt securities listed with the Stock exchanges as on 31st March 2023.

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

The Board of Directors of the Bank is duly constituted with proper balance of Executive Director(s), Non- Executive Directors and Independent Directors including woman independent director. The appointment of Independent directors to the Board and filling up vacancy of the Company Secretary (KMP) that took place during the period under review were carried out in compliance with the provisions of the Act and SEBI (LODR). Reserve Bank of India vide its letter dated 11th August, 2022 had agreed to the appointment of one Executive Director position although the Bank had requested for appointment of two Executive Directors for which the shareholders of the Bank have also given their approval. Considering the RBI's advice for one position, the Bank had decided to defer the matter for the present and consider the same at an appropriate time.

Adequate notice is given to all directors to schedule the Board and Committee Meetings, agenda and detailed notes on agenda were sent 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 Bank had convened Board and Committee meetings at shorter notice by complying with the requirements of the Act. The Bank 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 and the committee meetings and with requisite majority at the Annual General Meeting and Postal Ballot. The Bank convened meetings of equity shareholders, unsecured creditors and deposit holders of the Bank holding deposits above ₹3 lakhs pursuant to the order of the Hon'ble National Company Law Tribunal, Division Bench II, Chennai dated 22nd July, 2022. There was no other Extraordinary General Meeting convened during the period under review.

We further report that during the audit period:

- 1. The members in the Annual General Meeting held on 19th July, 2022 through
 - Special Resolutions approved :
 - a. Appointment of Prof. Samir Kumar Barua (DIN: 00211077) as Independent Director for a period of 5 years with effect from 27th December, 2021
 - b. Appointment of Ms. Geeta Dutta Goel (DIN: 02277155) as Independent Director for a period of 5 years with effect from 27th December, 2021
 - c. Reappointment of Mr. Vasudevan P N (DIN: 01550885) as Managing Director & CEO for a period of 3 years with effect from 23rd July, 2022
 - d. Revision of remuneration payable to Mr. Vasudevan P N, Managing Director & CEO of the Bank subject to the approval of RBI
 - e. Alteration of Articles of Association of the Bank subject to the approval of the RBI.
 - f. Remuneration payable to Mr. Murali Vaidyanathan (DIN: 09594986) as a Whole Time Director
 - Ordinary resolutions approved :
 - a. Appointment of Mr. Murali Vaidyanathan (DIN: 09594986) as a Whole Time Director designated as Executive Director of the Bank to hold the office for the period of three years from such date of such approval from RBI or for such date and period as may be approved by RBI."
 - b. Appointment of Mr. Rohit Gangadharrao Phadke (DIN: 07293524) as a Whole Time Director designated as Executive Director of the Bank to hold the office for a period of three years from such date of approval from RBI or such other date and period as may be approved by RBI.

2. The members through Postal Ballot on 22nd September, 2022 accorded approval for the remuneration payable to Mr. Rohit Gangadharrao Phadke (DIN: 07293524) as a Whole Time Director through a special resolution.
3. Mr P N Vasudevan, MD & CEO of the Bank vide letter dated 19th May, 2022 conveyed his intention to step down from his position in the Bank and he would continue as the MD& CEO of the Bank till the succession and transition process is completed.
- Subsequently, vide letter dated 23rd December, 2022, he withdrew the decision and expressed his desire to continue as MD and CEO of the Bank.
4. The Board of Directors of the Bank at their meeting held on 30th June, 2022 approved the appointment of Mr. Ramanathan N (Membership Number. A28366) as the Company Secretary and Compliance Officer of the Bank under the SEBI LODR with effect from 1st July, 2022 in place of the incumbent Mr. Sampathkumar KR, who moved to another control function within the Bank by way of job rotation.
5. The Hon'ble National Company Law Tribunal, Division II, Chennai Bench ("NCLT") vide its order pronounced on 12th January, 2023 has sanctioned the Scheme of Amalgamation of Equitas Holdings Limited (EHL) and the Bank and their respective shareholders and creditors pursuant to the provisions of Sections 230-232 and other applicable provisions of the Companies Act, 2013.
6. In pursuance of the Scheme approved by the NCLT, vide its Order dated 12th January, 2023, the Bank at its Board meeting held on 08th February, 2023 approved
- a. The extinguishment of 93,39,43,363 equity shares of the Bank held by EHL (erstwhile promoter).
 - b. The allotment of 78,95,35,166 fully paid equity shares of ₹10/- each of the Bank to the eligible shareholders of the erstwhile EHL who were holding equity shares of EHL as on the Record date i.e., 3rd February, 2023, as per the share exchange ratio envisaged in the approved scheme i.e., 231 Equity shares of the Bank for every 100 Equity shares held in EHL.
 - c. The grant of 40,696 stock options under ESOP 2019 to the eligible employees under the erstwhile EHL ESOP Scheme.
7. The Bank has allotted 29,38,696 equity shares through ESOP Scheme.
8. The Bank has granted 1,85,60,997 options to the eligible employees of the Bank under ESOP Scheme.
9. The Board in its meeting held on 08th February, 2023 approved the revised maximum remuneration payable to the Independent and Non- Executive directors of the Bank at 1% of the profits calculated as per the provisions of the Section 198 of Companies Act, 2013, as applicable, subject to:
- a. the revised maximum remuneration payable to an Independent / Non-Executive Director (other than Chairman of the Board and Chairman of the Audit Committee) not exceeding ₹10,00,000/- per annum
 - b. the revised remuneration payable to the Chairman shall be two times the amount payable to other Non-Executive Directors subject to a maximum of ₹20,00,000/- per annum subject to the approval of RBI.
 - c. the revised remuneration payable to the Chairman of the Audit Committee shall be one and a half times the amount payable to other Non-Executive Directors subject to a maximum of ₹15,00,000/- per annum.
10. The Board of directors at their meeting held on 23rd December, 2022 have accorded approval for revision in the remuneration including ESOP payable to Mr. P N Vasudevan, MD & CEO of the Bank for the financial year 22-23 subject to the approval of the Reserve Bank of India and till the date of signing this report, approval is awaited.

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: F001810E000129696

Place : Chennai
Date : 18.04.2023

Report on Corporate Governance

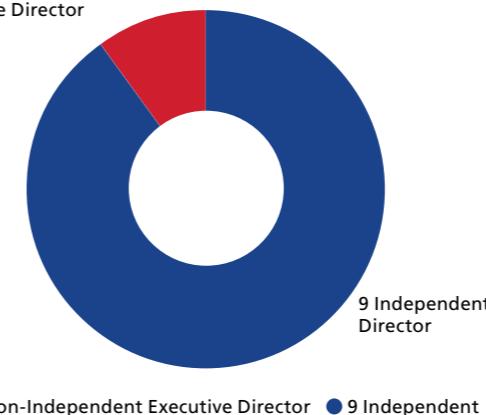
CORPORATE GOVERNANCE PHILOSOPHY

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

Composition and Category of Board of Directors

1 Non-Independent Executive Director



● 1 Non-Independent Executive Director ● 9 Independent

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 the Companies Act, 2013 (the Act), SEBI (Listing Obligations and Disclosure

Requirements) Regulations, 2015 (herein referred to as "Listing Regulations") and the Banking Regulation Act, 1949.

S. No	Name	Designation	DIN No.
1.	Mr. Arun Ramanathan	Part-time Chairman & Independent Director	00308848
2.	Mr. Arun Kumar Verma	Independent Director	03220124
3.	Mr. Vinod Kumar Sharma	Independent Director	02051084
4.	Prof. Balakrishnan N	Independent Director	00181842
5.	Mr. Srinivasan N	Independent Director	01501266
6.	Mr. Navin Puri	Independent Director	08493643
7.	Mr. Ramesh Rangan	Independent Director	07586413
8.	Prof Samir Kumar Barua	Independent Director	00211077
9.	Ms. Geeta Dutta Goel	Independent Director	02277155
10.	Mr. Vasudevan PN	Managing Director & Chief Executive Officer	01550885

During the year 2022-23, the Board met 13 times viz, May 04, 2022, May 19, 2022, June 30, 2022, July 28, 2022, August 04, 2022, August 23, 2022, October 31, 2022, November 03, 2022, December 23, 2022, January 19, 2023, February 08, 2023, February 23, 2023 and March 31, 2023 and the gap between any two Meetings has been less than 120 days.

Other Directorships and Committee Memberships/ Chairmanships as on March 31, 2023

In compliance with the Companies Act, 2013 and the Listing Regulations, none of the Directors on the Board of the Bank is a Director in more than 10 (Ten) Public Limited Companies (including "ESFBL") or is a Member of more than 10 (Ten) Board Committees (Committees being the Audit Committee and Stakeholders' Relationship Committee) or Chairman of more than 5 (Five) Board Committees as on March 31, 2023 across all listed companies and unlisted public companies in which he/she is a Director.

The details of Directorships and Committee positions held in other companies during the Financial Year ended March 31, 2023 and their attendance at Board Meetings and at the last Annual General Meeting ("AGM") are given below:

S. No.	Name of the Director	No. of Board Meetings attended during FY 2022-23 (No. of Meetings held)	Attendance at the last AGM held on July 19, 2022	No. of Directorships in other companies\$		Number of Committee positions in other companies\$\$	
				Membership	Chairmanship	Membership	Chairmanship
1	Mr. Arun Ramanathan	12 (13)	Yes	1	-	2	1
2	Mr. Arun Kumar Verma	13 (13)	Yes	-	-	-	-
3	Prof. Balakrishnan N	13 (13)	Yes	1	-	1	-
4	Ms. Geeta Dutta Goel	9 (13)	Yes	1	-	1	-
5	Mr. Navin Puri	13 (13)	Yes	1	-	1	-
6	Mr. Ramesh Rangan	13 (13)	Yes	3	-	3	-
7	Prof. Samir Kumar Barua	13 (13)	Yes	1	-	-	-
8	Mr. Srinivasan N	11 (13)	Yes	-	-	-	-
9	Mr. Vinod Kumar Sharma	13 (13)	Yes	-	-	-	-
10	Mr. Vasudevan PN	13 (13)	Yes	-	-	-	-

\$Excluding Directorship in private limited companies, foreign companies, high value debt listed entities and companies under Section 8 of the Act

\$\$Membership in Audit Committee and Stakeholders' Relationship Committee in Public Limited Companies have been reckoned for Committee membership

Names of the listed entities (other than Equitas Small Finance Bank Limited) where the Directors of the Bank hold Directorship and the category of directorship as on March 31, 2023

S. No.	Name of the Director	Listed entity in which they hold Directorship	Category of Directorship
1	Mr. Arun Ramanathan	Thirumalai Chemicals Limited	Independent Director
2	Prof. Balakrishnan N	IFCI Limited	Non-Executive, Non-Independent
3	Ms. Geeta Dutta Goel	Home First Finance Company India Limited	Independent Director
4	Mr. Navin Puri	Aditya Birla Sun Life AMC Limited	Independent Director
5	Mr. Ramesh Rangan	1. Sumedha Fiscal Services Limited 2.Panyam Cements and Mineral Industries Limited	Independent Director Independent Director
6	Mr. Srinivasan N	Samunnati Financial Intermediation & Services Private Limited (Debt listed)	Independent Director

There is no relationship between Directors inter-se and there are no shares and convertible instruments held by the Non-Executive Directors in the Bank. The Board has received declarations from the Independent Directors as required under Section 149(7) of the Act and Regulation 25(8) of the Listing regulations and the Board is satisfied that the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Act and the Regulation 16 of the Listing regulations.

Detailed reasons for the resignation of an Independent Director who resigns before the expiry of his/her tenure along with a confirmation by such director that there are no other material reasons other than those provided

None of the Independent Directors had resigned from the Bank during the Financial Year 2022-2023

SEPARATE MEETING OF THE INDEPENDENT DIRECTORS

During FY 2022-23, the Independent Directors had a separate meeting on December 06, 2022 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 the 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.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

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 Bank at the link [click here](#)

CORE 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 is committed to ensure that the Bank 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, available in the link [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 sectors for it to function effectively and which are available with the Board and 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	x
Business Strategy, Sales, Marketing & Administration	x	X	x	x	x	x	x	x	x	
Accounting & Finance , Taxation	x	X	x			x		x	x	
Law			X						x	

Skills/Expertise/Competencies	AR	AKV	GDG	NB	NP	RR	SKB	SN	VKS	PNV
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

AR - Arun Ramanathan , AKV - Arun Kumar Verma, NB - N Balakrishnan , 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

Prior to 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 noting and /or approval, information on all significant matters are provided. The Management diligently ensures that the information furnished by them to the Board of the Bank is comprehensive and timely.

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 subsequent meeting of the Board for information.

AUDIT COMMITTEE

Composition

As on March 31, 2023, the Audit Committee comprised of four (4) Independent Directors.

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

Meetings & Attendance

The Committee held Twenty Six (26) Meetings during the year on:

April 20, 2022, April 26, 2022, May 02, 2022, May 03, 2022, May 19, 2022, June 17, 2022, June 29, 2022, June 30, 2022, July 27, 2022, July 28, 2022, August 03, 2022, August 04, 2022, August 23, 2022, September 21, 2022, September 27, 2022, October 21, 2022, October 26, 2022, October 27, 2022, October 31, 2022, November 03, 2022, December 21, 2022, February 06, 2023, February 07, 2023, February 08, 2023, February 23, 2023 and March 31, 2023.

Name	No. of Meetings	
	Held	Attended
Mr Arun Kumar Verma, Chairman	26	26
Mr Ramesh Rangan	26	26
Prof Samir Kumar Barua	26	26
Mr Vinod Kumar Sharma	26	23

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 Auditors' report thereon before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement and the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by Management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with accounting and other legal requirements relating to financial statements
 - f. Disclosure of related party transactions
 - g. Qualifications in the draft audit report
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public issue or rights issue or preferential issue or qualified institutions placement and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the Auditors' 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;
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 on 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. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.

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

31. Any other requirement in accordance with the applicable provisions of the Companies Act, 2013 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. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
3. Internal audit reports relating to internal control weaknesses;
4. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
5. Statement of deviations:

(a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).

(b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

RISK MANAGEMENT COMMITTEE

Composition

As on March 31, 2023, the Risk Management Committee of the Board comprised of five (5) Independent Directors and the MD & CEO.

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

Meetings & Attendance

The Committee held six (6) Meetings during the year on May 02, 2022, June 29, 2022, July 26, 2022, October 31, 2022, December 23, 2022 and February 07, 2023:

Name	No. of Meetings	
	Held	Attended
Mr Vinod Kumar Sharma, Chairman	6	6
Mr Arun Kumar Verma	6	6
Prof Balakrishnan N	6	5
Prof Samir Kumar Barua	6	6
Mr Ramesh Rangan	6	6
Mr Vasudevan P N, MD & CEO	6	6

Terms of Reference

The terms of reference of the Risk Management Committee include:

1. Formulation of a detailed risk management policy inter alia covering:
 - (a) A framework for identification of internal and external risks specifically faced by the Bank in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee
 - (b) Measured for risk mitigation including systems and processes for internal control of identified risks.
 - (c) Business continuity plan.

2. Review of procedures relating to risk assessment & risk minimization to ensure that executive management controls risk through means of a properly defined framework.
3. 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.
4. To decide strategy for integrated risk management containing various risk exposures including credit, market, liquidity, operational and reputational risk.
5. 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.
6. To review the Asset Liability Management (ALM) of the Bank on a regular basis.
7. 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.
8. To carry out prudent risk diversification ensuring that credit exposure to any group or industry does not exceed the internal limits.
9. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Bank
10. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems
11. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity
12. To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken
13. To review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any)

NOMINATION & REMUNERATION COMMITTEE

Composition

As on March 31, 2023, the Nomination & Remuneration Committee comprised of five (5) Independent Directors:

1. Prof Balakrishnan N, Chairman
2. Mr Arun Ramanathan, Member
3. Mr Srinivasan N, Member

4. Mr Vinod Kumar Sharma, Member
5. Mr Navin Puri, Member

Meetings & Attendance

The Committee held six (6) Meetings during the year on May 03, 2022, May 30, 2022, July 25, 2022, October 31, 2022, December 20, 2022 and February 08, 2023.

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N, Chairman	6	6
Mr Arun Ramanathan	6	6
Mr Navin Puri	6	6
Mr Srinivasan N	6	6
Mr Vinod Kumar Sharma	6	6

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 evaluate the balance of skills, knowledge and experience on the Board for every appointment of an Independent Director and to prepare a description of the role and capabilities required of an Independent Director basis such evaluation;
- 3) 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;
- 4) Formulation of criteria for evaluation of performance of Independent Directors and the Board;
- 5) Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors;
- 6) Devising a policy on Board diversity;
- 7) 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 and;

- 8) 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;
- 9) To assess the independence of Independent Non-Executive Directors;
- 10) To review the results of the Board performance evaluation process that relate to the composition of the Board;
- 11) Annual appraisal of the performance of the Managing Director and fixing his/her terms of remuneration;
- 12) Recommend to the Board, all remuneration , in whatever form, payable to the Senior Management
- 13) Annual appraisal of the Senior Management team reporting to the Managing Director;
- 14) Annual Performance Review of the staff and
- 15) 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;

Performance evaluation criteria

The Nomination & Remuneration Committee has formulated the Criteria 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. The performance of the Independent Directors was evaluated on the basis of criteria such as the attendance at the Board and Committee meetings, diligence, approach towards issues placed before the Board, contribution to setting strategy and policy directions etc.,

Details of remuneration and sitting fee paid to Independent Directors for the year ended March 31, 2023 along with their shareholding in the Bank are as under:

Name	Remuneration (₹)	Sitting Fees (₹)		No. of equity shares held as on March 31, 2023
		Board	Committee#	
Mr Arun Ramanathan , Chairman	12,00,000*	8,40,000	4,50,000	Nil
Mr. Arun Kumar Verma	15,00,000	7,80,000	23,50,000	Nil
Prof Balakrishnan N	10,00,000	7,90,000	11,90,000	Nil
Ms Geeta Dutta Goel	-	-	-	Nil
Mr Navin Puri	10,00,00	7,80,000	19,90,000	Nil
Mr Ramesh Rangan	10,00,000	7,80,000	30,30,000	Nil
Prof Samir Kumar Barua	10,00,000	7,80,000	22,60,000	Nil
Mr Srinivasan N	10,00,000	6,60,000	16,90,000	Nil
Mr Vinod Kumar Sharma	10,00,000	7,80,000	24,30,000	Nil

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

* The Bank has received approval from RBI on 31st July 2023, towards increase in the remuneration of Chairman to ₹16 lakhs.

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 available at [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 Meetings.

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 fee and remuneration for FY 2022-23.

Nature of Meetings	Amount (₹)
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 of Board & Committees of the Board	Additional 10,000/- per Meeting

There are no performance linked incentives, service contracts, notice period or severance fees. The Independent Directors of the Bank are not eligible for Stock Options.

REMUNERATION TO MANAGING DIRECTOR

Details of the remuneration of the Managing Director for the year ended March 31, 2023 are as follows:

S. No	Nature of Payment	Amount (₹ in Lakhs)
1	Gross Salary	200.40
2	Arrears* (for FY-2021-2022)	17.46
3	Perquisite	1.87
4	Others-Employer's contribution to Provident Fund (PF)	8.98
TOTAL		228.71

*RBI vide its letter dated November 07, 2022 had accorded its approval for the remuneration structure of MD & CEO for FY 21-22 and hence the differential remuneration for FY 21-22 arising therefrom was paid during the year 2022-23. Arrears amount include Gross Salary, Perquisites & Employers PF contribution

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.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Composition

As on March 31, 2023, the Corporate Social Responsibility Committee comprised of three (3) Independent Directors and the MD & CEO.

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

Meetings & Attendance

The Committee held three (3) Meetings during the year on May 04, 2022, July 26, 2022 and March 18, 2023:

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N, Chairman	3	3
Ms Geeta Dutta Goel	3	3
Mr Vinod Kumar Sharma	3	3
Mr Vasudevan P N, MD & CEO	3	3

Terms of reference

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

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

STAKEHOLDERS RELATIONSHIP COMMITTEE

Composition

As on March 31, 2023, the Stakeholders Relationship Committee comprised of three (3) Independent Directors:

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

Mr Ramanathan N, Company Secretary is the Compliance Officer of the Bank with effect from July 01, 2022.

Meetings & Attendance

The Committee held five (5) Meetings during the year on May 02, 2022, July 27, 2022, October 29, 2022, December 22, 2022 and February 07, 2023:

Name	No. of Meetings	
	Held	Attended
Mr Navin Puri, Chairman	5	5
Mr Arun Kumar Verma	5	5
Prof Samir Kumar Barua	5	5

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 reviewing 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 2022-23 are as follows:

Number of shareholders' complaints received during the financial year	Number of complaints not solved to the satisfaction of shareholders	Number of pending complaints
4	0	0

Pursuant to the Listing Regulations, the Bank is processing investor complaints in SEBI's web based complaints redressal system "SCORES". Under this system, all related complaints are electronically received and Action Taken Report (ATR) along with supporting documents are electronically submitted in SCORES by the Bank.

CUSTOMER SERVICE COMMITTEE

Composition

As on March 31, 2023, the Customer Service Committee comprised of four (4) Independent Directors and the MD & CEO.

1. Prof Balakrishnan N, Chairman

2. Mr Arun Ramanathan, Member

3. Mr Navin Puri, Member

4. Mr Ramesh Rangan, Member

5. Mr Vasudevan P N, Member (MD & CEO)

Meetings & Attendance

The Committee held four (4) Meetings during the year on June 28, 2022, September 27, 2022, December 14, 2022 and March 20, 2023:

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N, Chairman	4	4
Mr Arun Ramanathan	4	4
Mr Navin Puri	4	4
Mr Ramesh Rangan	4	4
Mr Vasudevan P N, MD & CEO	4	4

Terms of reference

The terms of reference of the Customer Service Committee include:

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

BUSINESS COMMITTEE

Composition

As on March 31, 2023, the Business Committee comprised of five (5) Independent Directors and the MD & CEO:

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

Meetings & Attendance

The Committee held six (6) Meetings during the year on May 04, 2022, July 28, 2022, October 29, 2022, December 22, 2022, February 06, 2023 and March 18, 2023:

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N, Chairman	6	6
Mr Navin Puri	6	6
Mr Ramesh Rangan	6	6
Ms Geeta Dutta Goel	6	5
Prof Samir Kumar Barua	6	6
Mr Vasudevan P N, MD&CEO	6	6

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
5. 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.
6. To approve capital and revenue expenditure in respect of IT Procurements.

IT STRATEGY COMMITTEE

Composition

As on March 31, 2023, the IT Strategy Committee comprised of two (2) Independent Directors and the MD & CEO:

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

MEETINGS & ATTENDANCE

The Committee held five (5) Meetings during the year on April 30, 2022, June 29, 2022, September 27, 2022, December 14, 2022 and March 20, 2023:

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.

CREDIT COMMITTEE

Composition

As on March 31, 2023, the Credit Committee comprised of three (3) Independent Directors and the MD & CEO:

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

MEETINGS & ATTENDANCE

The Committee held nine (9) Meetings during the period on May 03, 2022, June 20, 2022, July 27, 2022, October 29, 2022, November 24, 2022, December 09, 2022, December 22, 2022, February 07, 2023 and March 20, 2023:

Name	No. of Meetings	
	Held	Attended
Mr Ramesh Rangan, Chairman	9	9
Mr Srinivasan N	9	9
Mr Navin Puri	9	9
Mr Vasudevan P N, MD & CEO	9	9

Terms of reference

The Committee considers and approves loans exceeding ₹50 crore.

POLICY FORMULATION COMMITTEE

Composition

As on March 31, 2023, the Policy Formulation Committee comprised of four (4) Independent Directors:

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

MEETINGS & ATTENDANCE

The Committee held four (4) Meetings during the year on May 04, 2022, June 30, 2022, October 26, 2022 and December 23, 2022:

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N, Chairman	4	4
Mr Arun Kumar Verma	4	4
Mr Ramesh Rangan	4	4
Mr Vinod Kumar Sharma	4	3

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.

OUTSOURCING COMMITTEE

Composition

As on March 31, 2023, the Outsourcing Committee comprised of three (3) Independent Directors and the MD & CEO:

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

MEETINGS & ATTENDANCE

The Committee held two (2) Meetings during the year on June 24, 2022 and December 14, 2022:

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N, Chairman	2	2
Mr Navin Puri	2	2
Mr Vinod Kumar Sharma	2	2
Mr Vasudevan P N, MD & CEO	2	2

Terms of reference

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

SPECIAL COMMITTEE FOR MONITORING HIGH VALUE FRAUDS

Composition

As on March 31, 2023, the Committee comprised of four (4) Independent Directors and the MD & CEO:

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

Meeting & Attendance

The Committee held one (1) Meeting during the year on June 18, 2022:

Name	No. of Meetings	
	Held	Attended
Mr Srinivasan N, Chairman	1	1
Mr Arun Kumar Verma	1	1
Ms Geeta Dutta Goel	1	0
Prof Samir Kumar Barua	1	1
Mr Vasudevan P N, MD & CEO	1	1

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.

REVIEW COMMITTEE FOR IDENTIFICATION OF WILFUL DEFAULTERS

Composition

As on March 31, 2023, the Review Committee for Identification of Wilful Defaulters comprised of three (3) Independent Directors and MD & CEO:

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

Meeting & Attendance

The Committee did not hold any Meeting during FY 2022-23.

Terms of reference

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

MERGER COMMITTEE

In connection with the Scheme of Amalgamation of 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, which was completed during FY 2021-2022. The Committee was dissolved w.e.f May 15, 2023.

Composition

As on March 31, 2023, the Committee comprised of three (3) Independent Directors and MD & CEO:

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

Meetings & Attendance

The Committee did not hold any Meeting during FY 2022-23.

Terms of reference

1. To monitor the progress made in process of amalgamation of EHL with ESFBL from time to time;
2. 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;
3. 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;

4. To allot the Securities, in one or more series and / or one or more tranches, issued in accordance with the terms of offering;

5. 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;

6. To determine and vary utilization of the QIP proceeds in accordance with the applicable laws;

7. To finalise the basis of allotment of the Securities on the basis of the subscriptions received (including in the event of over-subscription);

8. 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;

9. To apply to Stock Exchanges for obtaining of in-principle approval and filing of requisite documents with the Registrar of Companies;

10. 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, and

11. To carry out other such functions, as may be assigned by the Board from time to time

Composition

As on March 31, 2023, the Committee comprised three (3) Independent Directors:

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

Meeting & Attendance

The Committee did not hold any Meeting during FY 2022-23.

Terms of reference

1. 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.,
2. Call for and review any further document as the Committee may deem fit and necessary
3. 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 two (2) Joint Meeting of IT Strategy Committee and Audit committee of the Board which were held on October 25, 2022 and February 17, 2023. Attendance of the meetings are mentioned below:

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

Name	No. of Meetings	
	Held	Attended
Prof Balakrishnan N	2	2
Mr Arun Kumar Verma	2	2
Mr Vinod Kumar Sharma	2	2
Mr Navin Puri	2	2
Prof Samir Kumar Barua	2	2
Mr Ramesh Rangan	2	2
Mr Vasudevan P N, MD & CEO	2	2

GENERAL BODY MEETINGS

The details of the Annual General Meetings held in the last three years are as follows

Financial Year ended	Date	Time	Location / Mode	No. of Special Resolution[s] passed	Details of Special Resolutions passed
March 31, 2022	July 19, 2022	04:00 P.M.	Video Conferencing/ Other Audio Visual Means (VC/OAVM)	Six	<ul style="list-style-type: none"> a. Appointment of Prof. Samir Kumar Barua (DIN: 0021107) as Independent Director for a period of 5 years with effect from 27th December, 2021 b. Appointment of Ms. Geeta Dutta Goel (DIN: 02277155) as Independent Director for a period of 5 years with effect from 27th December, 2021 c. Reappointment of Mr. Vasudevan P N (DIN: 01550885) as Managing Director & CEO for a period of 3 years with effect from 23rd July, 2022 d. Revision of remuneration payable to Mr. Vasudevan P N, Managing Director & CEO of the Bank subject to the approval of RBI e. Alteration of Articles of Association of the Bank subject to the approval of the RBI. f. Remuneration payable to Mr. Murali Vaidyanathan (DIN: 09594986) as a Whole Time Director
March 31, 2021	August 12, 2021	11:00 A.M.	Video Conferencing/ Other Audio Visual Means (VC/OAVM)	Six	<ul style="list-style-type: none"> a. Re-appointment of Mr. N Srinivasan (DIN: 01501266) as Independent Director b. Re-appointment of Prof. N. Balakrishnan (DIN: 00181842) as Independent Director c. Re-appointment of Mr. Arun Ramanathan (DIN: 00308848) as Part-time Chairman and Non-Executive Independent Director d. Re-appointment of Mr. Arun Kumar Verma (DIN: 03220124) as Independent Director e. To revise the remuneration payable to Mr. Vasudevan P N, (DIN: 01550885) as the Managing Director & CEO f. To approve issue of securities/bonds/other permissible instruments, in one or more tranches
March 31, 2020	July 28, 2020	06:30 P.M.	Video Conferencing/ Other Audio Visual Means (VC/OAVM)	Nil	NA

All the proposed resolutions, including Special Resolutions, were passed by the shareholders as set out in the respective Notices except for the following resolution proposed at the AGM held on July 19, 2022.

Approval of Remuneration payable to Mr. Rohit Gangadharao Phadke (DIN: 07293524) as Whole Time Director

Details of special resolution passed through Postal Ballot:

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

Particulars of the Resolution	Remuneration payable to Mr. Rohit Gangadharao Phadke (DIN: 07293524) as Whole Time Director
Name of the Scrutiniser	CS Dr B Ravi, Practicing Company Secretary
Date of completion of Postal Ballot	September 22, 2022
Date of Report of Scrutiniser	September 23, 2022
Date of declaration of Results	September 23, 2022
Particulars	Voting pattern
No. of valid votes	55,53,54,285
In favour	55,52,50,181
Percentage (%) in favour of the resolution	99.981
Against	1,04,104
Percentage (%) against the resolution	0.019

Procedure for Postal Ballot

The Postal Ballot process was carried out as per the procedure stipulated under Section 110 and other applicable provisions of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014. During the process of Postal Ballot, shareholders were provided the remote e-voting facility pursuant to Regulation 44 of SEBI Listing Regulations and the said rules. The Postal Ballot exercise was scrutinized by CS Dr. B Ravi, Practicing Company Secretary.

As at the year end, there are no proposals to pass any Special Resolutions through Postal Ballot except those requiring to be passed pursuant to the requirements under the Act/Listing Regulations, which will be done with adequate notice to the Shareholders, as prescribed.

MEANS OF COMMUNICATION

The quarterly, half-yearly and annual financial results of the Bank are published in an English and Regional language [Tamil] newspaper normally, 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's 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 read with MCA General Circular No.10/2022 dated December 28,2022 and SEBI Circular bearing reference SEBI/HO/CFD/POD-2/P/CIR/2023/4 dated January 05,2023 and as a measure of promoting Green Initiatives, the Bank will be sending the financial statements for the year ended March 31, 2023 and Notice of the Seventh Annual General Meeting by electronic mode to those 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, upon request. The Bank seeks your support in promoting the Green Initiatives, as it is designed to protect our fragile environment.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting Day & Date	Tuesday, August 29, 2023
Time	04.30 PM
Mode	By Video-Conferencing/ Other Audio Visual Means ("VC/OAVM"). The Registered Office of the Bank shall be deemed to be the venue of the meeting.
Financial year	April 2022 to March 2023
Dividend Payment date	The dividend for the financial year ended March 31, 2023, if approved, shall be paid/credited within 30 days from the date of declaration
The name and address of each stock exchange(s) at which the listed entity's Pheroze Jeejeebhoy Towers securities are listed and a confirmation about payment of annual listing fee to each such Stock exchange(s):	BSE Limited BSE – 543243 NSE – EQUITASBNK National Stock Exchange of India Limited Exchange Plaza Bandra Kurla Complex (BKC) Mumbai – 400 051
Listing Fees	Annual Listing fees for the financial year 2022-23 payable to the stock exchanges on which the Bank's shares are listed have been paid in full.
Stock Code	BSE – 543243 NSE – EQUITASBNK
ISIN	INE063P01018
Record Date	July 28, 2023
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 (Formerly known as KFin Technologies Private Limited) 'Selenium Tower B', Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad – 500 032, Telangana. Phone: +91 40 6716 2222	
Share transfer system	100% of the equity shares of the Bank (other than 115 equity shares) are in electronic form. Transfer of shares which are currently traded in demat form are processed by the Depositories through its Depository Participants with no involvement of the Bank. As regards transfer of shares held in physical form, the transfer documents can be lodged with RTA at the address mentioned above. Pursuant to an amendment to the Listing Regulations effective April 01, 2019, any request for transfer of shares shall be processed for shares held in dematerialized form only. Further SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD-RTAMB/P/CR/2022/8 dated January 25, 2022 read with circulars issued further from time to time in this regard has mandated to issue securities in dematerialized form only while processing service requests viz., issue of duplicate share certificate, claim from unclaimed suspense account, renewal or exchange of securities certificate, endorsement, sub-division/splitting, consolidation of share certificates, transmission, transposition, etc.,	
Distribution of shareholding (as on 31.03.2023)	Details are provided in the table below	
Dematerialization of shares and liquidity (as on 31.03.2023)	The total shares of the Bank are in dematerialized form except 115 shares which constitute less than 0.01% of the paid up share capital as on March 31, 2023	
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 (till September 28,2022):	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: +91 44 42995050 Email: cs@equitasbank.com	

List of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad

Instrument	Nature	Rating	Rating Agency	Amount
Subordinated Debt	Long term	CRISIL A+ Stable	CRISIL Ratings Ltd	Nil*
Certificate of Deposit	Short Term	CRISIL A1+	CRISIL Ratings Ltd	₹500 Cr
Certificate of Deposit	Short Term	IND A1+	India Ratings and Research Private Limited	₹100 Cr

*₹150 Cr subordinated debt was redeemed during the FY 2022-23

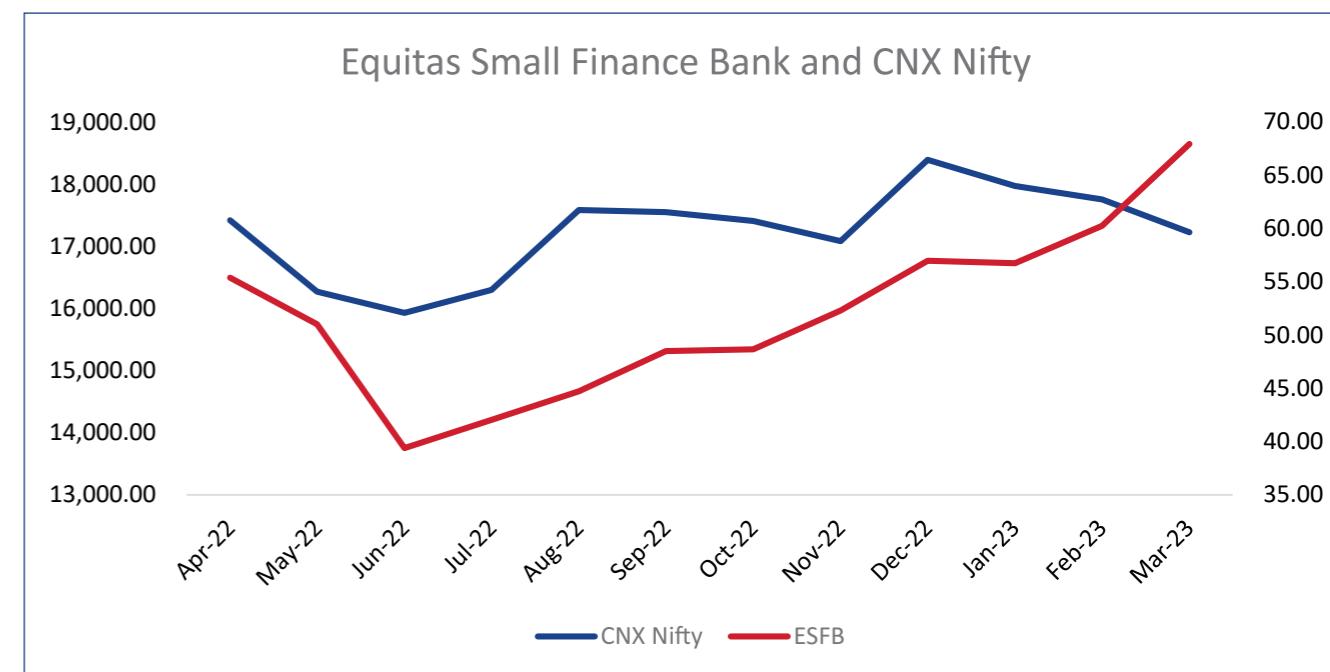
Securities suspended from trading

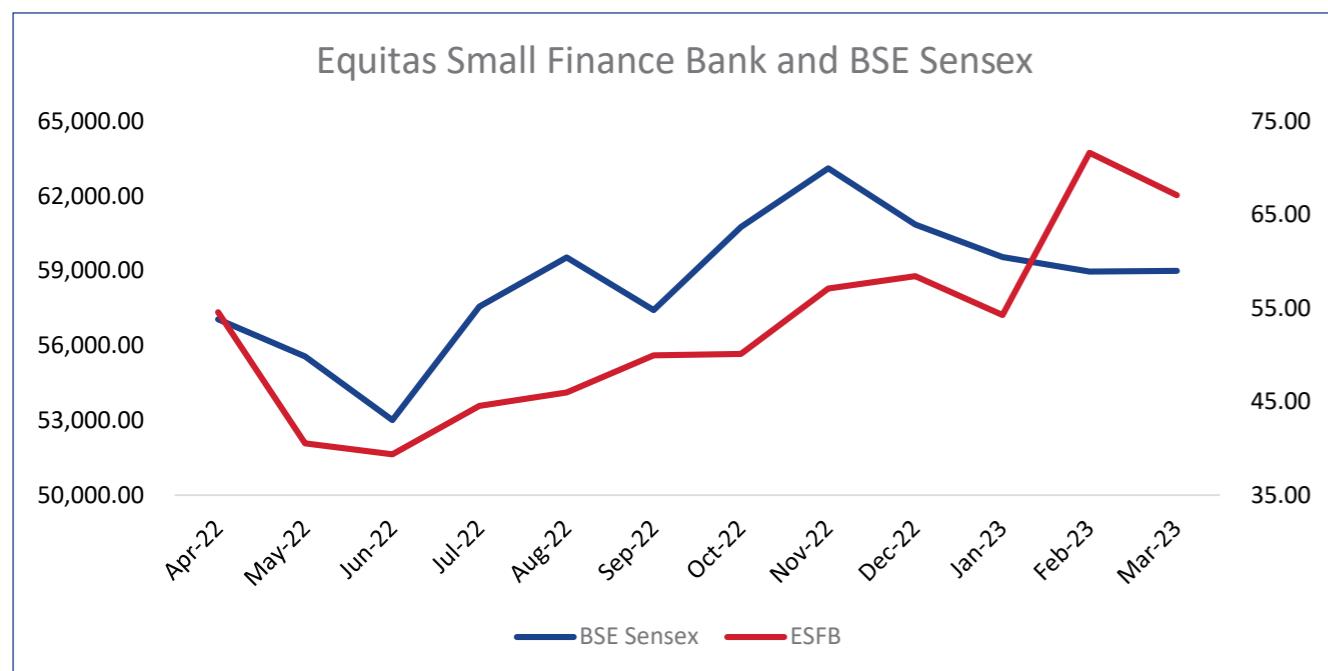
The securities of the Bank were not suspended from trading during the year under review.

Market price data - High, Low during each month in the Financial Year 2022-2023:

Month	BSE		NSE	
	High	Low	High	Low
Apr-22		57.40	51.00	57.55
May-22		59.75	40.05	59.75
Jun-22	41.70	37.50	42.00	37.45
Jul-22	47.65	38.45	47.80	38.40
Aug-22	47.90	42.90	47.65	42.85
Sep-22	51.95	45.50	52.00	45.60
Oct-22	51.85	47.10	51.75	47.20
Nov-22	57.85	48.50	57.90	48.50
Dec-22	63.10	50.50	63.15	50.50
Jan-23	63.90	52.50	63.90	52.55
Feb-23	73.45	52.30	73.40	52.25
Mar-23	77.87	61.25	77.90	61.30

Performance of the Bank Vs CNX Nifty



Performance of the Bank Vs S&P BSE Sensex**Shareholding pattern as on March 31, 2023**

DESCRIPTION	SHARES	% Equity
INDIAN PROMOTER COMPANIES\$		-
ALTERNATIVE INVESTMENT FUND	31237552	2.81
CLEARING MEMBERS	665225	0.06
FOREIGN PORTFOLIO INVESTORS – CATEGORY I	214965144	19.36
FOREIGN PORTFOLIO INVESTORS – CATEGORY II	36885495	3.32
H U F	7775417	0.70
BODIES CORPORATES	21478222	1.93
MUTUAL FUNDS	42,12,63,947	37.93
NON RESIDENT INDIANS	11239790	1.01
RESIDENT INDIVIDUALS	286561215	25.80
INSURANCE COMPANIES	24735260	2.23
TRUSTS	425688	0.04
NBFCs REGISTERED WITH RBI	42504	0.00
DIRECTORS AND THEIR RELATIVES	19259994	1.73
KEY MANAGERIAL PERSONNEL	511077	0.05
FOREIGN COMPANIES	33122916	2.98
OTHERS	388708	0.04
TOTAL	1,11,05,58,154	100.00

\$Upon the effectiveness of the approved scheme, Equitas Holdings Limited (erstwhile Promoter) stands dissolved and the shares held by EHL in the bank stands extinguished and cancelled.

Distribution of equity shareholding as on March 31, 2023:

Category (Shares)	No. of Shareholders	% of Shareholders	Total Shares
1 - 5000	316227	97.74	97401947
5001 - 10000	3624	1.12	25424241

Category (Shares)	No. of Shareholders	% of Shareholders	Total Shares
10001 - 20000	1895	0.59	26143755
20001 - 30000	626	0.19	15140096
30001 - 40000	254	0.08	8848077
40001 - 50000	179	0.06	8064490
50001 - 100000	331	0.10	23246734
100001 and above	416	0.13	906288814
TOTAL:	323552	100.00	1110558154

During the FY 2022-23, the Non-Convertible Debentures (NCDs) of the Bank as listed below, were redeemed as the same were matured during the said period. Accordingly, the redeemed debentures were delisted and the Scrip Codes were extinguished from BSE Limited on which the securities were listed.

Sl. No.	Nature of NCDs	Issue Size [₹]	Maturity Date	ISIN No	Scrip Code
1	13.80%- unsecured	30,00,00,000	September 16, 2022	INE186N08033	952815
2	14.05%- unsecured	1,20,00,00,000	September 28, 2022	INE186N08041	952812

Name, Designation and address of Compliance Officer:

N Ramanathan (appointed w.e.f July 01, 2022)
Company Secretary & Compliance Officer
Equitas Small Finance Bank Limited
4th Floor, Phase-II, Spencer Plaza,
No.769, Mount Road, Anna Salai, Chennai – 600 002
Phone: +91 44 4299 5000; Fax: +9144 4299 5050
Email: cs@equitashbank.com

REGULAR UPDATES

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

DISCLOSURES**A. Disclosure of materially significant related party transactions and policy on dealing with related party transactions.**

There were no materially significant related party transactions having potential conflict with the interests of the Bank during the financial year 2022-2023. All the related party transactions entered into during the financial year were in the ordinary course of business and at arm's length basis and approved by the Audit Committee.

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 dealing with related party transactions and material related party transactions and the same is available in the Bank's website [click here](#)

There were no materially significant related party transactions having potential conflict with the interests of the Bank, during the year 2022-23.

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

Nil

C. Vigil mechanism/ 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 personnel of the Bank was denied access to the Audit Committee from raising whistle blower complaint. The weblink for the whistle blower policy is provided in the Board's report.

D. Mandatory Requirements

The Bank is in compliance with the mandatory requirements as specified in Regulation 34(3) of the Listing Regulations

E. Non-Mandatory Requirements

- The office of the Non-executive Chairman is maintained by the Bank and all expenses incurred in performance of his duties are reimbursed by the Bank
- The quarterly, half-yearly and annual results of the bank are available in the website of the Bank [click here](#) and also published in widely circulated newspapers.
- The Bank has a record of unqualified financial statements since inception.
- During the year, Joint Statutory Auditors and Head of Internal Audit Department 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 Bank.

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, Practicing Company Secretaries have certified 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 as Annexure F.

H. Details of fee paid to Joint Statutory Auditors

The Bank does not have any subsidiaries. No fee was paid during the year to any entity in the network firm/network entity of which the Joint Statutory Auditors are part of. The total fee paid by the Bank for the services rendered by Joint Statutory Auditors for FY 2022 - 23 is given below:

Particulars	Fee (₹ in lakh)
(i) In capacity as Auditors	
Audit fees (includes fee for limited review)	112.83
Statutory Certificates	2.52
Other Reporting services	-
Reimbursement of expenses	3.20
(ii) Other capacity	
Tax Audit	5.64
Total	124.19

EQUITY SHARES IN THE DEMAT SUSPENSE ACCOUNT

In accordance with the requirement of Regulation 34(3) and Part F, Schedule V of the SEBI Listing Regulations, the Bank reports that the shares issued pursuant to the Scheme of Amalgamation between EHL and Bank, to those record date shareholders of erstwhile EHL, who held shares in physical form are held in demat suspense account of the Bank along with rejections under dematerialized shares.

Particulars	Number of shareholders	Number of equity shares
Aggregate number of shareholders and the outstanding shares in the demat suspense account of the Bank at the beginning of the year	0	0
Aggregate number of shareholders and the outstanding shares in the demat suspense account of the Bank as on March 8, 2023 in pursuance of the Scheme of Amalgamation	196	299311

Particulars	Number of shareholders	Number of equity shares
Shareholders who approached the Bank for transfer of shares from demat suspense account during the year	0	0
Shareholders to whom shares were transferred from the demat suspense account during the year	0	0
Aggregate number of shareholders and the outstanding shares in the demat suspense account of the Bank as on March 31, 2023	196	299311

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

COMPLIANCE CERTIFICATE REGARDING COMPLIANCE WITH CORPORATE GOVERNANCE

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 the Listing Regulations and amendments thereto, as applicable, with regard to Corporate Governance.

M/s B Ravi & Associates, Practicing Company Secretaries and Secretarial Auditors of the Bank have certified that the Bank has complied with all the mandatory requirements as stipulated under the Listing Regulations. The said Certificate is annexed to this Report as Annexure G.

DETAILS OF UTILIZATIONS OF FUNDS RAISED THROUGH PREFERENTIAL ALLOTMENT OR

Place: Chennai
Date: July 20, 2023

QUALIFIED INSTITUTIONS PLACEMENT AS SPECIFIED UNDER REGULATION 32(7A)

During the year under review, the Bank has not raised any funds through preferential allotment/Qualified Institutions Placement. Hence the aforesaid disclosure is not applicable.

DISCLOSURE BY BANK AND ITS SUBSIDIARIES OF LOANS AND ADVANCES IN THE NATURE OF LOANS TO FIRMS/COMPANIES IN WHICH DIRECTORS ARE INTERESTED

The aforesaid disclosure is exempt for listed banks.

IF THE BOARD HAS NOT ACCEPTED ANY RECOMMENDATION OF ANY COMMITTEE OF THE BOARD WHICH IS MANDATORILY REQUIRED, IN THE RELEVANT FINANCIAL YEAR, DISCLOSURE THEREOF

All recommendations of the Committees have been accepted by Board.

DISCLOSURE OF POLICY ON DETERMINING MATERIAL SUBSIDIARIES

There are no subsidiaries for the Bank. Hence, the disclosure is not applicable.

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

The Bank had not declared any dividend earlier. In accordance with Section 125 of the Act read along with applicable rules, as amended, there is no unclaimed / unpaid dividend or shares liable to be transferred to the Investor Education and Protection Fund during the FY 2022-23.

Pursuant to the Scheme, the unpaid interim dividend accounts of EHL have been transferred to Bank, details are available in the Bank's website.

For and on behalf of the Board of Directors

P N Vasudevan
MD & CEO
DIN : 01550885

Arun Ramanathan
Chairman
DIN : 00308848

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, 2023 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent or illegal or violative of Bank's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting. We have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and the same were found to be adequate.

4. We have indicated to the Auditors and the Audit Committee:
 - a. Significant changes in internal control over financial reporting during the year; NIL
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; NIL and
 - c. Instances of significant frauds of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting. NIL

Sridharan N
Chief Financial Officer

Place : Chennai
Date : May 05, 2023

Vasudevan P N
Managing Director and
Chief Executive Officer
DIN : 01550885

Annexure - E**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, 2023 received a declaration in writing from all Members of the Board and Senior Management team of the Bank affirming their adherence to the Code of Conduct adopted by the Bank.

Place: Chennai
Date: June 14, 2023

Vasudevan P N
Managing Director and
Chief Executive Officer
DIN : 01550885

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 31.03.2023, 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.

Place: Chennai
Date: 26.04.2023

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: F001810E000199623

Annexure - G**CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE**

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 examined the compliance of conditions of Corporate Governance by EQUITAS SMALL FINANCE BANK LIMITED ("the Company") CIN: L65191TN1993PLC025280 for the year ended on March 31, 2023, as stipulated in Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 and Para C, D and E of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

The compliance condition of Corporate Governance is the responsibility of the management. Our examination

Place : Chennai
Date: 26.04.2023

was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and representations made by the management, We certify that the Company, to the extent applicable, has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and Para C, D and E of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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: F001810E000442569

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 2023, 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 (hereinafter referred to as the "financial statements").

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 including the accounting standards prescribed under section 133 of the Act, read with rules made thereunder, of the state of affairs of the Bank as at March 31, 2023, 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 (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's 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.

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, 2023. 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.

S.No. Key Audit Matters

How our Audit Addresses our Key Audit Matters

S.No.	Key Audit Matters	How our Audit Addresses our Key Audit Matters
1	Identification of non-performing advances and provisioning for advances	<p>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.</p> <p>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).</p> <p>We considered the special mention accounts ("SMA") reports submitted by the Bank to the RBI's central repository of information on large credits (CRILC) and made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/or provisioning.</p> <p>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.</p> <p>We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against.</p>

S.No. Key Audit Matters

Information Technology ("IT") Systems and Controls impacting Financial Reporting

2 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.

IT infrastructure is critical for smooth functioning of the banks, business operations as well as for timely and accurate financial accounting and reporting

IT general controls include user access management and change management across applications, networks, database, and operating systems.

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 as a key audit matter.

How our Audit Addresses our Key Audit Matters

As part of our Audit, we have carried out testing of the IT general controls, application controls and IT dependent manual controls.

We have gained an understanding of IT controls framework through walk through of processes. We have referred to reports of information system audit. We have also tested the design and operating effectiveness of the banks, IT access controls over the key information systems 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.

Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

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, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the

adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 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;
 - 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 27 branches covering 15.74% of the gross advances as on March 31, 2023, 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, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act;

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

(g) In our opinion, the entity being a banking company, remuneration to its director during the year ended March 31, 2023 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 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;

For T R Chadha & Co LLP,

Chartered Accountants

Firm Registration No.: 006711N/N500028

Sheshu Samudrala

Partner

Membership No: 235031

UDIN: 23235031BGWCUX3647

Place: Chennai

Date: 05.05.2023

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. a) The company has not paid any dividend during the year

b) As stated in Schedule 18.1(c)(v) to the financial statements, the Board of Directors of the Bank have proposed dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The amount of dividend proposed is in accordance with section 123 of the Act, as applicable.

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

For Varma & Varma,

Chartered Accountants

Firm Registration No.: 004532S

P R Prasanna Varma

Partner

Membership No: 025854

UDIN: 23025854BGRHXE3027

Place: Chennai

Date: 05.05.2023

Annexure 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, 2023 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control 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

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

Sheshu Samudrala
Partner
Membership No: 235031
UDIN: 23235031BGWCUX3647

Place: Chennai
Date: 05.05.2023

to financial statements and such internal financial controls with reference to Financial Statements were operating effectively as at March 31, 2023, 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 **Varma & Varma**,
Chartered Accountants
Firm Registration No.: 0045325

P R Prasanna Varma
Partner
Membership No: 025854
UDIN: 23025854BGRHXE3027

Place: Chennai
Date: 05.05.2023

Balance Sheet

as at March 31, 2023

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

Particulars	Schedule	As at 31-Mar-23	As at 31-Mar-22
CAPITAL AND LIABILITIES			
Capital	1	1,11,05,582	1,25,20,277
Reserves and Surplus	2	4,04,73,895	2,99,41,409
Deposits	3	25,38,05,558	18,95,07,973
Borrowings	4	2,97,37,600	2,61,64,000
Other Liabilities and Provisions	5	1,44,58,651	1,13,42,556
TOTAL		34,95,81,286	26,94,76,215
ASSETS			
Cash and Balances With Reserve Bank of India	6	1,17,39,122	2,07,69,917
Balances With Banks and Money At Call and Short Notice	7	7,03,455	5,55,229
Investments	8	6,66,45,624	4,44,98,496
Advances	9	25,79,85,566	19,37,42,060
Fixed Assets	10	37,91,304	20,04,445
Other Assets	11	87,16,215	79,06,068
TOTAL		34,95,81,286	26,94,76,215
Contingent Liabilities	12	12,26,698	4,92,796
Bills For Collection		-	-
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,		For and on behalf of Board of Directors of Equitas Small Finance Bank Limited	
Chartered Accountants			
Firm Registration No.: 006711N/N500028			
Sheshu Samudrala Partner Membership No: 235031 Place: Chennai Date: May 05, 2023	Arun Ramanathan Chairman DIN:00308848 Place: Chennai Date: May 05, 2023	Vasudevan PN Managing Director and Chief Executive Officer DIN:01550885 Place: Chennai Date: May 05, 2023	Arun Kumar Verma Director DIN:03220124 Place: Chennai Date: May 05, 2023
As per our report of even date			
For Varma & Varma, Chartered Accountants Firm Registration No.: 0045325	N Sridharan Chief Financial Officer Place: Chennai Date: May 05, 2023	Ramanathan N Company Secretary M.No:28366 Place: Chennai Date: May 05, 2023	
P R Prasanna Varma Partner Membership No: 025854 Place: Chennai Date: May 05, 2023			

Profit and Loss account

for the year ended March 31, 2023

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

Particulars	Schedule	Year ended March 31, 2023	Year ended March 31, 2022
I INCOME			
Interest earned	13	4,16,18,781	3,45,96,693
Other income	14	66,95,857	53,75,565
TOTAL		4,83,14,638	3,99,72,258
II EXPENDITURE			
Interest expended	15	1,61,71,539	1,42,11,336
Operating expenses	16	2,03,83,024	1,70,41,453
Provisions and contingencies		60,24,170	59,12,151
TOTAL		4,25,78,733	3,71,64,940
III PROFIT			
Net Profit for the year		57,35,905	28,07,318
Profit/ (Loss) brought forward		1,09,67,997	89,82,386
Profit and Loss Account balance adjustment on account of amalgamation (Refer Note 18.21)		(87,82,549)	-
TOTAL		79,21,353	1,17,89,704
IV APPROPRIATIONS			
Transfer to Statutory reserves		14,33,976	7,01,830
Transfer to Special reserve account		1,20,211	96,843
Transfer to Capital Reserve		-	10,563
Transfer to Investment Fluctuation Reserve		3,80,779	12,471
Dividend Paid		-	-
Balance carried over to Balance Sheet		59,86,387	1,09,67,997
TOTAL		79,21,353	1,17,89,704
Earning per share (Basic) (in ₹)	18.19	4.71	2.43
Earning per share (Diluted) (in ₹)	18.19	4.67	2.40
Face Value per share (in ₹)		10	10

Cash Flow Statement

for the year ended March 31, 2023

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

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Cash Flow from Operating activities		
Profit Before Tax	76,88,040	37,81,100
Adjustments for:		
Depreciation on fixed assets	8,45,378	7,52,831
Depreciation on investments	4,29,359	5,630
Amortization on held to maturity securities	2,42,131	2,16,929
Provision for standard assets (Including Restructuring Standard)	(7,74,700)	12,58,599
Provision for Standard Advances to Stressed sectors	(2,07,319)	2,60,768
Bad debts written off	40,98,361	36,04,573
Provision for Non performing assets	5,42,397	(1,89,012)
Other Provision and Contingencies	9,995	3,440
(Profit) / Loss on sale of fixed assets	412	3,065
Interest expenses on borrowings	30,80,275	31,98,045
Interest income on bank balances not considered as cash and cash equivalents	(19,690)	(18,938)
EsoP Expenses -Material Risk Takers/Whole Time Director	44,215	12,679
Dividend income	(4,060)	(5,040)
	1,59,74,794	1,28,84,669
Adjustments for:		
(Increase)/Decrease in investments	(2,28,18,618)	(76,69,395)
(Increase)/Decrease in advances	(6,88,84,264)	(2,86,75,730)
Increase/(Decrease) in deposits	6,42,97,585	2,55,88,255
(Increase)/Decrease in other assets	(7,54,596)	(13,79,266)
Increase/(Decrease) in other liabilities and provisions	41,39,906	24,28,064
Cash flows (used in)/generated from operations	(80,45,193)	31,76,597
Direct taxes paid	(19,31,460)	(15,81,922)
Net cash (used in)/ generated from operating activities (A)	(99,76,653)	15,94,675
Cash flow from investing activities		
Purchase of fixed assets	(26,56,663)	(9,27,545)
Proceeds from sale of fixed assets	24,421	17,704
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	-	-
Interest received from bank balances not considered as cash and cash equivalents	19,690	18,938
Net cash (used in) / generated from investing activities (B)	(26,12,552)	(8,90,903)
Cash flow from financing activities		
Increase/(decrease) in borrowings (net)	35,73,600	(1,54,89,200)
Proceeds from issue of share capital (including share premium)	87,811	57,89,693
Share issue Expenses	-	(1,11,415)
Interest paid on borrowings	(30,60,280)	(33,54,779)
Net cash (used in) / generated from financing activities (C)	6,01,131	(1,31,65,701)
Net Increase /(decrease) in cash and cash equivalents (A+B+C)	(1,19,88,074)	(1,24,61,929)

Cash Flow Statement

for the year ended March 31, 2023

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

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Cash and Cash equivalents at beginning of the year	2,13,25,146	3,37,87,075
Add: Pursuant to scheme of amalgamation (Refer Note 18.21)	31,05,505	-
Cash and Cash equivalents at end of the year	1,24,42,577	2,13,25,146
Notes to cash flow statement :		
Cash and Cash equivalents include the following		
Cash and Balances With Reserve Bank of India	1,17,39,122	2,07,69,917
Balances With Banks And Money At Call And Short Notice	7,03,455	5,55,229
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	1,24,42,577	2,13,25,146

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 05, 2023

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 05, 2023

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

Arun Ramanathan
Chairman
DIN:00308848
Place: Chennai
Date: May 05, 2023

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885
Place: Chennai
Date: May 05, 2023

Arun Kumar Verma
Director
DIN:03220124
Place: Chennai
Date: May 05, 2023

Ramanathan N
Company Secretary
M.No:28366
Place: Chennai
Date: May 05, 2023

Schedules to the Balance Sheet

as at March 31, 2023

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

Schedule 1 - Capital

	As at Mar 31, 2023	As at Mar 31, 2022
Authorised capital		
1700,000,000 Equity Shares of ₹10 each	1,70,00,000	1,70,00,000
Issued, subscribed and paid-up capital		
1110,558,154 (Previous year : 1252,027,655) Equity Shares of ₹10 each - Refer note. (a)	1,11,05,582	1,25,20,277
TOTAL	1,11,05,582	1,25,20,277

- (a) As per the approved Scheme of amalgamation, 93,39,43,363 shares held by Equitas Holdings Limited are to be extinguished and 78,95,35,166 shares are to be allotted to the shareholders of Equitas Holdings Limited upon the scheme becoming effective. The Board of Directors on their meeting held on February 8, 2023 have approved allotment and extinguishment of shares.
- (b) During the year ended March 31, 2023, the Bank has allotted 29,38,696 equity shares of ₹10/- each, fully paid up, on exercise of options by its employees in accordance with the ESFB ESOP Scheme.
- (c) 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.
- (d) 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 erstwhile 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, 2023	As at Mar 31, 2022
I Statutory reserve		
Opening Balance	40,39,055	33,37,225
Add: Additions on account of amalgamation \$	4,87,698	-
Add: Additions during the year	14,33,976	7,01,830
Less: Deductions during the year	-	-
Total - (A)	59,60,729	40,39,055
II Capital reserve		
Opening Balance	3,79,969	3,69,406
Add: Additions during the year	-	10,563
Less: Deductions during the year	-	-
Total - (B)	3,79,969	3,79,969
III Share premium account		
Opening Balance	1,38,41,691	92,90,907
Add: Additions on account of amalgamation \$	1,29,88,792	-
Add: Received during the year *	58,424	46,62,199
Less: Deductions during the year **	-	(1,11,415)
Total - (C)	2,68,88,907	1,38,41,691
IV Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	2,78,397	1,81,554
Add: Transfer from Profit and Loss account	1,20,211	96,843
Less: Deductions during the year	-	-
Total - (D)	3,98,608	2,78,397

Schedules to the Balance Sheet

as at March 31, 2023

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

	As at Mar 31, 2023	As at Mar 31, 2022
V Revenue and Other reserves		
Opening Balance	2,54,400	2,54,400
Add: Additions during the year	-	-
Less: Deductions during the year	-	-
Total - (E)	2,54,400	2,54,400
VI Investment Reserve		
Opening Balance	23,000	23,000
Add: Additions during the year	-	-
Less: Deductions during the year	-	-
Total - (F)	23,000	23,000
VII Investment Fluctuation Reserve		
Opening Balance	1,44,221	1,31,750
Add: Additions during the year	3,80,779	12,471
Less: Deductions during the year	-	-
Total - (G)	5,25,000	1,44,221
VIII Share Based Reserve		
Opening Balance	12,679	-
Add: Additions during the year	44,721	12,679
Less: Deductions during the year	(505)	-
Total - (H)	56,895	12,679
IX Balance in Surplus in profit and loss account		
Opening Balance	1,09,67,997	89,82,386
Less: Deductions on account of amalgamation \$	(87,82,549)	-
Balance carried down from Profit & Loss Account	38,00,939	19,85,611
Total - (I)	59,86,387	1,09,67,997
TOTAL (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)	4,04,73,895	2,99,41,409

* Securities Premium received on issue of equity shares.

** Towards share issue expenses

\$ Refer note on scheme of Amalgamation 18.21

Schedule 3 - Deposits

	As at Mar 31, 2023	As at Mar 31, 2022
A I Demand deposits		
(i) From banks	3,76,873	3,38,698
(ii) From others	93,58,459	73,82,822
II Savings bank deposits	9,75,84,028	9,08,32,220
III Term deposits		
(i) From banks	4,37,74,741	1,89,80,772
(ii) From others	10,27,11,457	7,19,73,461
TOTAL	25,38,05,558	18,95,07,973
B I Deposits of branches in India	25,38,05,558	18,95,07,973
II Deposits of branches outside India	-	-
TOTAL	25,38,05,558	18,95,07,973

Schedules to the Balance Sheet

as at March 31, 2023

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

Schedule 4 - Borrowings

	As at Mar 31, 2023	As at Mar 31, 2022
I Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other banks	-	3,00,000
(iii) Other institutions and agencies	2,97,37,600	2,58,64,000
TOTAL	2,97,37,600	2,61,64,000
II Borrowings outside India		
TOTAL	-	-
TOTAL	2,97,37,600	2,61,64,000
Secured borrowings included in above	-	-

Schedule 5 - Other Liabilities and Provisions

	As at Mar 31, 2023	As at Mar 31, 2022
I Bills payable	35,02,240	16,76,186
II Interest accrued	15,83,744	9,15,471
III Income Tax Payable (Net of tax paid in Advance)	-	59,226
IV Others (including provisions)*	93,72,667	86,91,673
TOTAL	1,44,58,651	1,13,42,556

*Includes :-

Provision for Standard Assets

a. Provision for standard assets ₹83.51 Crore (Previous year ₹58.07 Crore)

b. Provisions for Restructured standard assets ₹48.00 Crore (Previous year ₹150.91 Crore)

c. Additional provisions on standard assets on higher rate ₹5.34 Crore (Previous year : ₹26.08 Crore)

Provision for Employee Benefits ₹158.83 Crore (Previous year ₹134.25 Crore)

Sundry Creditors ₹216.87 Crore (Previous year ₹98.02 Crore)

Schedule 6 - Cash and Balances with Reserve Bank of India

	As at Mar 31, 2023	As at Mar 31, 2022
I Cash in hand	12,27,615	16,11,070
II Balances with Reserve Bank of India :		
(a) In current accounts	1,05,11,507	79,58,847
(b) In other accounts	-	1,12,00,000
TOTAL	1,17,39,122	2,07,69,917

Schedule 7 - Balances with Banks and Money at Call and Short Notice

	As at Mar 31, 2023	As at Mar 31, 2022
I In India		
(i) Balances with banks :		
(a) In current accounts	3,01,230	5,55,229
(b) In other deposit accounts	-	-
(ii) Money at call and short notice :		
(a) With banks	-	-
(b) With other institutions	4,02,225	-

Schedules to the Balance Sheet

as at March 31, 2023

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

	As at Mar 31, 2023	As at Mar 31, 2022
II Outside India		
(i) In current accounts	-	-
(ii) In deposit accounts	-	-
(iii) Money at call and short notice	-	-
TOTAL	7,03,455	5,55,229

Schedule 8 - Investments

	As at Mar 31, 2023	As at Mar 31, 2022
I Investments in India in (Net of provision)		
(i) Government securities	6,53,51,760	4,41,59,971
(ii) Other Approved Securities	-	-
(iii) Shares	2,93,914	3,38,525
(iv) Debentures and Bonds	-	-
(v) Subsidiaries and / or Joint Ventures	-	-
(vi) Others (Mutual Funds & Security Receipts)	9,99,950	-
TOTAL	6,66,45,624	4,44,98,496
II Investments outside India		
TOTAL	6,66,45,624	4,44,98,496

Schedule 9 - Advances (Net of Provision)

	As at Mar 31, 2023	As at Mar 31, 2022
A (i) Bills purchased and discounted	16,61,656	19,99,742
(ii) Cash credits, overdrafts and loans repayable on demand	1,34,73,208	90,41,122
(iii) Term loans	24,28,50,702	18,27,01,196
TOTAL	25,79,85,566	19,37,42,060
B (i) Secured by tangible assets *	21,07,88,438	15,66,55,163
(ii) Covered by bank / government guarantees	4,71,97,128	3,70,86,897
(iii) Unsecured	-	-
TOTAL	25,79,85,566	19,37,42,060
(* includes advances against Book Debt: ₹1,12,71,835 (previous year ₹69,05,624))		
C I Advances in India		
(i) Priority sector #	17,32,22,847	13,32,37,130
(ii) Public sector	-	-
(iii) Banks	82,083	1,461
(iv) Others	8,46,80,636	6,05,03,469
Total Advances in India	25,79,85,566	19,37,42,060
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	25,79,85,566	19,37,42,060
TOTAL	25,79,85,566	19,37,42,060

Priority sector includes ₹1,600 Crore (previous year : ₹2,450 Crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

Schedules to the Balance Sheet

as at March 31, 2023

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

Schedule 10 - Fixed Assets

	As at Mar 31, 2023	As at Mar 31, 2022
A Premises		
Cost		
As at beginning of the year	12,87,030	12,55,640
Additions during the year	1,25,646	41,327
Deductions during the year	(8,683)	(9,937)
	14,03,993	12,87,030
Depreciation		
As at beginning of the year	7,73,681	6,40,368
Additions during the year	1,49,425	1,38,966
Deductions during the year	(5,617)	(5,653)
	9,17,489	7,73,681
Depreciation to date		
Net block	4,86,504	5,13,349
B Other fixed assets (including furniture and fixtures)		
Cost		
As at beginning of the year	53,72,770	46,66,171
Additions during the year	22,28,478	7,83,275
Additions on account of amalgamation (Refer note 18.21)	1,817	-
Deductions during the year	(1,39,144)	(76,676)
	74,63,921	53,72,770
Depreciation		
As at beginning of the year	39,93,446	34,39,772
Additions during the year	6,95,953	6,13,865
Additions on account of amalgamation (Refer note 18.21)	1,411	-
Deductions during the year	(1,17,378)	(60,191)
	45,73,432	39,93,446
Depreciation to date		
Net block	28,90,489	13,79,324
C Capital work-in-progress	4,14,311	1,11,772
TOTAL	37,91,304	20,04,445

Schedule 11 - Other Assets

	As at Mar 31, 2023	As at Mar 31, 2022
I Interest accrued	33,93,940	24,90,547
II Tax paid in advance (Net of provision for tax)	1,84,157	-
III Stamps	804	346
IV Deferred tax asset	18,73,825	21,36,059
IV Others	32,63,489	32,79,116
TOTAL	87,16,215	79,06,068

Schedules to the Balance Sheet

as at March 31, 2023

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

Schedule 12 - Contingent Liabilities

	As at Mar 31, 2023	As at Mar 31, 2022
I Claims against the bank not acknowledged as debts		
(a) Service tax and Goods and Service Tax	93,546	34,395
(b) Income Tax	1,69,719	-
(b) Others	79,334	27,213
II Guarantees given on behalf of constituents		
(a) In India	2,12,456	1,20,291
(b) Outside India	-	-
III Other items for which the bank is contingently liable	6,71,643	3,10,897
Total	12,26,698	4,92,796

Schedules to Profit and Loss Account

Schedule 13 - Interest Earned

	Year ended March 31, 2023	Year ended March 31, 2022
I Interest on advances	3,76,47,247	3,13,91,224
II Income from investments	31,56,094	24,61,447
III Interest on balance with RBI and other inter-bank funds	8,15,440	7,44,022
IV Others	-	-
Total	4,16,18,781	3,45,96,693

Schedule 14 - Other Income

	Year ended March 31, 2023	Year ended March 31, 2022
I Commission, exchange and brokerage	31,89,622	34,13,679
II Profit / (loss) on sale of investments (net)	2,13,646	4,26,357
III Profit / (loss) on sale of building and other assets (net)	(412)	(3,065)
IV Miscellaneous income*	32,93,001	15,38,594
Total	66,95,857	53,75,565

*Includes ₹7.46 Crore (Previous year ₹7.80 Crore) of income from sale of PSL Certificates and ₹70.14 Crore Profit on sale Sale of NPA to ARC (Previous year ₹Nil)

Schedule 15 - Interest Expended

	Year ended March 31, 2023	Year ended March 31, 2022
I Interest on deposits	1,35,83,022	1,13,53,337
II Interest on RBI / inter-bank borrowings	5,60,891	1,92,668
III Other interest	20,27,626	26,65,331
Total	1,61,71,539	1,42,11,336

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

Schedule 16 - Operating Expenses

	Year ended March 31, 2023	Year ended March 31, 2022
I Payments to and provisions for employees	1,09,66,760	89,82,084
II Rent, taxes and lighting	15,22,882	13,21,036
III Printing and stationery	1,40,340	1,07,648
IV Advertisement and publicity	3,32,548	3,23,383
V Depreciation on bank's property	8,45,378	7,52,831
VI Directors' fees, allowances and expenses	31,351	31,684
VII Auditors' fees and expenses	12,419	10,169
VIII Legal and Professional Fees	4,67,238	3,00,830
IX Postage, telegram, telephone etc.	3,03,984	2,74,198
X Repairs and maintenance	3,57,861	2,45,496
XI Insurance	18,234	1,83,747
XII Commission and Brokerage	5,54,718	2,36,041
XIII Information Technology Expenses	12,04,693	9,06,544
XIV Travel & Conveyance	7,17,799	5,01,456
XV Bank and Other finance charges	3,82,803	10,84,008
XVI Cash handling charges	2,26,946	1,97,746
XVII CSR contributions	1,40,400	1,92,100
XVIII Other expenditure *	21,56,670	13,90,452
Total	2,03,83,024	1,70,41,453

* Includes ₹27.18 Crore Micro ATM switching fee expenses (Previous year ₹39.89 Crore).

Schedule 17 – Significant accounting policies forming part of the financial statements**Corporate information****1. Background**

Equitas Small Finance Bank Limited (CIN: L65191TN1993PLC025280) ("ESFBL" or the "Bank"), is engaged in retail banking business with focus on micro-finance, commercial vehicle finance, home finance, loan against-property, 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. The shares of the Bank are listed on National stock exchange (NSE) and BSE Ltd.

The Board of Directors of Equitas Small Finance Bank Limited (ESFBL) and Equitas Holdings Limited (EHL) at their respective Meetings held on March 21, 2022 approved the revised Scheme of Amalgamation (Scheme) between EHL, ESFBL and their respective shareholders, after complying with the Minimum Public Shareholding (MPS) requirements through Qualified Institutions Placement (QIP) of its equity shares in February 2022. The Scheme was then filed with the Stock Exchanges and RBI for necessary approvals/ sanctions, which were received duly. The Joint application filed by EHL and ESFBL for the Scheme under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 with the Hon'ble National Company Law Tribunal, Chennai Bench (NCLT) was allowed by NCLT vide its Order dated 12th January 2023.

The Appointed date under the Scheme approved by NCLT is 1st January 2023. Accordingly, this Scheme has been given effect to in these Financial Statements with effect from January 1, 2023. Form INC-28 was filed with ROC, Chennai on February 01, 2023 by EHL and on February 02, 2023 by ESFBL respectively. Thus, the Scheme has become effective from February 02, 2023. The shareholders of EHL, on February 8, 2023, were allotted 231 equity Shares of ₹10/- each credited as fully paid up of ESFBL, in respect of every 100 Equity Shares of ₹10/- each held by them in EHL. The fractional entitlements were dealt with as provided in the approved scheme. Accordingly, ESFBL stands fully complied with all the statutory / regulatory requirements pertaining to the approved Scheme of Amalgamation.

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.

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

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

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.

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.

In respect of stressed assets sold by the Bank under an asset securitisation, where the investment by the bank in security receipts (SRs) backed by the assets sold by it is more than 10 percent of such SRs, in accordance with RBI guidelines, provisions held are higher of the provisions required in terms of net asset value declared by the Securitisation Company ('SC') / Reconstruction Company ('RC') and provisions as per the extant norms applicable to the underlying loans, notionally treating the book value of these SRs as the corresponding stressed loans assuming the loans remained in the books of the Bank.

Investments in SRs issued by ARCs are valued periodically by reckoning the Net Asset Value (NAV) declared by the ARC based on the recovery ratings received for such instruments. However, in respect of the stressed loans transferred to ARC, the investments are carried on an ongoing basis, until its transfer or realization, at lower of the redemption value of SRs arrived based on the NAV as above, and the NBV of the transferred stressed loan at the time of transfer.

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

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, amounts received in advance from customers, 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.

Provisioning:

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time. 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.

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

Advances are disclosed, net of provisions in the Balance Sheet.

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.

Financial Assets sold to Reconstruction Company

In accordance with RBI guidelines on sale of nonperforming advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

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 are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives. Assets under development as at balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

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

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 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.

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

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

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

- (b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits

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

Employee Stock Compensation Cost

Employee stock compensation cost for stock options is recognised as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India 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.

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

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

and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.15 Proposed Dividend

Dividend proposed/ declared after the balance sheet date is accounted in the books of the Bank in the year in which the dividend is approved by the shareholders. Proposed dividend or dividend declared after the balance sheet date are disclosed in the notes to accounts. However, the Bank reckons proposed dividend in determining the capital fund in computing the capital adequacy ratio.

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

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

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, 2023

(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 31-Mar-23	As at 31-Mar-22
i)	Common Equity Tier 1 capital	4,583.58	3,939.14
ii)	Additional Tier 1 Capital	-	-
iii)	Tier 1 Capital (i + ii)	4,583.58	3,939.14
iv)	Tier 2 Capital	143.67	100.87
v)	Total Capital (Tier 1 + Tier 2)	4,727.25	4,040.01
vi)	Total Risk Weighted Assets (RWAs)	19,864.32	16,056.09
vii)	CET 1 Ratio (CET 1 as a percentage of RWAs)	23.08%	24.53%
viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	23.08%	24.53%
ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	0.72%	0.63%
x)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	23.80%	25.16%
xii)	Leverage Ratio #	13.21%	14.73%
xiii)	Percentage of the shareholding of		
a)	Government of India	NA	NA
b)	State Government of India	NA	NA
c)	Sponsor Bank	NA	NA
xiv)	Amount of paid-up equity capital raised during the year	2.94	112.75
xv)	Amount of non-equity Tier 1 capital raised during the year	0.00	0.00
	Amount of Tier 2 capital raised during the year	0.00	0.00

Leverage Ratio computed as per Basel III framework

- (a) As per the approved Scheme of amalgamation, 933,943,363 shares held by Equitas Holdings Limited are to be extinguished and 789,535,166 shares are to be allotted to the shareholders of Equitas Holdings Limited upon the scheme becoming effective. The Board of Directors on their meeting held on February 8, 2023 have approved allotment and extinguishment of shares. Accordingly, the effect of such adjustments are given as on Appointed date i.e. January 1, 2023.
- (b) The Bank, during the year ended March 31, 2023 has allotted 29,38,696 (Previous year 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.
- (c) 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.

1 b) Draw down from Reserves:

The Bank has not drawn down any amount from its opening reserves during the year ended March 31, 2023 and March 31, 2022. Please refer note no.18.21 for amalgamation of Equitas Holdings Ltd with ESFB.

Share premium

During the current year 2022-23, the Bank has not drawn down any amount from Share Premium account as permitted under section 52 of the Companies Act 2013. During the Previous year an amount of ₹11.14 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, 2023

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

1 c) 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 ₹143.40 Crore (Previous year ₹70.18 Crore) to Statutory Reserve for the year.

(ii) Capital Reserve

During the year, the Bank had appropriated ₹ Nil Crore (Previous Year ₹1.06 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 of ₹12.02 Crore (Previous year ₹9.68 Crore) to Special Reserve. There is no drawdown from this reserve during FY 2022-23 and FY 2021-22.

(iv) Investment Fluctuation Reserve

During the FY 2022-23, the bank has apportioned ₹38.08 Crore (Previous year : ₹1.25 Crore) to Investment Fluctuation Reserve, based on the value of investments in HFT and AFS category, to protect against future increase in yield, in accordance RBI guidelines.

(v) Declaration of Dividends

The Board of Directors at their meeting proposed a dividend of ₹1.00 per share amounting to ₹111.06 Crore for the year ended March 31, 2023 (previous year: ₹ Nil per share) which is subject to shareholders approval in ensuing Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend aggregating ₹111.06 Crore from Profit and Loss Account. However, the effect of the proposed dividend has been reckoned in determining Capital funds in the computation of capital adequacy ratio as at March 31, 2023.

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.

2 Asset Liability Management

a) Maturity pattern of certain items of assets and liabilities

i) As at 31-Mar-23

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	508.02	946.35	411.02	179.22	433.31	651.63	1,950.41	4,622.80	15,623.25	23.07	31.48	25,380.56
Advances	9.38	230.22	208.97	(55.08)	735.88	328.79	1,170.61	3,652.39	9,321.82	3,420.64	6,774.94	25,798.56
Investments	2,520.74	14.70	-	385.17	133.53	105.95	297.13	709.86	2,370.86	80.78	45.84	6,664.56
Borrowings	-	-	8.30	120.00	66.63	108.30	478.23	821.41	1,370.89	-	-	2,973.76
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

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	-	-	-	-	-	-	-	-	-	-	-	-

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 ₹ Nil Crore as on March 31, 2023 with residual maturity upto Nil days (March 31, 2022 - ₹1,120 Crore with residual maturity upto 4 days) were not included in the above disclosure.

b) (i) Liquidity Coverage Ratio (LCR)

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

Particulars	Quarter ended 30-Jun-22		Quarter ended 30-Sep-22		Quarter ended 31-Dec-22		Quarter ended 31-Mar-23	
	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)	5,388.27		5,456.03		5,891.03		5,784.50	
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	3,050.32	152.52	3,150.03	157.50	3,212.21	160.61	3,220.11	161.01
(ii) Less stable deposits	10,757.08	1,075.71	11,885.64	1,188.56	12,874.47	1,287.45	13,613.78	1,361.38
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	2,723.08	1,764.69	2,545.99	1,701.49	2,310.23	1,590.22	2,369.47	1,578.42
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding								
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	124.84	6.30	143.89	7.27	159.17	9.65	171.44	8.86
6 Other contractual funding obligations	253.10	253.10	554.68	554.68	279.37	279.37	467.14	467.14
7 Other contingent funding obligations	161.58	7.78	184.10	8.79	194.44	9.28	185.72	8.85

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Particulars	Quarter ended 30-Jun-22		Quarter ended 30-Sep-22		Quarter ended 31-Dec-22		Quarter ended 31-Mar-23	
	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)
8 TOTAL CASH OUTFLOWS		3,260.10			3,618.29		3,336.58	3,585.66
Cash Inflows								
9 Secured lending (e.g. reverse repos)	2,286.96	-	1,990.23	0.00	1,519.22	0.00	519.26	0.00
10 Inflows from fully performing exposures	571.30	331.78	564.14	397.63	698.95	437.15	652.32	367.33
11 Other cash inflows	203.68	101.84	203.06	101.53	220.28	110.14	226.03	113.01
12 TOTAL CASH INFLOWS	3,061.94	433.62	2,757.43	499.16	2,438.45	547.29	1,397.61	480.34
13 TOTAL HQLA		5,388.27			5,456.03		5,891.03	5,784.50
14 TOTAL NET CASH OUTFLOWS		2,826.48			3,119.13		2,789.29	3,105.32
15 LIQUIDITY COVERAGE RATIO (%)		190.63			174.92		211.20	186.28

Qualitative disclosure around LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

The mandated regulatory threshold as per the transition plan is embedded in the board approved ALM policy of the Bank, with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk Management Department computes the LCR and monitors the same as per the Operating guidelines for small finance banks. The Bank has been submitting LCR reports to RBI from December 2016.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is 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.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

(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	

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.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

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.

c) (i) 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)	4,727	-	-	-	4,727
2 Regulatory capital	4,727	-	-	-	4,727
3 Other capital Instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers: (5+6)	9,205	1,147	1,357	5,733	16,439
5 Stable Deposits	3,352	-	-	-	3,185
6 Less stable deposits	5,853	1,147	1,357	5,733	13,254
7 Wholesale funding: (8+9)	1,890	781	4,014	2,097	5,439
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	1,890	781	4,014	2,097	5,439
10 Other Liabilities (11+12)	5,137	-	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	5,137	-	-	-	-
13 Total ASF (1+4+7+10)					26,606
Required Stable Funding (RSF) Item					
14 Total NSFR high-quality liquid assets (HQLA)					338
15 Deposits held at other financial institutions for operational purposes	31	-	-	-	15
16 Performing loans and securities: (17+18+19+20+21+22+23)	100	4,221	3,609	17,184	17,910
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	100	286	264	-	190
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:	-	3,935	3,345	-	3,640
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	14,551	12,369
21 Performing residential mortgages, of which:	-	-	-	2,633	1,711
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)	3,376	58	43	284	3,750
25 Physical traded commodities, including gold	-	-	-	-	-

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Available Stable Funding (ASF) Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1 year	>= 1 Year	
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	77	-	-	-	66
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	3,299	58	43	284	3,684
30 Off-balance sheet items	276	-	-	-	13
31 Total RSF (14+15+16+24+30)	3,783	4,279	3,652	17,468	22,026
32 Net Stable Funding Ratio (%)	-	-	-	-	120.79%

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.

c) (ii) 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	-	-	-	-	-
9 Other wholesale funding	5,073	-	-	-	2,537
10 Other Liabilities (11+12)	2,960	-	-	-	-
11 NSFR derivative liabilities	[REDACTED]	-	-	-	[REDACTED]
12 All other liabilities and equity not included in the above categories	2,960	-	-	-	-
13 Total ASF (1+4+7+10)	[REDACTED]				20,843
Required Stable Funding (RSF) Item					

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Available Stable Funding (ASF) Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1 year	>= 1 Year	
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+20+21+22+23)	-	3,726	2,999	12,251	13,427
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	311	328	-	211
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	12,251	16,070
32 Net Stable Funding Ratio (%)	-	-	-	-	129.70%

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.

3 Investments**a) Composition of Investment Portfolio as on March 31, 2023**

Particulars	Investment in India						Investment Outside India					
	Government securities	Other approved securities	Shares and bonds	Debentures and/or Joint Ventures	Subsidiaries and/or Joint Ventures	Total Investments in India	Particulars	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	Total Investments India
Held to Maturity												
Gross	5,314.20	-	-	-	-	5,314.20	Gross	-	-	-	-	5,314.20
Less: Provision for depreciation and Non Performing Investment (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	5,314.20	-	-	-	-	5,314.20	Net	-	-	-	-	5,314.20
Available for Sale												
Gross	1,022.40	-	32.55	-	-	140.33	1,195.27	Gross	-	-	-	1,195.27
Less: Provision for depreciation and Non Performing Investment (NPI)	0.01	-	3.16	-	-	40.33	43.50	Less: Provision for depreciation and NPI	-	-	-	43.50
Net	1,022.39	-	29.39	-	-	100.00	1,151.77	Net	-	-	-	1,151.77
Held for Trading												
Gross	198.59	-	-	-	-	198.59	Gross	-	-	-	-	198.59
Less: Provision for depreciation and Non Performing Investment (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	198.59	-	-	-	-	198.59	Net	-	-	-	-	198.59
Total Investments												
Gross	6,535.19	-	32.55	-	-	140.33	6,708.06	Gross	-	-	-	6,708.06
Less: Provision for depreciation and Non Performing Investment (NPI)	0.01	-	3.16	-	-	40.33	43.50	Less: Provision for depreciation and NPI	-	-	-	43.50
Net	6,535.18	-	29.39	-	-	100.00	6,664.56	Net	-	-	-	6,664.56

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

3 Investments**a) Composition of Investment Portfolio as on March 31, 2022**

Particulars	Investment in India						Investment Outside India					
	Government securities	Other approved securities	Shares and bonds	Debentures and/or Joint Ventures	Subsidiaries and/or Joint Ventures	Total Investments in India	Particulars	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	Total Investments India
Held to Maturity												
Gross	3,729.30	-	-	-	-	3,729.30	Gross	-	-	-	-	3,729.30
Less: Provision for depreciation and Non Performing Investment (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	3,729.30	-	-	-	-	3,729.30	Net	-	-	-	-	3,729.30
Available for Sale												
Gross	686.69	-	27.64	-	-	714.33	Gross	-	-	-	-	714.33
Less: Provision for depreciation and Non Performing Investment (NPI)	-	-	0.32	-	-	-	0.32	Less: Provision for depreciation and NPI	-	-	-	0.32
Net	686.69	-	27.32	-	-	714.01	Net	-	-	-	-	714.01
Held for Trading												
Gross	-	-	6.78	-	-	6.78	Gross	-	-	-	-	6.78
Less: Provision for depreciation and Non Performing Investment (NPI)	-	-	0.24	-	-	-	0.24	Less: Provision for depreciation and NPI	-	-	-	0.24
Net	-	-	6.54	-	-	6.54	Net	-	-	-	-	6.54
Total Investments												
Gross	4,415.99	-	34.42	-	-	4,450.41	Gross	-	-	-	-	4,450.41
Less: Provision for depreciation and Non Performing Investment (NPI)	-	-	0.56	-	-	-	0.56	Less: Provision for depreciation and NPI	-	-	-	0.56
Net	4,415.99	-	33.86	-	-	4,449.85	Net	-	-	-	-	4,449.85

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

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

b) Movement of Provisions for Depreciation and Investment Fluctuation Reserve

S.No	Particulars	As at 31-Mar-23	As at 31-Mar-22
(i)	Movement of provisions held towards depreciation on investment		
a)	Opening Balance	0.56	-
b)	Add: Provisions made during the year *	42.94	0.56
c)	Less: Write off / write back of excess provisions during the year	-	-
d)	Closing balance	43.50	0.56
(ii)	Movement of Investment Fluctuation Reserve		
(a)	Opening balance	14.42	13.18
(b)	Add: Amount transferred during the year	38.08	1.24
(c)	Less: Drawdown	-	-
(d)	Closing balance	52.50	14.42
(iii)	Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/ Current category	3.89%	2.00%

* includes Non Performing Investment (NPI) provision for investment in Security receipts.

c) Sale and transfer of securities to / from HTM category

During the current year there were no sale of securities from HTM category. As on March 31, 2023, Market value of the investments held in the HTM category is ₹5,162.25 Crore and book value over market value is ₹151.95 Crore.

During the previous year, the Bank had sold SLR securities from HTM category through OMOs conducted by RBI and repurchase 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.

d) Non - SLR investment portfolio

(i) Non-performing non-SLR investments

S.No	Particulars	As at 31-Mar-23	As at 31-Mar-22
a)	Opening Balance		
b)	Additions during the year since 1 st April	40.33	-
c)	Reductions during the year	-	-
d)	Closing Balance	40.33	-
e)	Total provisions held	40.33	-

Note: During the FY2022-23, the Bank had subscribed to Security Receipts for a consideration of ₹40.33 crore. This investment in Security Receipts is classified in the books as Non-Performing Investment and provisioning of ₹40.33 crore has been made against this investment.

(ii) Issuer composition of Non SLR investments as at March 31, 2023:

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	6.26	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	14.70	-	-	-	-
4	Private Corporates	11.59	0.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	140.33	40.33	-	-	-
7	Provision held towards depreciation / NPI	43.49	40.33	-	-	-
Total		129.39	0.20	-	0.20	0.20

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.

**Excludes Investment in Security Receipts of ₹40.33 crore

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

(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.

e) Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions :

As at March 31, 2023

S.No	Issuer	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31-Mar-2023 #
(i)	Securities sold under repo				
a)	Government securities	-	3,220.00	1,108.09	-
b)	Corporate debt securities	-	-	-	-
c)	Any other securities	-	-	-	-
(ii)	Securities purchased under reverse repo				
a)	Government securities	-	3,030.00	994.51	40.00
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, 2022

S.No	Issuer	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	-	2,302.00	594.71	-
b)	Corporate debt securities	-	-	-	-
c)	Any other securities	-	-	-	-
(ii)	Securities purchased under reverse repo				
a)	Government securities	302.00	3,825.00	2,028.86	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.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

4 Asset quality

a) Classification of advances and provisions held as on March 31, 2023

Particulars	Standard		Non-Performing			Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	18,894.73	572.39	239.75	25.04	837.18	19,731.91
Add: Additions during the year					1,087.09	
Less: Reductions during the year*					1,200.31	
Closing balance	25,486.54	320.94	393.67	9.35	723.96	26,210.50
*Reductions in Gross NPAs due to:						
i) Upgradation					458.94	
ii) Recoveries (excluding recoveries from upgraded accounts)					331.53	
iii) Technical/ Prudential Write-offs					155.63	
iv) Write-offs other than those under (iii) above					254.21	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	235.06	189.97	142.70	25.04	357.71	592.77
Add: Fresh provisions made during the year					681.41	
Less: Excess provision reversed/ Write-off loans					627.17	
Closing balance of provisions held	136.86	120.21	282.39	9.35	411.95	548.81
Net NPAs						
Opening Balance		382.42	97.05	-	479.47	
Add: Fresh additions during the year					405.68	
Less: Reductions during the year					573.14	
Closing Balance	200.73	111.28	-		312.01	
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						-
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts					571.20	
Add: Technical/ Prudential write-offs during the year					155.63	
Less: Recoveries made from previously technical/ prudential written-off accounts during the year					522.02	
Closing balance					204.81	

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

b) Classification of advances and provisions held as on March 31, 2022

Particulars	Standard		Non-Performing			Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	16,582.02	325.19	299.41	18.18	642.78	17,224.80
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	19,731.91
*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	440.73
Add: Fresh provisions made during the year					516.42	
Less: Excess provision reversed/ Write-off loans					516.32	
Closing balance of provisions held	235.06	189.97	142.70	25.04	357.71	592.77
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, 2023

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

NPA Ratio:

Ratios	As at 31st Mar 2023		As at 31st Mar 2022	
Gross NPA to Gross Advances		2.76%		4.24%
Net NPA to Net Advances		1.21%		2.47%
Provision coverage ratio		56.90%		42.73%

b) Sector-wise advances

S.No	Sector	As at 31st Mar 2023			As at 31st Mar 2022		
		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	4,278.91	121.04	2.83%	3,285.59	166.37	5.06%
b)	Advances to industries sector eligible as priority sector lending	1,718.70	39.08	2.27%	1,143.62	28.54	2.50%
c)	Services	8,434.75	101.62	1.20%	6,731.92	266.72	3.96%
d)	Personal loans*	1,545.91	20.39	1.32%	1,076.18	20.27	1.88%
e)	Others	1,525.06	53.90	3.53%	1,345.98	106.47	7.91%
Sub-total (i)		17,503.33	336.03	1.92%	13,583.29	588.37	4.33%
(ii) Non-priority Sector							
a)	Agriculture and allied activities	-	-	0.00%	-	-	0.00%
b)	Industry	1,133.81	4.78	0.42%	784.44	7.15	0.91%
c)	Services	164.23	11.68	7.11%	160.01	10.90	6.81%
d)	Personal loans**	5,339.84	276.47	5.18%	4,134.97	158.88	3.84%
e)	Others	2,069.29	95.00	4.59%	1,069.20	71.88	6.72%
Sub-total (ii)		8,707.17	387.93	4.46%	6,148.62	248.81	4.05%
Total (i) + (ii)		26,210.50	723.96	2.76%	19,731.91	837.18	4.24%

* Personal loans includes Housing Loans

** Personal loans includes Housing Loans, Loan Against Property and Loan Against Gold

Priority sector includes ₹1,600 Crore (Previous year ₹2,450 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, 2023 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

Details of stressed loans (classified as NPA) transferred during the year

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Particulars	To ARCs	To permitted transferees	To other transferees
Number of accounts	4,91,963	0	0
Aggregate principal outstanding of loans transferred	581.27	0	0
Weighted average residual tenor of the loans transferred (in years)	0.03	0	0
Net book value of loans transferred (at the time of transfer)	0	0	0
Aggregate consideration	81.38	0	0
Additional consideration realized in respect of accounts transferred in earlier years	0	0	0

During the Previous year FY 2021-22, there was no stressed loans transferred.

During the year, the Bank has not acquired Stressed loans (Previous year: Nil)

(iii) The Bank has reversed excess provision of ₹11.24 Crore to the profit and loss account on account of sale of Non performing advances to ARC. ((Previous year: Nil).

(iv) Details of recovery ratings assigned to Security Receipts as at March 31, 2023

Recovery rating	Anticipated Recovery as per Recovery Rating	Book value	Provision
R1 +/RR1 +	> 150%	-	-
R1 /RR1	100% - 150%	-	-
R2 / RR2	75% - 100%	-	-
R3 RR3	50% - 75%	-	-
RR4 / R4	25% - 50%	-	-
RR5 / R5	0% - 25%	-	-
Yet to be rated #	-	40.33	40.33
Unrated	-	-	-

Pursuant to regulatory norms, the ARC has time to obtain initial rating of SRs from an approved credit rating agency within a period of six months from the date of acquisition of assets by it.

g) Fraud accounts

Particulars	As at 31st Mar 2023	As at 31st Mar 2022
Number of frauds reported	784	58
Amount involved in fraud	5.90	4.20
Amount of provision made for such frauds	2.55	3.42
Amount of Unamortised provision debited from 'other reserves' as at the end of the year	-	-

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

h (i) 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, 2023 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	11.70	1.26	0.02	1.03	9.41
Corporate persons*	8.72	1.03	0.26	1.85	5.84
Of which MSMEs	4.73	0.75	0.09	1.26	2.72
Others	705.01	102.15	12.29	129.5	473.36
Total	725.43	104.44	12.57	132.38	488.61

* 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.

Excludes other facilities to the borrowers which have not been restructured

(ii) There were 805 borrower accounts having an aggregate exposure of ₹45.59 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.

h (ii) 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	1,736.79	294.66	64.10	245.48	1,196.65
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.

Excludes other facilities to the borrowers which have not been restructured

(ii) There were 1,433 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.

The bank continues to monitor and assess the impact of COVID-19 Pandemic on its operations and financials, including the possibility of higher defaults by customers. The bank has considered the information available upto the date of these results and have made adequate provisions in this regard to the extent required.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

5 Exposures

a) Exposures to Real Estate Sector

S.No	Particulars	As at 31-Mar-23	As at 31-Mar-22
(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	12,673.55	9,411.58	
(b) Commercial Real Estate	1,956.18	1,094.36	
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	112.46	162.04	
(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).	214.98	48.91	
Total exposure to Real Estate Sector	13,000.99	9,622.53	

Exposure represents the higher of the sanctioned or outstanding to Real estate sector.

The above disclosure includes the IBPC exposure of ₹1,050 crore. (Previous year ₹570 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 31-Mar-23	As at 31-Mar-22
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;	32.55	34.42
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;	0.01	0.01
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	32.56	34.43	

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

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 31-Mar-23	As at 31-Mar-22
Total unsecured advances of the bank	4,719.71	3,708.69
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, 2023 is ₹166.17 crore (previous year: ₹199.97 crore)

f) Intra- Group exposure

S.No. Particulars	As at 31-Mar-23	As at 31-Mar-22
(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

In accordance with RBI guidelines, as at March 31, 2023 the Bank holds standard asset provisions of ₹0.011 Crore (previous year: ₹0.007 Crore) in respect of the unhedged foreign currency exposure of its customers.

6 Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits

Particulars	As at 31-Mar-23	As at 31-Mar-22
Total Deposits of twenty largest depositors	4,114.38	2,622.61
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	16.21%	13.84%

b) Concentration of Advances*

Particulars	As at 31-Mar-23	As at 31-Mar-22
Total advances of twenty largest borrowers	1,072.68	790.65
Percentage of advances of twenty largest borrowers to Total advances of the bank	3.87%	3.80%

*Advances represents Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

c) Concentration of Exposures *

Particulars	As at 31-Mar-23	As at 31-Mar-22
Total Exposure of twenty largest borrowers/customers	1,092.68	790.65
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	3.88%	3.80%

*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.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

d) Concentration of NPA

Particulars	As at 31-Mar-23	As at 31-Mar-22
Total exposure to the top twenty NPA accounts	51.66	49.93
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	7.14%	5.96%

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 31-Mar-23	As at 31-Mar-22
Number of Direct Assignments	1	1
Total amount of Loans directly transferred / Assigned	111.11	111.11
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR) as on the date of Balance Sheet		
a) Off-balance sheet exposures		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
First loss	-	-
Others	-	-
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

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

10 Transfers to Depositor Education and Awareness Fund (DEA Fund)

S.No	Particulars	Year ended 31-Mar-23	Year ended 31-Mar-22
(i)	Opening balance of amounts transferred to DEA Fund	0.11	0.06
(ii)	Add: Amounts transferred to DEA Fund during the year	0.10	0.05
(iii)	Less: Amounts reimbursed by DEA Fund towards claims	-	-
(iv)	Closing balance of amounts transferred to DEA Fund	0.21	0.11

11 Disclosure of Complaints

a) Summary information on complaints received by the bank from customers and from the Offices of Ombudsman

Complaints received by the bank from its customers

S.No	Particulars	Year ended 31-Mar-23	Year ended 31-Mar-22	Nos.
1	Number of complaints pending at beginning of the year	60	63	
2	Number of complaints received during the year	2,802	2,141	
3	Number of complaints disposed during the year	2,794	2,144	
3.1	Of which, number of complaints rejected by the bank	209	2	
4	Number of complaints pending at the end of the year	68	60	
5	Maintainable complaints received by the bank from Offices of Ombudsman			
5.1	Number of maintainable complaints received by the bank from Office of Ombudsman	215	359	
5.2	Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	107	350	
5.3	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	105	9	
5.4	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	0	0	
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	0	0	

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
2022-2023					
Account opening/ difficulty in operation of accounts	19	1091	49% increase	28	0
Internet/Mobile/ Electronic Banking	14	406	21% decrease	4	0
Levy of charges without prior notice/excessive charges/foreclosure charges	0	89	79% decrease	0	0
Loans and advances	15	768	78% increase	17	0
ATM/Debit Cards	1	179	16% increase	3	0
Others	11	484	104% increase	19	0
Total	60	3017		71	0

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

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	-
Internet/Mobile/ Electronic Banking	8	512	44% decrease	14	1
Levy of charges without prior notice/excessive charges/foreclosure charges	3	433	10% decrease	-	
Loans and advances	17	431	46% increase	15	-
ATM/Debit Cards	5	154	13% decrease	1	-
Others	2	237	204% increase	11	-
Total	63	2500		60	1

12 Disclosure of penalties imposed by the Reserve Bank of India

During the year ended March 31, 2023, RBI has not imposed any penalties on the Bank (Previous year : Nil)

13 Disclosure on remuneration

a) Qualitative disclosures

(a) Information relating to the composition and mandate of the Nomination and Remuneration Committee.
The Nomination and Remuneration Committee is chaired by an Independent Director and comprises of four (4) other Independent Directors. 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 Directors, 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 Director/s of the Bank.

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

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 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

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 compensation 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 and shareholders.

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.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

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.

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.

(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") is 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 considers different aspects like risk-return alignment, cost to income ratio and the like in framing the remuneration policy and practice.

Performance parameters specified for the MD/ CEO also includes risk and control considerations such as Asset quality, implementation of guidelines on Compliance Risk Assessment, Reviewing And Enhancing Controls Of The Operating Risk Processes Of The Bank, Enhancing The Efficacy Of The Process & Quality Assurance Department.

The variable remuneration payable to MD/CEO & other Material Risk Takers are subject to relevant malus and clawback clauses to address issues such as losses in subsequent years due to acts in a given performance year, gross negligence, serious lapses in credit underwriting process, serious violations in AML / KYC, frauds and misconducts.

Further, the KRA's for Senior Executives of the Bank are clearly defined with adequate weightage given to Risk, Compliance, Credit & Asset Quality to ensure risks are assessed and mitigated. KRA's of Executives working in control functions like Risk & Compliance are defined independently and no weightage is given for achievement of business parameters/ targets to ensure independent evaluation.

(d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

The Bank follows Annual Performance Review (12 months period) to link performance. Remuneration is fixed based on the grade and merit rating for all the employees. Individual performances are assessed in line with business or deliveries of the Key Result Areas (KRA), top priorities of business, budgets, risk alignment etc. The Performance Appraisal system assigns a rating based on the achievement or otherwise of the KRAs. The change in remuneration is largely dependent on the rating assigned.

(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 ensured the remuneration for Material Risk Takers in line with the RBI circular dated November 4, 2019. Accordingly, the variable pay of identified MRTs is determined between 100% to 300% of fixed pay. This variable pay is further divided into cash and ESOPs. Both the cash and ESOPs of the said MRTs is to be deferred over a period of three year in line with the risk taken and as per relevant RBI approval received from time to time. 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 the variable pay 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

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

his/her performance levels. For Senior Executives of the Bank due consideration is also given to the overall performance of the Bank & respective Division / Function apart from individual performance ratings.

Employees above defined grade are eligible for Employee Stock Options issued by the Bank as 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.

A variable component may also be made available for specific employees as agreed and included as a part of their respective compensation structure. Variable pay for MRTs have been explained in (e) earlier.

As on the reporting date, the Bank does not have any form of variable remuneration other than as stated above. Thus, the various types of Variable Pay is aligned over both Short and Long term periods.

b) Quantitative disclosures

S.No	Particulars	As At 31st Mar 2023	As At 31st Mar 2022
g)	Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members.	6	8
	Remuneration paid to its members.	0.13	0.16
h)	(i) Number of employees having received a variable remuneration award during the financial year	5	5
	(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: ₹1,37,59,688 No. of ESOPs: 13,01,811 Value of ESOPs: ₹3,02,68,512	Cash: 64,57,976 No. of ESOPs: 36,228 Value of ESOPs: 10,34,128
	(ii) Total amount of deferred remuneration paid out in the financial year.	Cash: ₹26,95,654	Nil (No Deferred Cash Payment)
j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Fixed: ₹6,49,05,099 * Total Variable Cash : ₹1,61,64,800** a) Deferred Cash: ₹99,97,367 b) Paid Cash: ₹61,67,433	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
		Non Cash - Deferred No of ESOPs: 29,74,081 *** Value of ESOPs: ₹5,81,33,546	No of ESOPs: 20,93,412 **** Value of ESOPs: ₹4,55,02,276 (Modified as per RBI approval)
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.	-	-
l)	Number of MRTs identified	4	5

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

S.No	Particulars	As At 31st Mar 2023	As At 31st Mar 2022
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: ₹4,79,168 Deviation: WTD (MD) Sal: 39 times Mean Pay	Mean Pay: 4,51,715 Deviation: WTD (MD) Sal: 37.6 times Mean Pay

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

* MD's fixed remuneration reported pertains to remuneration approved by RBI for FY 2021-22. Remuneration for FY 2022-23 is subject to RBI approval.

** Variable Pay reported refers to variable pay determined in FY 2022-23 and payable for FY 2021-22 performance.

*** ESOP Data reported for FY 2022-23 is subject to RBI approval.

**** ESOP Data reported for FY 2021-22 is modified basis RBI approval received.

Details of Remuneration paid to Independent Directors for the year ended March 31, 2023 and for the year ended March 31, 2022 are as under:

Name	Remuneration	
	FY 2022-23	FY 2021-22
Mr Arun Ramanathan (Chairman)*	0.12	0.12
Mr Arun Kumar Verma	0.15	0.09
Prof Balakrishnan N	0.10	0.06
Mr Navin Puri	0.10	0.06
Mr. Ramesh Rangan	0.10	0.06
Mr Srinivasan N	0.10	0.06
Mr Vinod Kumar Sharma	0.10	0.06
Mr Samir Kumar Barua**	0.10	0.02
Mr Sridhar Ganesh\$	-	0.03
Ms Tabassum Inamdar\$\$	-	0.03
Total	0.87	0.58

*Board proposal to RBI on the increase in Remuneration for FY 2022-23 to Chairman Mr Arun Ramanathan is pending with the RBI.

** 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.

\$\$ Ms. Tabassum Inamdar retired as Director w.e.f. October 19, 2021.

14 Other Disclosures

a) Business Ratio

S. No	Ratio	As at 31-Mar-23	As at 31-Mar-22
(i)	Interest Income as a percentage to Working Funds *	13.21%	13.14%
(ii)	Non interest income as a percentage to Working Funds *	2.13%	2.04%
(iii)	Cost of Deposits	6.18%	6.45%
(iv)	Net Interest Margin \$	8.67%	8.27%
(v)	Operating Profit as a percentage to Working Funds ^**	3.73%	3.31%
(vi)	Return on Assets @	1.82%	1.07%

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

S. No	Ratio	As at 31-Mar-23	As at 31-Mar-22
(vii)	Business (deposits plus advances) per employee # & (₹ in crore)	2.45	2.11
(viii)	Profit per employee & (₹ in crore)	0.030	0.016

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 net advances), inter-bank deposits shall be excluded.

^ Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).

& Productivity ratios (Business per employee and Profit per employee) 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 31-Mar-23	As at 31-Mar-22
On Insurance products	49.87	35.56
On Mutual Fund products	1.64	1.15
Total	51.51	36.71

c) Marketing and Distribution

Miscellaneous income in Schedule 14 include the following income earned on Marketing and distribution activity:

Particulars	As at 31-Mar-23	As at 31-Mar-22
Fees for display of publicity material	13.06	-
Total	13.06	-

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 ₹1,650 crore as on March 31, 2023 (Previous Year : ₹865 crore).

e) Priority Sector Lending Certificate (PSLCs)

Particulars	As at 31-Mar-23	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	-	-
Small and Marginal Farmers	-	900.00
Micro Enterprises	-	700.00
General	-	-
Total	-	1,600.00

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

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

f) Provisions and Contingencies

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

Particulars	Year Ended 31-Mar-2023	Year Ended 31-Mar-2022
Provision for NPA (including write off)	464.08	341.56
Net provision / (reversal) towards Standard assets (including provision for restructured standard assets)	(77.47)	125.86
Provision for Non Performing Investment	40.33	-
Provision for taxes (net)	168.81	157.77
Deferred tax (net)	26.41	(60.39)
Additional Provision of Standard Assets	(20.73)	26.08
Other Provision and Contingencies	0.99	0.34
Total	602.42	591.22

g) Implementation of IFRS converged Indian Accounting Standards (Ind AS)

In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), converged with International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). However, currently the implementation of Ind AS for banks has been deferred by RBI till further notice pending the consideration of some recommended legislative amendments by the Government of India. The Bank is in an advanced stage of preparedness for implementation of Ind AS, as and when these are made applicable to the Indian banks

As required by the RBI guidelines, the accounts of the Bank are converted into Ind AS format and submitted to the RBI at periodic intervals. 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. The Bank has identified an IT solution for Ind AS reporting and is currently in the process of implementing the solution.

h) Payment of DICGC Insurance Premium

Particulars	Year Ended 31-Mar-2023	Year Ended 31-Mar-2022
(i) Payment of DICGC Insurance Premium*	25.80	19.29
(ii) Arrears in payment of DICGC Insurance Premium	-	-

* Amount paid inclusive of GST.

i) Movement in provision for debit card reward points

Particulars	Year Ended 31-Mar-2023	Year Ended 31-Mar-2022
Opening provision for reward points	1.35	0.48
Provision for reward points made during the year	0.85	1.35
Utilisation / Write back of provision for reward points	1.35	0.48
Effect of change in rate for accrual of reward points	-	-
Effect of change in cost of reward points	-	-
Closing provision for reward points	0.85	1.35

j) Fixed Assets - details of software

Particulars	As at 31-Mar-23	As at 31-Mar-22
Opening cost	59.74	67.34
Additions during the year	142.19	20.80
Less: Deletions	0.03	-
Less: Amortization to date	28.18	28.40
Closing balance	173.72	59.74

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

k) i. Others under "Schedule 5 - Other Liabilities and Provisions":

Items under the head "Others (including provisions)" which exceeds one per cent of the total assets are furnished below.

Particulars	As at 31-Mar-23	As at 31-Mar-22
NIL	-	-

ii. Others under "Schedule 11 - Other Assets":

Items under the head "Others" which exceeds one per cent of the total assets are furnished below.

Particulars	As at 31-Mar-23	As at 31-Mar-22
NIL	-	-

iii. Miscellaneous income under "Schedule 14-Other Income"

Items under miscellaneous income head exceeds one percent of the total income are furnished below

Particulars	Year ended Mar 31, 2023	Year ended Mar 31, 2022
Profit on sale of NPA Advances to ARC	70.14	-

iv. Other expenditure under "Schedule 16-Operating Expenses"

Items under other expenditure head exceeds one percent of the total income are furnished below

Particulars	Year ended Mar 31, 2023	Year ended Mar 31, 2022
Items exceeding one percent of the total income	-	-

I) Description of Contingent liabilities

i. Claims against the Bank not acknowledged as debts:

Claims against the Bank not acknowledged as debts includes liability on account of Service tax, Goods and Service Tax and Income Tax. 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.

ii. Guarantees given on behalf of constituents:

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.

iii. Other items for which the Bank is contingently liable:

These include:

- a) Capital commitments
- b) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF)
- c) Investment purchases pending settlement

m) 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.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

n) 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).

o) Letters of Comfort

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

p) 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.

q) Corporate Social Responsibility Activities

Operating expenses include the following amounts towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

	Year Ended 31-Mar-2023	Year Ended 31-Mar-2022
Details of CSR expenditure		
a) Gross amount required to be spent by the Bank	8.60	8.16
b) Amount spent		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	14.04	19.21
% of Average net profit spent for the last three financial years	3.27%	4.71%

Details of Related party transactions i.e contribution to Trusts (Entities under the same Management) are disclosed as per AS-18 refer Note No 18.17

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 ₹52.68 Crore (Previous Year: ₹44.95 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-23	As at 31-Mar-22
Change in defined benefit obligations during the year		
Present value of defined benefit obligation at beginning of the year	54.70	44.03
Current service cost	15.21	15.28
Interest cost	3.18	2.44
Benefits paid	(6.95)	(4.15)
Actuarial (gains)	2.26	(2.90)
Present value of Defined Benefit Obligation at end of the year	68.40	54.70
Change in Fair Value of Assets during the year		
Plan Assets at beginning of the year	26.39	25.50
Add: Adjustments to the opening balance	3.11	0.89

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Particulars	As at 31-Mar-23	As at 31-Mar-22
Expected return on plan assets	1.66	1.53
Actual Bank contributions	-	-
Actuarial gain / (loss)	(1.47)	(1.53)
Plan Assets at End of the Year	29.69	26.39
Liability Recognised in the Balance Sheet		
Present value of defined benefit obligation	(68.40)	(54.70)
Fair value of plan assets	29.69	26.39
Net Liability Recognised in the Balance Sheet	(38.71)	(28.31)

Particulars	Year ended 31-Mar-23	Year ended 31-Mar-22
Cost of Defined Benefit Plan for the year		
Current service cost	15.21	15.28
Interest cost	3.18	2.44
Expected return on plan assets	(1.66)	(1.53)
Net actuarial gains	3.73	(1.37)
Net Cost Recognized in the Profit and Loss account	20.46	14.82
Return on Plan Assets	1.66	1.53
Assumptions		
Discount rate (Refer Note (b))	7.53%	6.20%
Interest rate (Estimated rate of return on assets)	6.20%	7.00%
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-23	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
Projected benefit obligation	68.40	54.70	44.03	32.66	23.50
Fair value of plan assets	29.69	26.39	25.49	22.08	20.63
Surplus/ (Deficit)	(38.71)	(28.31)	(18.54)	(10.58)	(2.87)
Experience adjustments on plan liabilities - gains	2.26	(2.90)	(0.69)	(1.03)	(1.71)
Experience adjustments on plan assets - gains / (losses)	(1.47)	(1.53)	(0.01)	-	(1.18)

d) Category of Plan Assets

Particulars	% of fair value to total plan assets as at 31-Mar- 23	% of fair value to total plan assets as at 31-Mar- 22
Government securities	0%	0%
Debenture and bonds	0%	0%
Equity shares	0%	0%
Others	100%	100%

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Long-term Compensated Absences and Leave Encashment

The key assumptions used in the computation of provision for long term compensated absences and leave encashment as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	Year ended 31-Mar-23	Year ended 31-Mar-22
Assumptions:		
Discount Rate	7.53%	6.20%
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.

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-23

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	426.50	4,241.62	89.81	73.53	4,831.46
Segment Results	83.27	662.66	14.93	61.56	822.42
Unallocated (income)/expenses					53.62
Operating profit					768.80
Income taxes					195.21
Net Profit					573.59
Other information					
Segment assets	7,008.99	26,328.01	1,433.74	-	34,770.74
Unallocated assets					187.38
Total assets					34,958.12
Segment liabilities	5,971.76	22,556.32	1,228.61	-	29,756.69
Unallocated liabilities					43.50
Total liabilities					29,800.19
Net assets / Capital employed	1,037.23	3,771.69	205.13	-	5,014.05
Unallocated Net assets / Capital employed					143.88
Total Capital Employed					5,157.93
Additional information					
Capital expenditure	-	251.95	13.72	-	265.67

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	19,428.45	939.83	-	26,734.01

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Unallocated assets				213.61
Total assets				26,947.62
Segment liabilities	5,343.83	16,539.39	793.48	-
Unallocated liabilities				22,676.70
Total liabilities				24.75
Net assets / Capital employed	1,021.90	2,889.06	146.35	-
Unallocated Net assets / Capital employed				4,057.31
Total Capital Employed				188.86
Additional information				4,246.17
Capital expenditure				-
			87.74	5.01
			-	92.75

Geographic segments

The Bank's operations are confined to one geography (India).

Segmental information is provided as per the MIS/reports maintained for internal reporting purposes, which includes certain estimates and assumptions.

The RBI vide its circular dated April 7, 2022 on establishment of Digital Banking Units (DBUs), has prescribed reporting of Digital Banking Segment as a sub - segment of Retail Banking Segment. The Bank has not set up any DBUs and hence no Digital Banking Segment disclosure have been made. The business operations of the Bank are in India and for the purpose of segment reporting as per Accounting Standard-17 (Segment reporting) the bank is considered to operate only in domestic segment.

17 Related Party Transactions (AS 18)

i. Names of Related Parties and Nature of Relationship

Holding Company	Equitas Holdings Limited (upto December 31, 2022)
Fellow Subsidiaries	Equitas Technologies Private Limited (upto July 05, 2022)
Entities under the same Management	Equitas Development Initiatives Trust
Key Management Personnel (KMP)	Equitas Healthcare Foundation
Vasudevan PN, MD & CEO	Vasudevan PN, MD & CEO
N Sridharan, Chief Financial Officer	N Sridharan, Chief Financial Officer
N Ramanathan (From 1 Jul 2022)	N Ramanathan (From 1 Jul 2022)
Sampathkumar KR, Company Secretary (up to 30 Jun 2022)	Sampathkumar KR, Company Secretary (up to 30 Jun 2022)
P V Choodamani	P V Choodamani
Late Pathangi Narasimhan	Late Pathangi Narasimhan
Komala P N	Komala P N
P.V. Varshini	P.V. Varshini
P.N. Sriraman	P.N. Sriraman
P.N. Malolan	P.N. Malolan
P.N. Janardhanan	P.N. Janardhanan
P.N. Madhavan	P.N. Madhavan
Relative of Chief Financial Officer	Balambika S
Relative of Company Secretary - N Ramanathan	Gayathri E
Relative of Company Secretary - Sampathkumar KR	Sangeetha S

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

ii. Transactions with the Related Parties

Transaction	Name of the Related Party	Year ended 31-Mar-23	Year ended 31-Mar-22
Expenses			
CSR Contribution	Equitas Development Initiatives Trust	4.28	10.20
	Equitas Healthcare Foundation	9.76	9.01
Income			
Safe Deposit Locker Rent	Key Management Personnel	0.00	0.00
	Relatives of Key Management Personnel	0.00	0.00
Deposits			
Term deposits received	Equitas Holdings Limited	224.00	122.04
	Equitas Development Initiatives Trust	0.04	0.06
	Key Management Personnel	5.34	0.42
	Relatives of Key Management Personnel	0.35	0.00
Term deposits closed	Equitas Holdings Limited	496.30	77.39
	Equitas Development Initiatives Trust	0.02	-
	Key Management Personnel	3.98	0.80
	Relatives of Key Management Personnel	0.13	0.02
Interest on Term Deposits	Equitas Holdings Limited	11.98	16.23
	Equitas Development Initiatives Trust	0.01	0.01
	Key Management Personnel	0.20	0.16
	Relatives of Key Management Personnel	0.01	0.01
Interest on Savings Deposits	Equitas Development Initiatives Trust	0.34	0.37
	Equitas Healthcare Foundation	0.32	0.94
	Key Management Personnel	0.10	0.08
	Relatives of Key Management Personnel	0.04	0.02
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)	Vasudevan PN, MD & CEO	2.16	2.24
	N Sridharan, Chief Financial Officer	1.43	1.21
	Ramanathan N, Company Secretary	0.24	-
	Sampathkumar KR, Company Secretary	0.11	0.30

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-23	Year ended 31-Mar-22
Vasudevan PN	-	-
N Sridharan	-	119,840
Sampathkumar KR	-	-
Ramanathan N	-	-
Total	-	119,840

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-23	Year ended 31-Mar-22
Vasudevan PN	10,78,431	16,85,489
N Sridharan	63,140	72,680
Sampathkumar KR	-	9,280
Ramanathan N	-	-
Total	11,41,571	17,67,449

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.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

iii. Balances outstanding at the end of the year

Transaction	Name of the Related Party	As at 31-Mar-23	As at 31-Mar-22
Term Deposit outstanding	Equitas Holdings Limited	-	272.30
	Equitas Development Initiatives Trust	0.22	0.21
	Key Management Personnel	3.46	1.80
	Relatives of Key Management Personnel	0.31	0.09
Interest Payable on term deposits	Equitas Holdings Limited	-	2.53
	Equitas Development Initiatives Trust	0.00	0.00
	Key Management Personnel	0.03	0.01
	Relatives of Key Management Personnel	0.00	0.00
Demand Deposits	Equitas Holdings Limited	-	8.82
	Equitas Technologies Private Limited	-	0.18
Savings Deposit	Equitas Development Initiatives Trust	5.59	6.35
	Equitas Healthcare Foundation	6.73	6.20
	Key Management Personnel	0.33	1.18
	Relatives of Key Management Personnel	2.12	0.35

iv. Maximum Outstanding during the year

Transaction	Name of the Related Party	Maximum Outstanding during Apr 22 to Mar 23	Maximum Outstanding during Apr 21 to Mar 22
Term Deposit	Equitas Holdings Limited	309.61	274.71
	Equitas Development Initiatives Trust	0.22	0.21
	Key Management Personnel	3.50	2.43
	Relatives of Key Management Personnel	0.32	0.11
Demand Deposits	Equitas Holdings Limited	82.94	21.43
	Equitas Technologies Private Limited	-	1.25
Savings Deposit	Equitas Development Initiatives Trust	9.22	10.01
	Equitas Healthcare Foundation	7.51	23.56
	Key Management Personnel	4.41	1.80
	Relatives of Key Management Personnel	28.29	0.61

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-23	Year ended 31-Mar-22
Future lease rentals payable at the end of the year		
- Not later than one year	77.60	67.99
- Later than one year but not later than five years	166.17	185.38
- Later than five years	41.99	27.59
Total minimum lease payments recognised in the Profit and loss account	76.82	68.38
Total of future minimum sub lease payments expected to be received under non-cancellable sub-lease	-	-

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

19 Earnings per Share (AS 20)

Particulars	Year ended 31-Mar-23	Year ended 31-Mar-22
Net profit after tax	573.59	280.73
Basic weighted average number of equity shares	1,21,80,67,551	1,15,54,79,917
Diluted weighted average number of equity shares	1,22,92,65,819	1,17,06,52,926
Nominal value of Equity shares (₹)	10.00	10.00
Basic Earnings per share (₹)	4.71	2.43
Diluted Earnings per share (₹)	4.67	2.40

During the year ended March 31, 2023, the Bank granted 2,04,10,628 options (Previous year 81,61,946 options) to its employees 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	Year ended 31-Mar-23		Year ended 31-Mar-22	
	Assets	Liabilities	Assets	Liabilities
Timing difference on account of:				
Impact of difference between tax depreciation and depreciation/amortization for financial reporting.	11.69	-	23.85	-
Expenditure charged to the profit and loss account in the current year but allowed for tax purposes on payment basis.*	41.36	-	35.17	-
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viia) of Income Tax Act, 1961.	84.54	-	90.10	-
Provision for advances	40.02	-	59.16	-
Others	19.82	-	12.34	-
Provision for special reserve u/s 36(i)(viii) of Income Tax Act, 1961	-	10.04	-	7.01
Net closing balance carried to the Balance Sheet (included in Schedule 11 - Others)	197.42	10.04	220.62	7.01

*Amount pertains to Provision for Leave encashment ₹24.00 Crore (Previous year: ₹. 21.01 crore), Provision for Gratuity ₹.9.77 Crore (Previous year: ₹.7.12 crore) and Provision for Bonus and Others ₹. 7.61 Crore (Previous year: ₹. 7.03 crore).

21 Scheme of Amalgamation

The 'Scheme of Amalgamation' of erstwhile Equitas Holdings Limited ("EHL") with Equitas Small Finance Bank Limited ("ESFBL") had been approved by the Reserve Bank of India, Stock Exchanges, the respective Shareholders, Depositors and Creditors of each entities, as applicable, and the National Company Law Tribunals (NCLT) Bench at Chennai.

As per the approval received from NCLT Chennai bench vide its order dated January 12, 2023, the appointed date for the scheme is January 1, 2023. The Scheme of Amalgamation has come in to force on January 1, 2023 (referred to as the date on which the scheme has come in to force).

As per the scheme,

- (i) in consideration of the transfer and vesting of the undertaking of the Transferor Company (EHL), 231 (Two Hundred and Thirty One) fully paid Equity Shares of ₹10/- each of ESFBL for every 100 (One Hundred) fully paid Equity Shares of ₹10/- each of EHL, were issued, thereby resulting in increase in the paid-up capital by ₹789.54 crore (78, 95, 35,166 equity shares of face value of ₹10 each fully paid), post the extinguishment of ₹933.94 crore (93,39,43,363 equity shares of face value of ₹10 each).

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

- (ii) The Amalgamation is accounted under the "Pooling of Interest" method as prescribed in AS-14 "Accounting for amalgamation". In accordance with the accounting treatment provided for in the scheme, the Bank has recorded the assets and liabilities at the book values as appearing in the audited books of EHL at the close of business of the day immediately preceding the Appointed date (i.e. January 1, 2023).

Details of Net Assets and Reserves acquired by the ESFBL on amalgamation are as follows:

Net Assets	₹ in Crore
Balances with Bank and money at call and short notice	310.55
Investments	1,380.91
Fixed Assets	0.04
Other Assets	15.53
Total Assets	1,707.03
Less:	
Other Liabilities and Provisions	1.14
Net assets (a)	1,705.89
Reserves	
Statutory reserve	48.77
Surplus in Profit and Loss account	16.45
Securities Premium account	1,298.88
Total Reserves (b)	1,364.10
78,95,35,166 Share of Face value of ₹10/- each issued by ESFBL to Shareholders of EHL as per the approved "Share Exchange Ratio". (c)	789.54
Book value of Investments made by EHL in ESFBL (d)	1,380.91
Equity shares held by EHL in ESFBL (e)	933.94
Short fall adjusted to General Reserve (a-b-c-d+e)	894.71

The Short fall as stated above of ₹894.71 Crore net of Surplus in Profit and Loss account of ₹16.45 Crore has been adjusted to balance in statement of Profit and Loss as disclosed in Schedule -2 IX.

Intercompany outstanding balances between EHL and the Bank have been cancelled on the appointed date as per the scheme of amalgamation.

22 Employees Stock Option Scheme

a) Equitas ESOP Scheme 2015

Under the Equitas ESOP Scheme 2015, EHL stock options were granted to some of the eligible employees of the Bank.

The Hon'ble National Company Law Tribunal, Division Bench II, Chennai (NCLT) vide its Order dated 12.01.2023 had sanctioned the Scheme of Amalgamation of Equitas Holdings Limited (EHL) and Equitas Small Finance Bank Limited (ESFBL) and their respective shareholders ("the Scheme") and the Scheme was effective from February 02, 2023.

Upon effect of the Scheme stock options granted by EHL under EHL ESOP scheme 2015 were cancelled and 40,696 options were approved by Nomination and Remuneration Committee of the Bank under the ESFB Employees Stock Option Scheme, 2019, on February 8, 2023 to the option holders of EHL taking into account the Share Exchange Ratio (231 shares for every 100 shares held) on the same terms and conditions as prescribed in the approved Scheme.

The outstanding options as at the respective years is given below.

Particulars	As at 31-Mar-23	As at 31-Mar-22
Options outstanding	-	51,976

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 11,00,00,000 options (including 3,34,87,873 options under Grant 1 issued as a replacement option for

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

the Scheme under the Holding Company) to eligible employees of the Bank and the erstwhile Holding Company. Each option entitles for apply and allotment of one fully paid share on payment of exercise price during the exercise period.

As at March 31, 2023, 486,14,746 (previous year 377,39,487) (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, 2023.

Scheme : ESFB ESOP 2019

Grant	Date of Grant	Date of Board/ Committee Approval	Exercise Price Per Option (₹)	Total Options granted	Vesting Period	Method of Settlement	Exercise Period	1st Vesting	2nd Vesting	3rd Vesting	4th Vesting	Vesting Conditions
Grant 1	22-Nov-19 & 08-Dec-19	22-Nov-19 & 08-Dec-19	27.00	33,487,873	30-Nov-20 to 15-Dec-22 (Vesting over 3 years)	Equity	3 years from the date of vesting of the options	92 % on 12 months and 8 days from the date of grant	6% on expiry of one year from the 1 st vesting date	2% on expiry of two years from the 1 st vesting date	-	Partly based on continuance of service and partly based on performance rating
Grant 2	12-Dec-19	12-Dec-19	27.00	1,200,000	12-Dec-20 to 12-Dec-23 (Vesting over 4 years)	Equity	3 years from the date of vesting of the options	25 % on 12 months and 20 days from the date of grant	25% on expiry of one year from the 1 st vesting date	25% on expiry of two years from the 1 st vesting date	25% on expiry of three years from the 1 st vesting date	Partly based on continuance of service and partly based on performance rating
Grant 3	29-Jan-20	29-Jan-20	38.00	6,438,855	29-Jan-2021 to 29-Jan-2022. (Vesting over a period of two years)	Equity	3 years from the date of vesting of the options	67 % on completion of One year from the date of grant	33 % on expiry of one year from the 1 st vesting date	-	-	On Continuance of Service
Grant 4	24-Mar-20	24-Mar-20	38.00	282,000	1-Apr-2021 to 1-Apr-2024 (Vesting over a period of four years)	Equity	3 years from the date of vesting of the options	25 % on 12 months and 20 days from the date of grant	25% on expiry of one year from the 1 st vesting date	25% on expiry of two years from the 1 st vesting date	25% on expiry of three years from the 1 st vesting date	Partly based on continuance of service and partly based on performance rating
Grant 5	26-Sep-20	26-Sep-20	38.00	3,800,360	26-Sep-2021 (Vesting over a period of one year)	Equity	3 years from the date of vesting of the options	12 months from the date of grant	-	-	-	On Continuance of Service
Grant 6	15-Feb-21	15-Feb-21	33.00	100,000	15-Feb-2022 (Vesting over a period of one year)	Equity	3 years from the date of vesting of the options	12 months from the date of grant	-	-	-	On Continuance of Service
Grant 7	15-Feb-21	15-Feb-21	34.00	158,346	22-Feb-2022 to 22-Feb-2024 (Vesting over a period of three years)	Equity	3 years from the date of vesting of the options	1/3 rd on expiry of 12 months from the date of grant	1/3 rd on expiry of one year from the 1 st vesting date	1/3 rd on expiry of two years from the 1 st vesting date	-	Partly based on continuance of service and partly based on performance rating
Grant 8	15-Feb-21	15-Feb-21	35.00	291,000	22-Feb-2022 to 22-Feb-2024 (Vesting over a period of three years)	Equity	3 years from the date of vesting of the options	1/3 rd on expiry of 12 months from the date of grant	1/3 rd on expiry of one year from the 1 st vesting date	1/3 rd on expiry of two years from the 1 st vesting date	-	Partly based on continuance of service and partly based on performance rating
Grant 9	15-Feb-21	15-Feb-21	40.00	400,000	22-Feb-2022 to 22-Feb-2025 (Vesting over a period of four years)	Equity	3 years from the date of vesting of the options	25 % on 12 months from the date of grant	25% on expiry of one year from the 1 st vesting date	25% on expiry of two years from the 1 st vesting date	25% on expiry of three years from the 1 st vesting date	Partly based on continuance of service and partly based on performance rating
Grant 10	22-Mar-21	22-Mar-21	56.00	3,802,510	22-Mar-2022 (Vesting over a period of one year)	Equity	3 years from the date of vesting of the options	12 months from the date of grant	-	-	-	On Continuance of Service

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Grant	Date of Grant	Date of Board/ Committee Approval	Exercise Price Per Option (₹)	Total Options granted	Vesting Period	Method of Settlement	Exercise Period	1st Vesting	2nd Vesting	3rd Vesting	4th Vesting	Vesting Conditions
Grant 11	22-Mar-21	22-Mar-21	56.00	1,142,500	22-Mar-2022 to 22-Mar-2025 (Vesting over a period of four years)	Equity	3 years from the date of vesting of the options	25 % on 12 months from the date of grant	25% on expiry of one year from the 1 st vesting date	25% on expiry of two years from the 1 st vesting date	25% on expiry of three years from the 1 st vesting date	Partly based on continuance of service and partly based on performance rating
Grant 12	1-Jun-21	1-Jun-21	60.00	837,657	01-Jun-2022 to 01-Jun-2024 (Vesting over a period of three years)	Equity	3 years from the date of vesting of the options	1/3 rd on expiry of 12 months from the date of grant	1/3 rd on expiry of one year from the 1 st vesting date	1/3 rd on expiry of two years from the 1 st vesting date	-	Partly based on continuance of service and partly based on performance rating
Grant 13	30-Jul-21	30-Jul-21	64.00	5,176,800	30-Jul-2022 (Vesting over a period of one year)	Equity	3 years from the date of vesting of the options	12 months from the date of grant	-	-	-	On Continuance of Service
Grant 14	5-Jul-21	4-Mar-21	50.00	282,000	05-Jul-2022 to 05-Jul-2025 (Vesting over a period of four years)	Equity	3 years from the date of vesting of the options	25 % on 12 months from the date of grant	25% on expiry of one year from the 1 st vesting date	25% on expiry of two years from the 1 st vesting date	25% on expiry of three years from the 1 st vesting date	Partly based on continuance of service and partly based on performance rating
Grant 15	30-Jul-21	30-Jul-21	64.00	180,000	30-Jul-2022 to 30-Jul-2025 (Vesting over a period of four years)	Equity	3 years from the date of vesting of the options	25 % on 12 months from the date of grant	25% on expiry of one year from the 1 st vesting date	25% on expiry of two years from the 1 st vesting date	25% on expiry of three years from the 1 st vesting date	Partly based on continuance of service and partly based on performance rating
Grant 16	5-Feb-22	5-Feb-22	57.85	503,805	05-Feb-2023 to 05-Feb-2025 (Vesting over a period of three years)	Equity	3 years from the date of vesting of the options	38.03 %/on expiry of 12 months from the date of grant	32.76% on expiry of one year from the 1 st vesting date	29.21% on expiry of two years from the 1 st vesting date	-	On Continuance of Service
Grant 17	7-Feb-22	7-Feb-22	57.85	1,181,684	07-Feb-2023 to 07-Feb-2025 (Vesting over a period of three years)	Equity	3 years from the date of vesting of the options	38.03 %/on expiry of 12 months from the date of grant	32.76% on expiry of one year from the 1 st vesting date	29.21% on expiry of two years from the 1 st vesting date	-	Based on performance rating
Grant 18	30-May-22	30-May-22	43.60	4,533,410	30-May-2023 to 30-May-2024 (Vesting over a period of two years)	Equity	3 years from the date of vesting of the options	60 %/on expiry of 12 months from the date of grant	40% on expiry of one year from the 1 st vesting date	-	-	Partly based on continuance of service and partly based on performance rating
Grant 19	30-May-22	30-May-22	43.60	10,959,260	30-05-2023 (Vesting over a period of one year)	Equity	3 years from the date of vesting of the options	12 months from the date of grant	-	-	-	On Continuance of Service
Grant 20	30-May-22	30-May-22	43.60	2,309,034	30-May-2023 to 30-May-2025 (Vesting over a period of three years)	Equity	3 years from the date of vesting of the options	38.41 %/on expiry of 12 months from the date of grant	32.61% on expiry of one year from the 1 st vesting date	28.98% on expiry of two years from the 1 st vesting date	-	Based on performance rating
Grant 21	31-Oct-22	31-Oct-22	49.00	1,437,208	31-Oct-2023 to 31-Oct-2025 (Vesting over a period of three years)	Equity	3 years from the date of vesting of the options	39.09 %/on expiry of 12 months from the date of grant	32.12% on expiry of one year from the 1 st vesting date	28.79% on expiry of two years from the 1 st vesting date	-	Based on performance rating

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Grant	Date of Grant	Date of Board/ Committee Approval	Exercise Price Per Option (₹)	Total Options granted	Vesting Period	Method of Settlement	Exercise Period	1st Vesting	2nd Vesting	3rd Vesting	4th Vesting	Vesting Conditions
Grant 22	20-Dec-22	20-Dec-22	57.20	53,550	20-Dec-2023 (Vesting over a period of one year)	Equity	3 years from the date of vesting of the options	12 months from the date of grant	-	-	-	On Continuance of Service
Grant 23	20-Dec-22	23-Dec-22	57.20	1,078,431	20-Dec-2023 to 20-Dec-2025 (Vesting over a period of three years)	Equity	3 years from the date of vesting of the options	39.85 % on expiry of 12 months from the date of grant	31.71% on expiry of one year from the 1 st vesting date	28.44% on expiry of two years from the 1 st vesting date	-	Based on performance rating
Grant 24	8-Feb-23	8-Feb-23	54.00	39,735	8-Feb-23	Equity	3 years from the date of vesting of the options	100% on grant of options	-	-	-	On Continuance of Service

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.

Particulars	Date of Grant	Outstanding Options as at April 1, 2022	Options granted during the Year	Less: Options Forfeited / Lapsed	Options Exercised	Outstanding options as at March 31, 2023	Vested	Yet to vest	Weighted Average of the remaining maturity (in years)	
									Vested	Yet to vest
Grant 1	22-Nov-19 & 08-Dec-19	1,65,18,419	-	12,91,456	22,21,140	1,30,05,823	1,30,05,823	-	0.80	
Grant 2	12-Dec-19	11,70,000	-	30,000	-	11,40,000	8,40,000	3,00,000	2.28	
Grant 3	29-Jan-20	48,05,993	-	3,86,061	2,79,614	41,40,318	41,40,318	-	1.17	
Grant 4	24-Mar-20	2,74,950	-	7,050	-	2,67,900	1,26,900	1,41,000	2.56	
Grant 5	26-Sep-20	22,99,024	-	2,41,090	3,26,482	17,31,452	17,31,452	-	1.50	
Grant 6	15-Feb-21	1,00,000	-	-	-	1,00,000	1,00,000	-	1.88	
Grant 7	15-Feb-21	54,342	-	-	-	54,342	36,228	18,114	2.88	
Grant 8	15-Feb-21	2,81,300	-	19,400	-	2,61,900	1,64,900	97,000	2.92	
Grant 9	15-Feb-21	3,90,000	-	5,000	90,000	2,95,000	95,000	2,00,000	3.90	
Grant 10	22-Mar-21	33,51,725	-	2,02,805	5,520	31,43,400	31,43,400	-	1.98	
Grant 11	22-Mar-21	8,31,248	-	11,025	15,120	8,05,103	2,79,478	5,25,625	3.55	
Grant 12	1-Jun-21	8,37,657	-	27,920	-	8,09,737	2,51,299	5,58,438	3.21	
Grant 13	30-Jul-21	46,77,340	-	4,87,230	820	41,89,290	41,89,290	-	2.34	
Grant 14	5-Jul-21	2,82,000	-	7,050	-	2,74,950	63,450	2,11,500	3.81	
Grant 15	30-Jul-21	1,80,000	-	1,80,000	-	-	-	-	-	
Grant 16	5-Feb-22	5,03,805	-	-	-	5,03,805	1,91,612	3,12,193	3.77	
Grant 17	7-Feb-22	11,81,684	-	5,15,094	-	6,66,590	2,53,524	4,13,066	3.77	
Grant 18	30-May-22	-	45,33,410	7,58,600	-	37,74,810	-	37,74,810	3.57	
Grant 19	30-May-22	-	1,09,59,260	5,76,300	-	1,03,82,960	-	1,03,82,960	3.17	
Grant 20	30-May-22	-	23,09,034	18,50,592	-	4,58,442	-	4,58,442	4.08	
Grant 21	31-Oct-22	-	14,37,208	-	-	14,37,208	-	14,37,208	4.49	
Grant 22	20-Dec-22	-	53,550	-	-	53,550	-	53,550	3.73	
Grant 23	20-Dec-22	-	10,78,431	-	-	10,78,431	-	10,78,431	4.62	
Grant 24	8-Feb-23	-	39,735	-	-	39,735	39,735	-	2.87	

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Particulars	Date of Grant	Outstanding Options as at April 1, 2021	Options granted during the Year	Less: Options Forfeited / Lapsed	Options Exercised	Outstanding options as at March 31, 2022	Vested	Yet to vest	"Weighted Average of the remaining maturity (in years)"	
Grant 1	22-Nov-19 & 08-Dec-19	2,71,36,034	-	19,99,159	86,18,456	1,65,18,419	1,60,06,919	5,11,500	1.79	
Grant 2	12-Dec-19	11,70,000	-	-	-	11,70,000	5,70,000	6,00,000	3.29	
Grant 3	29-Jan-20	58,76,940	-	3,53,481	7,17,466	48,05,993	48,05,993	-	2.18	
Grant 4	24-Mar-20	2,82,000	-	7,050	-	2,74,950	63,450	2,11,500	3.54	
Grant 5	26-Sep-20	35,33,190	-	4,51,770	7,82,396	22,99,024	22,99,024	-	2.49	
Grant 6	15-Feb-21	1,00,000	-	-	-	1,00,000	1,00,000	-	2.88	
Grant 7	15-Feb-21	1,58,346	-	1,04,004	-	54,342	18,114	36,228	3.88	
Grant 8	15-Feb-21	2,91,000	-	9,700	-	2,81,300	87,300	1,94,000	3.92	
Grant 9	15-Feb-21	4,00,000	-	10,000	-	3,90,000	90,000	3,00,000	4.42	
Grant 10	22-Mar-21	37,28,110	-	3,76,385	-	33,51,725	33,51,725	-	2.98	
Grant 11	22-Mar-21	11,42,500	-	3,11,252	-	8,31,248	1,27,748	7,03,500	4.50	
Grant 12	1-Jun-21	-	8,37,657	-	-	8,37,657	-	8,37,657	4.17	
Grant 13	30-Jul-21	-	51,76,800	4,99,460	-	46,77,340	-	46,77,340	3.33	
Grant 14	5-Jul-21	-	2,82,000	-	-	2,82,000	-	2,82,000	4.77	
Grant 15	30-Jul-21	-	1,80,000	-	-	1,80,000	-	1,80,000	4.83	
Grant 16	5-Feb-22	-	5,03,805	-	-	5,03,805	-	5,03,805	4.77	
Grant 17	7-Feb-22	-	11,81,684	-	-	11,81,684	-	11,81,684	4.77	
(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:										
Particulars	Grant Date	Risk Free Interest Rate	Expected Life	Expected Volatility	Dividend Yield	Price of the underlying Share at the time of the Option Grant (₹)	1st Stage	2nd Stage	3rd Stage	4th Stage
Grant 1	22-Nov-19 & 08-Dec-19	5.56% to 6.06%	2.52 yrs to 4.53 yrs	32.63% to 35.63%	-	27.00	7.10	8.70	10.69	-
Grant 2	12-Dec-19	5.85% to 6.59%	2.50 yrs to 5.51 yrs	32.71% to 35.41%	-	27.00	7.17	8.82	10.83	12.13
Grant 3	29-Jan-20	5.83 % to 6.12%	2.50 yrs to 3.51 yrs	32.66% to 32.86%	-	38.00	10.11	12.41	-	-
Grant 4	24-Mar-20	5.81 % to 6.41%	2.52 yrs to 5.52 yrs	32.86% to 35.33%	-	38.00	10.22</			

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

Particulars	Grant Date	Risk Free Interest Rate	Expected Life	Expected Volatility	Dividend Yield	Price of the underlying Share at the time of the Option Grant (₹)	Fair Value of the Option (₹)			
							1st Stage	2nd Stage	3rd Stage	4th Stage
Grant 14	5-Jul-21	4.84% to 5.98%	2.50 yrs to 5.51 yrs	42.96% to 37.88%	-	49.70	21.76	24.56	26.93	29.57
Grant 15	30-Jul-21	4.77% to 5.95%	2.50 yrs to 5.51 yrs	43.04% to 37.68%	-	64.00	19.40	22.51	25.30	28.35
Grant 16	5-Feb-22	5.10% to 6.05%	2.50 yrs to 4.50 yrs	43.84% to 38.85%	-	57.85	18.45	21.41	24.01	-
Grant 17	7-Feb-22	5.10% to 6.05%	2.50 yrs to 4.50 yrs	43.84% to 38.85%	-	57.85	18.45	21.41	24.01	-
Grant 18	30-May-22	6.43% to 6.74%	2.50 yrs to 3.50 yrs	42.97% to 41.17%	-	43.60	14.26	16.80	-	-
Grant 19	30-May-22	6.43%	2.50 yrs	42.97%	-	43.60	14.26	-	-	-
Grant 20	30-May-22	6.43% to 6.95%	2.50 yrs to 4.51 yrs	42.97% to 39.40%	-	43.60	14.26	16.80	18.90	-
Grant 21	31-Oct-22	6.97% to 7.26%	2.50 yrs to 4.51 yrs	42.41% to 40.85%	-	49.00	16.14	19.64	21.91	-
Grant 22	20-Dec-22	6.85%	2.50 yrs	40.37%	-	57.20	18.15	-	-	-
Grant 23	20-Dec-22	6.85% to 7.12%	2.50 yrs to 4.51 yrs	40.37% to 40.79%	-	57.20	18.15	22.81	25.43	-
Grant 24	8-Feb-23	6.62%	1.25 yrs	39.90%	-	54.00	11.45	-	-	-

Volatility

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of Volatility used in the Black -Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time.

c) Dividend Yield

Expected dividend yield has been calculated based on the dividend declared for 1 financial year prior to the date of grant. The dividend yield has been derived by dividing the dividend per share by the market price per share on the date of grant.

Had compensation cost for the stock options granted under the Scheme been determined based on the fair value approach, the 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, 2023		For the year ended March 31, 2022	
	573.59	280.73	4.42	1.27
Net Profit as per Statement of Profit and Loss (as reported)			(25.54)	(19.35)
Add: Stock Based Employee Compensation Expense included in profit before tax				
Less: Stock Based Compensation Expense Determined under Fair Value based Method (Proforma)				
Net Profit - Proforma	552.47	262.65		
Basic Earnings per Share of ₹10 each (as reported)	4.71	2.43		
Basic Earnings per Share of ₹10 each (Proforma)	4.54	2.27		
Diluted Earnings per Share of ₹10 each (as reported)	4.67	2.40		
Diluted Earnings per Share of ₹10 each (Proforma)	4.49	2.24		

Also refer Note 19 of Schedule 18.

Schedule 18 - Notes forming part of the financial statements

for the year ended March 31, 2023

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

23 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

Sheshu Samudrala
Partner
Membership No: 235031
Place: Chennai
Date: May 05, 2023

As per our report of even date

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

P R Prasanna Varma
Partner
Membership No: 025854
Place: Chennai
Date: May 05, 2023

Arun Ramanathan
Chairman
DIN:00308848
Place: Chennai
Date: May 05, 2023

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885
Place: Chennai
Date: May 05, 2023

Arun Kumar Verma
Director
DIN:03220124
Place: Chennai
Date: May 05, 2023

N Sridharan
Chief Financial Officer
Place: Chennai
Date: May 05, 2023

Ramanathan N
Company Secretary
M.No:28366
Place: Chennai
Date: May 05, 2023

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. RAMANATHAN N

Company Secretary

Registered Office:

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CIN: L65191TN1993PLC025280

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