



3rd Annual Report

2018 - 19

Equitas Small Finance Bank



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Corporate Information

Board of Directors

Mr. Arun Ramanathan (DIN 00308848)	Chairman and Independent Director
Mr. Arun Kumar Verma (DIN 03220124)	Independent Director
Prof. Balakrishnan N (DIN 00181842)	Independent Director
Ms. Lalitha Lakshmanan (DIN 07140032)	Independent Director
Mr. Nagarajan Srinivasan (DIN 01480303)	Non-Executive Non-Independent Director
Mr. Sridhar Ganesh (DIN 01681018)	Independent Director
Mr. Srinivasan N (DIN 01501266)	Independent Director
Ms. Tabassum Inamdar (DIN 07637013)	Independent Director
Mr. Vinod Kumar Sharma (DIN 02051084)	Independent Director
Mr. Vasudevan P N (DIN 01550885)	Managing Director and Chief Executive Officer (MD & CEO)

Key Managerial Personnel

Mr. Sridharan N	Chief Financial Officer
Mr. Sampathkumar K R	Company Secretary

Registered Office

Statutory Auditors

<p>4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai Chennai – 600002</p> <p>Tel : +91 44 4299 5000</p> <p>Fax : +91 44 4299 5050</p> <p>Email : Corporate@equitas.in</p> <p>Website: www.equitasbank.com</p> <p>CIN: U65191TN1993PLC025280</p>	<p>M/s. S.R. Batliboi & Associates LLP, 6th Floor – “A” Block Tidel Park, (Module 601) No. 4, Rajiv Gandhi Salai Taramani, Chennai – 600113</p> <p>Tel : +91 44 6654 8100</p> <p>Fax : +91 44 2254 0120</p>
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EQUITAS SMALL FINANCE BANK LIMITED

CIN: U65191TN1993PLC025280

Registered Office: 4th Floor, Phase II, Spencer Plaza, No. 769,

Mount Road, Anna Salai, Chennai 600 002

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

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Third Annual Report together with the audited Accounts of the Bank for the financial year ended March 31, 2019 (FY 2018-19).

1. Financial Results

(₹ in Lakhs)

Particulars	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Deposits & Other Borrowings	1,297,976.24	10,78,118.08
Advances	1,159,500.45	7,70,669.26
Total Income	2,40,352.27	1,78,392.75
Operating Profits (Profits before Provision, Depreciation and Taxation)	51,792.17	30,814.97
Less: Depreciation	9,177.67	8,750.61
Less: Provision and contingencies	10,240.83	17,212.88
Less: Provision for Taxation	11,317.06	1,668.35
Net Profit	21,056.61	3,183.14
Add: Profit brought forward from previous year	32,115.18	30,024.34
Total Profit Available for Appropriation	53,171.79	33,207.48
Appropriations		
Transfer to Statutory Reserve	5,264.16	795.78
Transfer to Special Reserve	263.75	66.52
Transfer to / (from) Investment Reserve	-	230.00
Transfer to / (from) Investment Fluctuation Reserve	843.00	-
Proposed Dividend	-	-
Tax including Surcharge and Education cess on Dividend	-	-
Balance carried over to Balance Sheet	46,800.88	32,115.18

2. Dividend

The Directors do not recommend any dividend for the year on account of the need to sustain network and requirements for meeting expansion needs in line with the Business Plan.

3. Transfer to Reserves

As per the requirement of RBI Regulations, the Bank has transferred the following amount to various reserves during FY 2018-19:

Amount transferred to	₹ in lakh
Statutory Reserve	5,264.16
Special Reserve	263.75
Investment Fluctuation Reserve	843.00

4. Deposits

Your Bank being a banking company receives and accepts deposits. The details of the deposits are enumerated in the financial statements for FY 2018-19.

5. Capital Adequacy

The Capital Adequacy ratio stood at 22.44% as on March 31, 2019 as against the minimum requirement of 15.00% stipulated by RBI. The Net Worth of the Bank as on the said date was ₹2254.32 crore.

6. Material changes after the Balance Sheet Date as at March 31, 2019

There have been no material changes and commitments between the end of FY 2018-19 and the date of this report, affecting the financial position of the Bank.

7. Share Capital

During the year, there was no capital infusion and as on March 31, 2019, total paid up share capital stood at ₹1005,94,33,630 (One thousand and five crore ninety-four lakhs thirty-three thousand six hundred thirty) comprising of 100,59,43,363 equity shares of ₹10 each.

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

The Bank does not have any Subsidiaries, Associates and Joint Venture Companies.

9. Operational highlights

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

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

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

11. Corporate Social Responsibility (CSR)

The Bank has laid down a Corporate Social Responsibility (CSR) Policy which is available on our website. In accordance with the Policy, the Bank contributes higher of 5% of its net profits or 2% of average net profits made during the preceding three financial years to Equitas Development Initiatives Trust (EDIT) and Equitas Healthcare Foundation, Registered Public Charitable Trusts for carrying out CSR activities on its behalf. The Corporate Social Responsibility report on is enclosed as **Annexure I**.

12. Listing of shares of the Bank

In accordance with the terms and conditions of the grant of Small Finance Bank (SFB) licence, the Bank is required to list its shares within three years of commencement of business i.e., on or before September 5, 2019. Also, Equitas Holdings Limited, the Holding Company, as the promoter of the Bank is required to maintain a minimum stake of 40% (forty percent) in ESFBL for a period of 5 (five) years from the date of commencement of business of the Bank (i.e., until September 04, 2021).

In order to comply with the aforesaid terms and conditions in a manner that is in the best interests of all stakeholders of ESFBL and EHL, the Board of Directors of ESFBL and EHL in their respective Meetings held on January 31, 2019 and February 1, 2019 approved a Scheme of Arrangement between EHL, ESFBL and the respective shareholders. The Scheme contemplates

- a) issue and allotment by ESFBL of 89,20,62,982 (Eighty Nine crore Twenty Lakhs Sixty Two Thousand Nine Hundred and Eighty Two only) fully paid-up equity shares for no cash consideration to the shareholders of EHL as of the Record Date in the manner set out in the Scheme and
- b) the consequent reduction by ESFBL of securities premium account, the revenue and other reserves and the surplus in profit and loss account by an amount equal to the face value of the shares of ESFBL issued under the Scheme

The Scheme, if implemented after necessary approvals from Stock Exchanges, SEBI, RBI, Shareholders and National Company Law Tribunal, would result in reduction of stake of EHL in ESFBL to 53% with the remaining 47% held by public shareholders. Post giving effect to the Scheme, the Bank seeks to list its shares by availing exemption from SEBI under Rule 19(7) of Securities Contracts Regulations Rules, 1957.

The Scheme has been filed with SEBI through Stock Exchanges and RBI. Post their approval, shareholders and NCLT approval will be sought.

13. Meetings of the Board

During FY 2018-19, our Board met Six times. The details of Meetings are given in the Report on Corporate Governance. The maximum interval between any two Meetings did not exceed 120 days, as prescribed in the Act.

14. Directors and Key Managerial Personnel

As on the date of this Report, the Bank has ten Directors including eight Independent Directors, out of which two were lady Directors.

Change in Directors

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

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

- 14.2 Mr Vinod Kumar Sharma was appointed as Independent Director of the erstwhile Equitas Finance Limited on March 6, 2015 to hold office upto August 31, 2019. On conversion of EFL into a Small Finance Bank under the name Equitas Small Finance Bank Limited (ESFBL), Mr Vinod Kumar Sharma continued as Independent Director of ESFBL pursuant to approval received from RBI. His term expires on August 31, 2019. The Board in its Meeting held on May 9, 2019, has recommended re-appointment of Mr Vinod Kumar Sharma as Independent Director of ESFBL for a further period of five years with effect from September 1, 2019. Necessary resolution in this regard has been included in the Notice for the ensuing Annual General Meeting of the shareholders of the Bank.

14.3 Pursuant to approval of RBI, Mr Vasudevan P N (DIN: 01550885) was appointed as Managing Director and Chief Executive Officer (MD & CEO) of the Bank for a period of three years with effect from July 23, 2016 and his term expires on July 22, 2019. The Board in its Meeting held on March 12, 2019, has approved re-appointment of Mr Vasudevan P N as MD & CEO of ESFBL for a further period of three years with effect from July 23, 2019 subject to approval of shareholders and RBI. The Bank has applied to RBI seeking its approval for the re-appointment. Necessary resolution in this regard has been included in the Notice for the ensuing Annual General Meeting of shareholders of the Bank.

15. Declaration from Independent Directors

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

16. Evaluation of Board Performance

The performance of the Board, Committees of the Board, Chairman, Individual Directors, the Key Managerial Personnel and other Senior Management Personnel, were evaluated on the basis of criteria as approved by the Board. All the Directors were provided the criteria for evaluation and forms, which were duly filled. The feedback from the Directors was collated. The evaluation exercise found out that the performance of the Board, Committees of the Board, Chairman and Directors was sound. Feedback relating to the Directors were shared with the respective Directors and feedback relating to the Committees and the Board were discussed in the Board Meeting.

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

Pursuant to the provisions of Section 178 of the Companies Act, 2013, the Bank has formulated and adopted Policy on selection of Directors and Remuneration Policy which are disclosed in our website, www.equitasbank.com.

18. Directors' Responsibility Statement

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

- i) in the preparation of the annual accounts for the year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures,
- ii) such accounting policies as specified in Schedule 17 to the Financial Statements have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2019 and of the profit of the Bank for the year ended on that date,
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities,
- iv) annual accounts have been prepared on a going concern basis,
- v) internal financial controls to be followed by the Bank were laid down and that the same were adequate and were operating effectively, and
- vi) proper systems to ensure compliance with the provisions of all applicable laws was in place and the same were adequate and operating effectively.

19. Key Managerial Personnel (KMP)

There were no changes in KMPs during the Financial Year 2018-19. As at March 31, 2019, the Bank had the following KMPs:

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

20. Overall Remuneration:

Details of all elements of remuneration of all the Directors are given in the Corporate Governance Report. The Non-Executive and 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.

(i) Ratio of Remuneration of Each Director with Median Employees Remuneration.	<p>The ratio of remuneration of each Director to median employee remuneration is as below:</p> <table border="1"> <tr> <td>Chairman</td><td>5.15: 1</td></tr> <tr> <td>Chairman, Audit Committee</td><td>3.87: 1</td></tr> <tr> <td>MD & CEO</td><td>49.94: 1</td></tr> <tr> <td>Other Directors except Mr Nagarajan Srinivasan</td><td>2.58: 1</td></tr> </table>	Chairman	5.15: 1	Chairman, Audit Committee	3.87: 1	MD & CEO	49.94: 1	Other Directors except Mr Nagarajan Srinivasan	2.58: 1
Chairman	5.15: 1								
Chairman, Audit Committee	3.87: 1								
MD & CEO	49.94: 1								
Other Directors except Mr Nagarajan Srinivasan	2.58: 1								
(ii) the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	<p>Remuneration of Independent Directors has increased by 30.56% during FY 2018-19 as compared to FY 2017-18.</p> <p>The increase in remuneration of Key Managerial Personnel is provided below:</p> <p>Chief Executive Officer - 120%#</p> <p>Chief Financial Officer – 9%*</p> <p>Company Secretary - 30%*</p> <p>#excluding the variable pay component as the separate application needs to be made to RBI every year seeking approval</p> <p>*excluding the perquisite value arising out of exercise of Employee Stock Options granted by the Holding Company.</p>								
(iii) the percentage increase in the median remuneration of employees in the financial year;	9 %								
(iv) the number of permanent employees on the rolls of the Bank as on March 31, 2019	14608 (Fourteen Thousand Six hundred and eight)								

(v) average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	<p>There was 120% increase in the remuneration of managerial person viz, MD & CEO during FY 2018-19 as explained above. The remuneration of MD & CEO was fixed for the first time after conversion into the Bank and the comparison is with his remuneration fixed some years back as CEO of the erstwhile NBFC. This was also explained to RBI while seeking approval for the remuneration package.</p> <p>The average percentage increase in salaries of employees other than the managerial personnel in the last financial year was 9%.</p>
(vi) affirmation that the remuneration is as per the remuneration policy of the Bank.	The remuneration is as per the Remuneration Policy of the Bank.

In accordance with Section 136 of the Act, the report and accounts 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.

21. Whistle Blower Policy/ Vigil Mechanism

The Bank has adopted a Whistle Blower Policy and Vigil Mechanism in compliance with the relevant provisions of Companies Act, 2013 and

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

During the year under review, the Bank received one (1) complaint under the Whistle Blower Policy of the Bank, which was resolved within the prescribed timeline. The functioning of the Mechanism is reviewed by the Audit Committee regularly. None of the Bank personnel have been denied access to the Audit Committee.

22. Ratings of Debt Instruments

Instrument	Rating	Rating Agency	Amount (₹ in crore)
Long Term Borrowings	CRISIL A Positive / IND A+ Stable / CARE A+ Stable	CRISIL Limited India Ratings & Research P Limited CARE Ratings Limited	1151.22
Non-Convertible Debentures/ Subordinated Debt	CRISIL A Positive / IND A+ Stable / CARE A+ Stable	CRISIL Limited India Ratings & Research P Limited CARE Ratings Limited	530.00
Certificate of Deposit	CRISIL A1+	CRISIL Limited	2,000.00

23. Auditors

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

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

There have been no frauds reported by Auditors during FY 2018-19.

25. Secretarial Auditors

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

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

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

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

27.1 During FY 2018-19, the Bank had no activity relating to conservation of energy or technology absorption.

27.2 During FY 2018-19, the Bank earned foreign currency earnings of ₹178.78 lakhs and incurred foreign currency expenditure of ₹126.13 lakhs.

28. Particulars of contracts or arrangements with Related Parties

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

29. 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.

30. Internal Financial Controls

The Bank has clear delegation of authority and standard operating procedures, which are reviewed periodically by the Audit Committee. These measures help in ensuring adequacy of internal financial controls commensurate with the nature and size of operations of the Bank. The Board also reviews the adequacy and effectiveness of the Bank's internal financial controls with reference to the financial statements.

31. IND AS Implementation

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

Progressing towards IND AS, the Bank had prepared proforma financials as on June 30, 2017 as per extant regulatory guidelines and

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

32. 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.

33. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank has in place a Policy on Prevention of Sexual Harassment at Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee has been set up for redressal of complaints. During FY 2018-19, four complaints were received under the Policy, and all the complaints were resolved.

34. The Annual Return as required under the Act is enclosed and is available at the website of the Bank www.equitasbank.com. The extract of Annual Return in the prescribed form MGT-7 is enclosed as Annexure III.

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

Acknowledgement

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

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

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Place: Chennai,
Date: May 9, 2019

Corporate Social Responsibility (CSR) Report

Annexure - I

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

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

CSR Policy of the Bank is available on our website, www.equitasbank.com. As per the CSR Policy, the Bank makes contribution upto higher of 5% of its net profits of each financial year or 2% of average profits of the Bank for the past three years for undertaking such CSR projects or activities as specified by CSR Committee from time to time.

The oversight of Projects undertaken by Equitas Development Initiatives Trust (EDIT) through which the Company carries on CSR activities, is done by the CSR Committee and the Board. A brief note on various projects undertaken by the Bank is enclosed as annexure.

2. The Composition of the CSR Committee as at March 31, 2019 is as follows:

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

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

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

Particulars	₹ in Lakh
Profit - 2017 - 18	4,639.80
Profit - 2016 - 17	17,232.70
Profit - 2015 - 16	13,324.18
Average PROFIT for CSR purpose	11,732.23
2% of average Profit for last three years	234.64

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

During the year, the Bank made CSR contribution of ₹895 lakhs (₹865 lakhs to Equitas Development Initiatives Trust (EDIT) and ₹30 lakhs to Equitas Healthcare Foundation, being trusts set up by Equitas Holdings Limited, the holding company) to carry out CSR activities on behalf of the Bank. The contribution so made is in excess of the statutory minimum contribution of 2% of average profits of the last three years and is in line with the CSR Policy of the Bank.

Details of utilization of the CSR Contribution

EDIT has reported having utilizing the Bank's CSR contribution in the following manner:

Particulars	₹ in Lakh
Educational Initiatives	569.63
Health Initiatives – Sugam Clinic	4.06
TOTAL	573.69

5. Manner in which the amount spent during the Financial Year (₹ in lakh)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub – heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period (FY 2018-19)	Amount spent: Direct or through implementing agency*
1	Providing support to Equitas Sugam Clinics Providing support to 7 Matriculation schools set up by the Company, run for students from socially and economically weaker sections of the society, by Equitas Development Initiatives Trust (EDIT)	Healthcare Education	Chennai Seven schools in Tamil Nadu located at Karur, Trichy, Salem, Coimbatore, Dindigul, Cuddalore and Kumbakonam	Same as Column 2	4.06 569.63	4.06 569.63	Through implementing agency – EDIT, a Public Charitable trust - EDIT
	TOTAL				573.69	573.69	

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

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

Place: Chennai
Date: May 9, 2019

Vasudevan P N
MD & CEO

Sridhar Ganesh
Pro tem Chairman - CSR Committee

Annexure to CSR Report – FY 2018-19

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

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

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

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

A. Educational Initiatives

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

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

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

B. Skill development

Equitas has imparted training to more than 5 lakh Self Help Group women members in skills such

as tailoring & embroidery, agarbathi / candle making, detergent / phenyl manufacturing and preparing processed foods such as pickles & jams. These training programs are structured as week-long programs.

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

C. Pavement dwellers rehabilitation program (Equitas Birds Nest)

This programme was commenced in 2010 for “Rehabilitation of Pavement Dwellers” in Chennai. Under this program, the Trust pays the rent on their behalf for 6 months during which they are taught livelihood skills and linked to local markets. From the 7th month onwards, they are required to make the rent payment by themselves. These families have attained self sustenance status through this intervention from Equitas. Many people have received Voter ID cards and have applied for ration cards for the first time in their lives. In 2018-19, 335 families have been moved into houses, taking the cumulative beneficiaries under the program to about 1,684 families.

Out of these rehabilitated families, under a graduation program, members were formed into a group. After inputs on financial literacy and counselling, following all the regular MF process, MFI loan was sanctioned. 100% collection was observed in those loans till date. Encouraged by this positive response, 2 more groups have been included in the program, thus mainstreaming them into the community and fulfilling their dream of economic empowerment.

D. Placement Cell:

In another proactive step, Equitas facilitates conduct of job fairs for unemployed youth of low income communities, with the help of recruiters

and employers. Till date, gainful employment to over 1,64,000 youth has been arranged in companies and retail outlets like textile showrooms, malls, hospitals, BPOs etc.

E. Health care services

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

1. Health Education for Healthy living:

A team of 500 women skill trainers have been trained with Technical support from "Freedom from Hunger" to impart Health Education to Members which would help in early detection of non-communicable diseases. Cumulatively imparted to over 200000 women

2. Medical Camps:

Through a tie up with about 900 hospitals spread across 7 states, Equitas conducts nearly 400 medical camps every month, benefiting about 75,000 people every month. Cumulatively nearly 5.6 million people have benefited so far under this program.

3. Equitas Sugam Clinics (evening clinics functioning from 5 P.M. to 9 P.M.)

EDIT runs thirteen evening clinics for the benefit of Economically Weaker Sections and other low income households who seek

medical help after they come back home in the evening after the day's work. Doctors offer quality consultation at a reasonable cost and health history of patients is tracked. The health educator follows up with a health education program.

F. Health care services done directly by the Bank

1. Primary Health Care:

The Bank has conducted free primary health care medical camps benefiting cumulatively 5688473 members so far.

2. Secondary Health Care & Health Help line:

The Bank has also tied up with a large number of hospitals to help our clients get inpatient treatment for serious illnesses at a discount to normal cost. This initiative has benefited nearly 29013 members.

BOARD OF TRUSTEES OF EQUITAS DEVELOPMENT INITIATIVES TRUST (EDIT) AS ON 31ST MARCH 2019

1. Dr. C K Gariyali, IAS (Retd)
2. Mr. M B Nirmal, Founder, Exnora International
3. Ms. Jayshree Nambiar, Educationist
4. Mr. P N Vasudevan, MD & CEO, Equitas Small Finance Bank Limited

Annexure II

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

Dear Members,

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

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

Place : Chennai
Date : 09.04.2019

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

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2019

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

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

Dear members,

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **EQUITAS SMALL FINANCE BANK LIMITED** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts /statutory compliances and expressing our opinion thereon. The Company is a wholly-owned subsidiary of Equitas Holdings Limited (EHL), whose Equity Shares are listed on Stock Exchanges (NSE and BSE).

Based on our verification of Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2019** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March, 2019** according to the provisions to the extent applicable of:

(i) The Companies Act, 2013 and the rules made there under issued by the Ministry of Corporate

Affairs from time to time;

- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (was not applicable to the Company during the period under review);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') as amended to the extent applicable:-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (was not applicable to the Company during the period under review)
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (was not applicable to the Company during the period under review)
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (was not applicable to the company during the period under review)
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

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

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

to the Company or its officers.

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

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

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

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

We further report that during the audit period, the Company:

1. At its Board meeting held on 26th July, 2018 approved revision in remuneration of Mr. Vasudevan P N, MD & CEO with effect from 01.04.2018, subject to the approval of Reserve Bank of India and Shareholders. The Company vide letter dated 14th August, 2018 sought approval of Reserve Bank of India (RBI) for revision in remuneration under Section 35B of Banking Regulation Act, 1949. After subsequent communication between the Company and Reserve Bank of India, RBI has approved the same vide its letter dated April 2, 2019 except

the grant of Employee Stock Options of the Holding company, Equitas Holdings Limited.

2. At its Board meeting held on 26th July, 2018, approved the proposal to make investments in equity shares through subscription to Public Offer of shares, etc., upto Rs. 1,50,00,00,000/- (Rupees One Hundred and Fifty Crore only);
3. At its Board meeting held on 26th July, 2018, the Company has been registered under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) as Member Lending Institution and obtained Legal Entity Identifier (LEI) from Legal Entity Identifier India Limited (LEIL). The Company has made an application to SEBI for registration as a Banker to Issue. However, there are no further developments in respect of the application;
4. At its Board meeting held on 31st January, 2019, unanimous approval from the Board of Directors was accorded to the Composite Scheme of Arrangement between the Company, EHL (Holding Company), and Shareholders of EHL subject to the approval of Shareholders, Reserve Bank of India, Securities and Exchange Board of India and Stock Exchanges;
5. At its Extra-ordinary General Meeting held on 31st January, 2019, approval of Shareholders was accorded to increase the authorised share capital from Rs. 11,55,00,00,000/- to Rs. 25,00,00,00,000/- by creation of 1,34,50,00,000 Equity Shares of Rs. 10/- each;
6. At its Board meeting held on 12th March, 2019, approved the limits for granting of loans to Rs. 1,40,00,00,00,000/- (Rupees Fourteen Thousand Crore) for the Financial Year 2019-2020;
7. At its Board meeting held on 12th March, 2019, approved the limits for issuance of Certificate of Deposits not exceeding Rs. 30,00,00,00,000/- (Rupees Three Thousand Crore) from time to time in one or more tranches;
8. At its Board meeting held on 12th March, 2019, subject to approval of Shareholders Board

accorded its approval for fixation of limits of borrowings upto Rs. 2,40,00,00,00,000/- (Rupees Twenty Four Thousand Crore) outstanding at any point in time;

9. At its Board meeting held on 12th March, 2019, subject to approval of Shareholders and Reserve Bank of India, Board approved re-appointment of Mr. Vasudevan P N (DIN: 01550885) as Managing Director & Chief Executive Officer for a period of three years from July 23, 2019 to July 22, 2022.
10. An inspection under Section 35 of the Banking Regulation Act, 1949 was carried out in the month of January 2019 by Department of Banking Supervision, Central Office, Reserve Bank of India, Mumbai with reference to the financial position as on 31st March, 2018 and was reported to the Company on 6th February, 2019. Further a meeting was proposed by Reserve Bank of India at Mumbai office with the senior management of the Company to discuss on the major findings of the inspection report in the month of 12th February, 2019. On discussion with the senior management of the company, Reserve Bank of India in its report dated 15th February, 2019 had prescribed Monitorable Action Plan for the Company to be complied within the timelines prescribed in the report and the detailed progress of the same shall be communicated to them by the end of each quarter. The Bank has since submitted its response to RBI vide its letter dated March 21, 2019.

Signature:

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

Place: Chennai
Date: 09.04.2019

Annexure III

EXTRACT OF ANNUAL RETURN

AS ON THE FINANCIAL YEAR ENDED 31st MARCH 2019

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

I. REGISTRATION AND OTHER DETAILS

CIN	U65191TN1993PLC025280	Registration Date	21.06.1993
Category/Sub-Category of the Company	Banking Company		
Company name	EQUITAS SMALL FINANCE BANK LIMITED		
Registered Office Address	4 th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600002		
Phone	+91 44 4299 5000	Fax	+91 44 4299 5050
Email	secretarial@equitas.in	Website	www.equitasbank.com
Whether listed Company Yes/No	Debenture Listed Company		
Name & Address of Registrar and Transfer Agent, if any	Karvy Fintech Private Limited Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032		
Phone	+91 40 67161604		
Email	mukharji.yenugu@karvy.com		
Contact Person	Mr Mukharji Yenugu		

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of Shares Held	Applicable Section
1	Equitas Holdings Limited	L65100TN2007PLC064069	Holding	100	2(46)

IV. SHARE HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of shareholders	No. of shares held at the year beginning				No. of shares held at the year end				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.	NIL	1005943363	1005943363	100	NIL	1005943363	1005943363	100	NIL
e) Banks / FI									
f) Any Other....									
Sub-total (A) (1):-	NIL	1005943363	1005943363	100	NIL	1005943363	1005943363	100	NIL
(2) Foreign	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	NIL	1005943363	1005943363	100	NIL	1005943363	1005943363	100	NIL
B. PUBLIC SHAREHOLDING									
Total Public Shareholding	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
C. SHARES HELD BY CUSTODIAN FOR GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	NIL	1005943363	1005943363	100	NIL	1005943363	1005943363	100	NIL

(ii) Shareholding of Promoters

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

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

Sl. No.	Date wise Increase / Decrease in Promoters shareholding during the year	Shareholding at the beginning of the year		Cumulative shareholding during the year		Reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	
1	01.04.2018	1005943363	100%	1005943363	100%	
	31.03.2019			1005943363	100%	

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

Sl. No.	Name of Top 10 Share holders	Date wise Increase / Decrease in Promoters shareholding during the year	Shareholding at the beginning of the year		Cumulative shareholding during the year		Reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc)
			No. of shares	% of total Shares	No. of shares	% of total shares	
1.		01.04.2018	NIL				
		31.03.2019					

(v) Shareholding of Directors and Key Managerial Personnel: NOT APPLICABLE

Sl. No.	Names of shareholders Who are also KMP/ Directors of the Company	Date wise Increase / Decrease in Promoters shareholding during the year	Shareholding at the beginning of the year		Cumulative shareholding during the year		Reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):
			No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	
1.		01.04.2018	NIL				
		31.03.2019					

V. INDEBTEDNESS

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

₹ in lakh

Particulars	Secured Loans	Unsecured Loans (including ICDs)	Deposits**	Total Indebtedness
	Excluding deposits			
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,71,895.81	3,45,825.00		5,17,720.81
ii) Interest due but not paid	Nil	Nil		Nil
iii) Interest accrued but not due	1,276.56	12,996.07		14,272.63
Total (i+ii+iii)	1,73,172.37	3,58,821.07		5,31,993.44
Change in Indebtedness during the financial year				

Particulars	Secured Loans	Unsecured Loans (including ICDs)	Deposits**	Total Indebtedness
	Excluding deposits			
Addition	7,669,295.45	1,349,300.00		9,018,595.45
Reduction	7,826,143.65	1,312,870.00		9,139,013.65
Net Change	(156,848.20)	36,430.00		(120,418.20)
Indebtedness at the end of the financial year				
i) Principal Amount	15,047.61	382,255.00		397,302.61
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	631.23	8,894.86		9,526.08
Total (i+ii+iii)	15,678.84	3,91,149.86		4,06,828.69

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

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

Remuneration to Key Managerial Personnel

(₹ in lakh)

Sl. No.	Particulars of Remuneration	MD & CEO	CFO	CS	Total
1	Gross salary				
	(a) Salary as per provisions contained in sec.17(1) of the Income-tax Act, 1961	109.99	76.29	17.86	207.53
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	0.62	3.02	Nil	3.64
	(c) Profits in lieu of salary u/s. 17(3) of Income-tax Act, 1961	Nil	Nil	Nil	Nil
2	Stock Option	0.00	5.36	1.03	6.39
3	Sweat Equity	0.00	0.00	0.00	0.00
4	Commission - as % of profit - others, specify	0.00	0.00	0.00	0.00
5	Others, Contribution to Provident Fund	5.13	3.75	0.79	9.67
	Total (A)	115.74	88.42	19.68	227.23

Remuneration to Non-Executive Directors

(₹ in lakh)

Sl. No.	Name of Director	Fee for attending Board/ Committee Meetings	Commission	Others	Total
1	Mr. Arun Ramanathan (Chairman)	1.40	12.00	Nil	13.40
2	Mr. Arun Kumar Verma	4.80	9.00	Nil	13.80
3	Prof. Balakrishnan N	4.05	6.00	Nil	10.05
4	Ms. Lalitha Lakshmanan	6.20	6.00	Nil	12.20
5	Mr. Nagarajan Srinivasan%	Nil	Nil	Nil	Nil
6	Mr. Sridhar Ganesh	3.95	6.00	Nil	9.95
7	Mr. Srinivasan N	3.85	6.00	Nil	9.85
8	Ms. Tabassum Inamdar	5.15	6.00	Nil	11.15
9	Mr. Vinod Kumar Sharma	5.55	6.00	Nil	11.55
	Total (B)	34.95	57.00	Nil	91.95
Overall Ceiling for Remuneration as per the Act		1% of Profits for Financial Year 2018-19 computed u/s 197 of the Act			323.74
Commission payable to Directors as above					57.00

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

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

Type	Section of the Companies Act	Details of Penalty, Fees etc.	Authority imposing (RD/ NCLT/ Court)	Details of Appeal made, if any
COMPANY/ DIRECTORS/ OTHER OFFICERS IN DEFAULT	NIL			

For and on behalf of the Board of Directors

Place: Chennai
Date: May 9, 2019

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

MANAGEMENT DISCUSSION & ANALYSIS [MD&A]

Business Environment

Indian Economic Overview

India's GDP grew by 6.8% in FY 2018-19, according to the data released by the Central Statistical Office (CSO), as weak manufacturing output in the fourth quarter was a drag while rural and urban demand remained subdued. However, the economy is likely to grow at over 7% in the foreseeable future, with the new government at the Centre expected to push through key structural reforms and the Reserve Bank of India (RBI) maintaining an accommodative monetary policy stance.

India is likely to remain the fastest growing major economy driven by strong domestic demand and a rebound in credit growth, amid the continued rationalisation of Goods and Services Tax (GST). In addition, the structural reforms carried out in the past two to three years and the concerted infrastructure development push are likely to have a wider impact on the economy going forward.

Retail inflation (consumer price index-based) stayed below the Reserve Bank of India's (RBI) comfort level of 4% for two years in a row while fiscal deficit was contained at 3.4% of GDP, which points to the Government's fiscal prudence, especially in an election year. However, strong domestic demand could widen current account deficit to 2.6% of GDP while inflation could inch up above the midpoint of the RBI's target range of 2-6%, mainly due to energy and food prices.

Banking Sector Overview

The Indian banking sector has undergone a major reset in the past two to three years with a focus on formalising the economy further and on driving greater financial inclusion. In addition, the emergence of small finance banks like Equitas Small Finance Bank is not only changing the competitive landscape, but is also opening up innovative channels to provide banking services to the hitherto economically active

yet unbanked and under-banked segments of the society.

Emergent technologies such as cognitive analytics, and blockchain and distributed ledger technology are redefining banking services globally, with banks forging partnerships with fintech companies and other technology companies not just to improve efficiencies, but also to manage risks better. The creative credit scoring processes are also enabling innovative ways to take banking services at the base of the economic pyramid.

That said, rising NPA levels has significantly eroded the sector's ability to drive credit growth, forcing the RBI to bring 11 public sector banks under its Prompt Corrective Action (PCA) framework to reduce the likelihood of contagion losses. The RBI monitors key performance indicators of banks as an early warning exercise, and the PCA framework is initiated once the thresholds relating to capital (CRAR/CET 1 ratio), asset quality (Net NPA) and profitability (RoA) are breached. In addition, the ongoing liquidity crunch at Non-Banking Financial Companies (NBFCs) due to significant asset-liability mismatch (long-term lending through short-term borrowing) remains an overhang on the banking sector.

In FY 2018-19, bank credit growth improved to 15.1% from 10.5% in FY 2017-18, while bank deposits grew 9% versus 6.7% in FY 2017-18.

Approach and Business Strategy

The Bank continues to leverage its lineage in lending to the informal segments, as it builds out financing solutions for Micro and Small Enterprises (MSE). The Bank aims to be the "preferred sole banker" to MSEs and expects this segment to witness strong growth fuelled by aspirational entrepreneurs, progressive reforms and strong economic growth.

Our strategy for a well-diversified advances portfolio continues to progress well, as the recently launched New Commercial Vehicle loans and Working Capital

loans gains momentum. While the diversification may see portfolio yields softening the corresponding asset quality and operating efficiencies derived out of these portfolios will ensure the Bank remains highly profitable and valuable. The objective is to build a scalable, sustainable and stable portfolio.

On the liabilities front, building a retail deposit franchise will be its core objective. The Bank will continue to offer attractive rates on its retail deposits and build a culture of high quality service to ensure customers' experience a bank that offers a "high value of money" relationship.

The Bank is investing in "Digital". API Banking, adoption of emerging technologies, emergence of Digital only customers are some of the key focal points of the Bank's digital strategy.

In the medium term we are focused on delivering operating efficiencies from our existing assets. People, Branch network and Customers are where the Bank has made investments over the past few years. Leveraging these investments will be the key to deliver higher operating margins. Over the past twelve months, the Bank has seen a healthy growth in advances and deposits while operating expenses remained tepid.

Financial Performance for FY 2018-19

The entity's operating performance is summarised in the table below.

₹ Crore

Particulars	FY 2018-19	FY 2017-18
Net Interest Income	1,151.73	860.54
Non-interest income	282.90	241.22
Operating revenue	1,434.63	1,101.76
Operating expenses	1,008.48	881.11
Operating profit	426.15	220.65
Provisions and Contingencies, incl. Write-off on Advances	102.41	172.14
Profit before tax [PBT]	323.74	48.51
Provision for tax	113.17	16.68
Profit after tax [PAT]	210.57	31.83

Operating performance for FY 2018-19

Deposits

As on March 31, 2019, the CASA deposits were ₹ 2,274 crore, out of which Current Account Balances were ₹ 481 crore and Savings Balances were ₹ 1,793 crore. Retail CASA stood at ₹ 1,586 crore i.e 70% of CASA. Term Deposits stood at ₹ 6,733 crore. Retail TD stood at ₹ 2,408 crore, i.e. 42% of Term Deposits. Total Deposits stood at ₹ 9,007 crore.

CASA as a percentage of total borrowings stood at 17.77% while Customer Deposits as a percentage of borrowings stood at 62.62%.

Advances

The Bank's advances grew by a healthy 50%; total Gross Advances [Net Advances + NPA Provision] grew to ₹ 11,704 Crore. The Bank's unsecured portfolio comprising of micro finance and unsecured business loans as a percentage of overall portfolio, continued to fall and stood at 28.91% as on March 31, 2019.

The recently launched products such as New Vehicle Loans and Working Capital Loans continued to gain traction as the Bank expanded its distribution reach. As of March 2019, New Vehicle loans and Working capital loans stood at ₹ 895 crore.

Particulars	₹ Crore		
	March 31, 2019	March 31, 2018	YoY %
Micro Finance	3,070	2,107	46%
Small Business Loans (incl Housing Finance)	4,577	2,682	71%
Vehicle Finance	2,921	2,238	31%
MSE Finance (including Business Loans)	525	399	31%
Corporate Loans	487	194	151%
Others ⁺	125	168	(25)%
Total	11,704	7,788	50%

+Includes Loan against Gold

Other Functions – a brief overview

Information Technology [IT]

The Bank has made significant investments in building robust and resilient technology platforms that are capable of supporting the various lines of businesses.

We have implemented many features to enhance customer delight, such as Facial Recognition based authentication for Mobile Banking. We have recently revamped our Internet Banking platform to offer a much richer User Experience. And, keeping up with the times, we have also taken steps towards “API Banking” – we have started engaging with several fintech partners to provide technology features to our customers at an even faster pace.

Treasury Operations

The Bank's well equipped Treasury operations are located at the Head Office, Chennai. The Bank is a member of Fixed Income, Money Markets & Derivatives Association [FIMMDA] and holds an AD II category license for dealing in Forex.

The Bank's Treasury completed second full year of operations this year. During this year, Treasury raised adequate funds using mix of instruments like Certificates of Deposit [CDs], Term Money, Inter Bank Participatory Certificates [IBPCs] and refinance from Financial institutions at optimal cost. These funds were partly utilised to retire high cost Non-Convertible Debentures [NCDs] issued prior to bank transition as well as to support advances growth.

In order to further augment liquidity for planned growth in advances, Treasury exited majority of Non-SLR investments during the year. Further the Bank's SLR securities under AFS category comprises of only Treasury Bills to insulate the portfolio from Mark To Market [MTM] impact, if any.

Risk Management

Managing risk is fundamental to financial services industry, in general and in particular, to banks. It is pivotal to ensure sustained profitability and stability. While risks are assumed after appropriate considerations, some risks may arise due to unintended consequences of internal actions or external events. The Bank views Risk Management as one of its core competencies and tries to ensure that risks are identified, assessed and managed in a timely manner. The Bank's Risk Management Framework aims to protect its financial strength, reputation, value to customers and shareholders.

The Bank has an independent integrated risk management function covering credit risk, market risk, Assets Liabilities Management [ALM] and operational risk including information security risk. The risk function is headed by Chief Risk Officer who reports to the MD & CEO of the Bank. The Board of Directors [BoD] have a responsibility for approving the risk policies and periodically reviewing the risk strategy of the Bank. The Risk Management Committee [RMC] of the Board is responsible for overall governance framework for risk management of the Bank. The RMC of the Board is supported

by various management level committees - Risk Management Committee, Asset Liability Committee [ALCO], Credit Risk Management Committee, Operational Risk Management Committee and Information Security & Cyber Risk Committee.

Compliance

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

Internal Audit

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

To ensure independence, Internal Audit functionally reports to the Audit Committee of the Board and for administrative purposes to the MD and CEO of the Bank. The Audit Committee of the Board periodically

assesses the performance of the risk based internal audit for reliability, accuracy and objectivity.

Human Resources

The Bank's People Mission is to nurture and empower employees who demonstrate both honesty and high performance in a fair and transparent environment. The Bank has made concerted efforts to ensure that the employees' capabilities are developed by providing continual learning experiences on products and processes. The Bank ended the year with a manpower strength of over 14,500 employees. Key focus areas during the year were strengthening of HR operations and processes, improving the timeliness and quality of hiring for the frontline roles, integrating the recruits from other banks into the culture of Equitas, handling the training needs of the new recruits etc., Human Resources team will continue to play a pivotal role in ensuring that the Bank has a high performing and engaged workforce equipped to deliver results.

Corporate Social Responsibility

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

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

The various CSR activities undertaken include: i) running seven schools in Tamil Nadu for children

from low income families, ii) skill development of women through training in tailoring & embroidery, doll making, artificial jewellery making, candle making etc., iii) pavement dwellers rehabilitation programs [Equitas Birds Nest], iv) placement coordination for unemployed youth of low income communities by networking with employers through job fairs and v)

conducting primary health camps through tie-ups with hospitals.

The summary of the various CSR activities covered through the funding by the Bank and its Holding Company for FY 2018-19 as well as cumulatively from inception is provided in the following table:

Nature of activity	FY 2018-19	Cumulative
No. of eye-camp participants [A]	191173	2286854
No. of spectacles [free of cost]	9029	108275
No. of cataract operations [free of cost]	1636	30793
People covered in other Medical camps [B]	233082	3401565
Total [Eye camps + Med. Camps] [A]+[B]	424309	5688473
Participants in skill training programs	29531	510440
No. of people accessing Health Helpline	1402	25696
Placements for Unemployed youth	29185	160859
Swasth Mahila Health Education	25498	164364
Equitas Birds Nest [Pavement Dwellers Rehabilitation program]	325	1684

In addition to the above, the Bank has through its Micro Finance loan programs also supported about 10,946 persons with physical disabilities during FY 2018-19 and cumulatively over 32,000 persons. Of these, around 1,707 were visually challenged and cumulative visually challenged beneficiaries stood at 5,540. The Bank has 86 permanent employees with disabilities.

Outlook and challenges

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

take banking to the masses efficiently and at optimal costs.

Cautionary Statement

Statements made in this MD&A describing the Bank's objectives, projections, estimates, general market trends, expectations etc., may constitute 'forward looking statements' within the ambit of applicable laws and regulations. These 'forward looking statements' involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested. These risks and uncertainties include, but are not limited to our ability to implement growth and expansion strategies, variance between expected and actual non-performing advances, allowance for credit losses, technological changes, investment income and various risk profiles.

For and on behalf of the Board of Directors

Place: Chennai
Date: May 9, 2019

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

EQUITAS SMALL FINANCE BANK LIMITED REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

The philosophy of Equitas on Corporate Governance envisages adherence to the highest levels of transparency, accountability and fairness, in all areas of its operations and in all interactions with its stakeholders. Equitas deals with borrowers who are mostly from the economically weaker sections of the society with poor linkages to the mainstream financial markets. Right from inception, the Bank's policies and processes have been fine-tuned to ensure utmost clarity and fairness while dealing with such clients.

RECOGNITION FOR CORPORATE GOVERNANCE

Equitas Group has always been recognized for its adherence to the highest standards of corporate governance. CRISIL has re-affirmed the Governance & Value Creation Rating of GVC-2 to Equitas Holdings Ltd., the Holding Company. The Holding Company has also been rated by Institutional Investor Advisory

Services, a proxy advisory firm as among the Top 5 companies on the Indian Corporate Governance Scorecard, out of the 50 companies that listed on BSE between April 2015 and March 2017.

BOARD COMPOSITION

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

During the year 2018-19, the Board met six times viz, April 26, 2018, July 26, 2018, November 1, 2018, December 19, 2018, January 31, 2019 and March 12, 2019 and the gap between any two Meetings has been less than 120 days. The names and categories of Directors on the Board, their attendance at Board Meetings and at the last AGM and the number of Directorships are given below:

Name	Nature of Directorship	Other Directorships &	No. of Board Meetings during FY 2018-19		Attendance at last AGM
			Held	Attended	
Mr. Arun Ramanathan (Chairman)	Independent Director	2	6	5	Yes
Mr. Arun Kumar Verma	Independent Director	-	6	6	Yes
Prof. Balakrishnan N	Independent Director	3	6	6	Yes
Ms. Lalitha Lakshmanan	Independent Director	1	6	5	Yes
Mr. Nagarajan Srinivasan	Non-Executive Non-Independent Director	7	6	3	No
Mr. Sridhar Ganesh	Independent Director	1	6	6	Yes
Mr. Srinivasan N	Independent Director	3	6	5	Yes
Ms. Tabassum Inamdar	Independent Director	1	6	6	No
Mr. Vinod Kumar Sharma	Independent Director	2	6	6	Yes
Mr. Vasudevan P N	Managing Director and Chief Executive Officer (MD & CEO)	-	6	6	Yes

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

There is no relationship between Directors inter-se.

SEPARATE MEETING OF THE INDEPENDENT DIRECTORS

During FY 2018-19, the Independent Directors had a separate meeting on April 26, 2018 without the presence of the Management team and the Non-Independent Directors of the Bank. At the said Meeting, Independent Directors reviewed the performance of Chairman, Non-Independent Directors and Board as a whole and assessed the quality, quantity and timeliness of flow of information between the Management and the Board.

TRAINING OF BOARD MEMBERS

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

COMMITTEES OF THE BOARD

The Board at present has Eleven (11) Committees of the Board, constituted in accordance with the provisions of Companies Act, 2013 and RBI Guidelines and Directions issued to banks from time to time viz.,

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

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

AUDIT COMMITTEE

Composition

As on March 31, 2019, the Audit Committee comprised of four (4) Independent Directors.

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

Meetings & Attendance

The Committee held Nine (9) Meetings during the year on April 25, 2018, June 13, 2018, June 14, 2018, July 25, 2018, September 20, 2018, October 31, 2018, December 18, 2018, January 30, 2019 and March 11, 2019:

Name	No. of Meetings	
	Held	Attended
Mr. Arun Kumar Verma, Chairman	9	9
Ms. Lalitha Lakshmanan	9	8
Ms. Tabassum Inamdar	9	9
Mr. Vinod Kumar Sharma	9	9

Terms of Reference

The terms of reference of the Audit Committee include:

- 1) Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- 2) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor, the remuneration and terms of appointment of auditors of the Bank;

- 3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- 4) Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement and the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by Management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with accounting and other legal requirements relating to financial statements
 - f. Disclosure of related party transactions
 - g. Qualifications in the draft audit report.
- 5) Reviewing, with the Management, the quarterly financial statements before submission to the board for approval;
- 6) Reviewing, with the Management, the statement of uses / application of funds raised through an issue (preferential issue, rights issue, etc), the statement of funds utilized for purposes other than those stated in the offer document / notice and making appropriate recommendations to the Board to take up steps in this matter;
- 7) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- 8) Approval or any subsequent modification of transactions of the Bank with related parties;
- 9) Scrutiny of inter-corporate loans and investments;
- 10) Valuation of undertakings or assets of the Bank, wherever it is necessary;
- 11) Evaluation of internal financial controls and risk management systems;
- 12) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- 13) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- 14) Discussion with internal auditors on any significant findings and follow up there on.
- 15) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- 16) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 17) To look into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- 18) To review the functioning of the Whistle Blower mechanism;
- 19) Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc of the candidate;

- 20) Review on quarterly basis, the securitization / bilateral assignment transactions and investment activities of the Bank.
- 21) Review on quarterly basis complaints under Policy on Prevention of Sexual Harassment of Women at Workplace.
- 22) Annual review of the Bank's Policies, pertaining to Audit and Accounts, framed pursuant to RBI Guidelines/ Regulations/ Directions and suggesting changes, if any required to the Board for adoption.
- 23) To discuss and follow up on the observations relating to Inspection Report/ Risk Assessment Report of the RBI
- 24) To obtain and review quarterly/ half-yearly reports of the Compliance Officer appointed by the Bank, in terms of RBI instructions
- 25) To review compliance with KYC/ AML Guidelines including periodic review of audit reports on adherence to KYC/AML guidelines at branches
- 26) To review penalties imposed/ penal action taken against Bank under various laws and statutes and corrective action taken
- 27) To review IT Governance & Infrastructure and Information Security Risk related aspects of the Bank.
- 28) Any other requirement in accordance with the applicable provisions of the Companies Act, RBI Regulations and SEBI Regulations as may be applicable from time to time.

The Audit Committee shall mandatorily review the following information:

- 1) Management discussion and analysis of financial condition and results of operations;
- 2) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- 3) Management letters / letters of internal control weaknesses issued by the statutory auditors;

- 4) Internal audit reports relating to internal control weaknesses;
- 5) The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

RISK MANAGEMENT COMMITTEE

Composition

As on March 31, 2019, the Risk Management Committee of the Board comprised of four (4) Independent Directors and the MD & CEO.

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

Meetings & Attendance

The Committee held four (4) Meetings during the year on April 25, 2018, July 26, 2018, November 01, 2018 and January 30, 2019:

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

** Appointed as Chairman from April 26, 2018

Terms of Reference

The terms of reference of the Risk Management Committee include

- 1) Laying down and review of procedures relating to risk assessment & risk minimization to ensure that executive management controls risk through means of a properly defined framework.

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

NOMINATION & REMUNERATION COMMITTEE

Composition

As on March 31, 2019, the Nomination & Remuneration Committee comprised of four (4) Independent Directors and one (1) Non-Executive Non-Independent Director:

Mr. Sridhar Ganesh, Chairman

Prof. Balakrishnan N

Mr. Nagarajan Srinivasan

Mr. Srinivasan N

Mr. Vinod Kumar Sharma

Meetings & Attendance

The Committee held six (6) Meetings during the year on April 26, 2018, July 25, 2018, November 01, 2018,

December 18, 2018, January 30, 2019 and March 12, 2019:

Name	No. of Meetings	
	Held	Attended
Mr. Sridhar Ganesh, Chairman	6	6
Prof. Balakrishnan N	6	5
Mr. Nagarajan Srinivasan	6	2
Mr. Srinivasan N	6	5
Mr. Vinod Kumar Sharma	6	5

Terms of reference

The terms of reference of the Nomination and Remuneration Committee include

- 1) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;
- 2) To undertake a process of due diligence to determine the suitability of any person for appointment/ continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
- 3) Formulation of criteria for evaluation of Independent Directors and the Board;
- 4) Devising a policy of Board diversity;
- 5) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal and succession planning for Directors.
- 6) To review the structure, size and composition (including the skills, knowledge and experience)

of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Bank's corporate strategy;

- 7) To assess the independence of Independent Non- Executive Directors;
- 8) To review the results of the Board performance evaluation process that relate to the composition of the Board;
- 9) Annual appraisal of the performance of the Managing Director and fixing his/her terms of remuneration.
- 10) Annual appraisal of the Senior Management team reporting to the Managing Director.
- 11) Annual Performance Review of the staff
- 12) Framing guidelines for the Employee Stock Option Scheme (ESOS) and decide on the grant of stock options to the employees and Whole Time Directors of the Bank and its subsidiaries.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Composition

As on March 31, 2019, the Corporate Social Responsibility Committee comprised of three (3) Independent Directors, one (1) Non-Executive Director and the MD & CEO:

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

Meetings & Attendance

The Committee held two (2) Meetings during the year on April 26, 2018 and October 31, 2018:

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

Terms of reference

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

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

- 6) Disseminate information related to the Social Performance of the Organisation in such manner as deemed appropriate.
- 7) To review the amount spent on social activities and to advise the Board and the Trustees on its efficacies.

CUSTOMER SERVICE COMMITTEE

Composition

As on March 31, 2019, the Customer Service Committee comprised of four (4) Independent Directors and the MD & CEO:

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

Meetings & Attendance

The Committee held four (4) Meetings during the year on June 13, 2018, September 20, 2018, December 18, 2018 and March 11, 2019:

Name	No. of Meetings	
	Held	Attended
Ms. Lalitha Lakshmanan, Chairperson	4	4
Prof. Balakrishnan N	4	4
Mr. Sridhar Ganesh	4	3
Ms. Tabassum Inamdar	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,
- 7) To ensure implementation of directives received from RBI with respect to rendering of services to Bank customers.

SPECIAL COMMITTEE FOR MONITORING HIGH VALUE FRAUDS

Composition

The Special Committee for Monitoring High Value Frauds was re-constituted on March 12, 2019. As on March 31, 2019, the Committee comprised of three (3) Independent Directors, one (1) Non-Executive Director and the Managing Director & CEO:

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

Meetings & Attendance

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

Terms of reference

The Committee monitors and reviews all frauds of ₹1 crore and above so as to:

- 1) Identify the systemic lacunae, if any that facilitated perpetration of the fraud and put in place measures to plug the same.
- 2) Identify the reasons for delay in detection, if any, in reporting to the top management of the Bank and RBI.
- 3) Monitor progress of CBI/Police investigation and recovery position.
- 4) Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.
- 5) Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.
- 6) To put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

BUSINESS COMMITTEE

Composition

As on March 31, 2019, the Business Committee comprised of four (4) Independent Directors, one (1) Non-Executive Director and the MD & CEO:

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

Meetings & Attendance

The Committee held four (4) Meetings during the year

on July 25, 2018, November 1, 2018, December 19, 2018 and January 31, 2019:

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

Terms of reference

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

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

REVIEW COMMITTEE FOR IDENTIFICATION OF WILFUL DEFAULTERS

Composition

As on March 31, 2019, the Review Committee for Identification of Wilful Defaulters comprised of three (3) Independent Directors and MD & CEO:

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

Meetings & Attendance

The Committee did not hold any Meeting during FY 2018-19.

Terms of reference

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

POLICY FORMULATION COMMITTEE

Composition

As on March 31, 2019, the Policy Formulation Committee is chaired by an Independent Director and comprises of four (4) Independent Directors:

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

Meetings & Attendance

The Committee held five (5) Meetings during the year on June 14, 2018, July 26, 2018, October 31, 2018, January 29, 2019 and March 12, 2019:

Name	No. of Meetings	
	Held	Attended
Mr. Vinod Kumar Sharma, Chairman	5	5
Mr. Arun Kumar Verma	5	5
Ms. Lalitha Lakshmanan	5	5
Mr. Srinivasan N	5	2

Terms of reference

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

IT STRATEGY COMMITTEE

Composition

As on March 31, 2019, The IT Strategy Committee comprised of two (2) Independent Directors and the MD & CEO:

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

Meetings & Attendance

The Committee held three (3) Meetings during the year on June 13, 2018, December 18, 2018 and March 12, 2019:

Name	No. of Meetings	
	Held	Attended
Prof. Balakrishnan N, Chairman	3	3
Ms Lalitha Lakshmanan	3	3
Mr. Vasudevan P N, MD & CEO	3	3

Terms of reference

1. To approve IT strategy and policy documents.
2. To ensure that management has an effective strategic planning process.
3. To ensure that business strategy is aligned with IT strategy.
4. To ensure that investments in Information Technology represent a balance of risks and benefits for sustaining Bank's growth and within the acceptable budget.
5. To monitor IT resources required to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
6. To oversee implementation of processes and practices and ensuring that maximum value is delivered to business.
7. To ensure that all critical projects have a component for 'project risk management' from IT perspective (by defining project success measures and following up progress on IT projects).
8. To define and ensure effective implementation of standards of IT Governance, Business Continuity and Data Governance.

9. To ensure that there is an appropriate framework of information security risk assessment within the Bank.
10. To assess exposure to IT Risks and its controls, and evaluating effectiveness of management's monitoring of IT risks.
11. To provide direction to IT architecture design and ensure that the IT architecture reflects the need for legislative and regulatory compliance, the ethical use of information and business continuity.
12. To approve capital and revenue expenditure in respect of IT Procurements.

CREDIT COMMITTEE

Composition

The Credit Committee of the Board was re-constituted on March 12, 2019. As on March 31, 2019, the Credit Committee comprised of three (3) Independent Directors:

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

Meetings & Attendance

The Committee held two (2) Meetings during the period on July 25, 2018 and January 30, 2019.

Name	No. of Meetings	
	Held	Attended
Ms. Lalitha Lakshmanan, Chairperson	2	2

Name	No. of Meetings	
	Held	Attended
Mr. Srinivasan N	2	2
Ms. Tabassum Inamdar [#]	NA	NA
Mr. Vasudevan P N, MD & CEO ^{**}	2	2

[#] Inducted as a Member of the Committee with effect from March 12, 2019

^{**} Stepped down from the Committee with effect from March 12, 2019

Terms of reference

The Committee considers and approve loans exceeding ₹ 50 crore.

REMUNERATION OF DIRECTORS

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

Sl. No.	Nature of Meetings	Sitting Fees (₹)
1	Board	25,000/-
2	Audit Committee and Business Committee	20,000/-
3	Other Committees of the Board*	15,000/-

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

Details of Remuneration Sitting Fees paid to Directors for the period ended March 31, 2019 along with their shareholding in the /Bank are as under:

Name	Remuneration (₹)	Sitting Fees (₹)		No. of equity shares held as on March 31, 2019
		Board	Committee	
Mr. Arun Ramanathan (Chairman)	12,00,000	1,25,000	15,000	Nil
Mr. Arun Kumar Verma	9,00,000	1,50,000	3,30,000	Nil
Prof. Balakrishnan N	6,00,000	1,50,000	2,55,000	Nil
Ms. Lalitha Lakshmanan	6,00,000	1,25,000	4,95,000	Nil
Mr Nagarajan Srinivasan [%]	Nil	Nil	Nil	Nil

Name	Remuneration (₹)	Sitting Fees (₹)		No. of equity shares held as on March 31, 2019
		Board	Committee	
Mr. Sridhar Ganesh	6,00,000	1,50,000	2,45,000	Nil
Mr. Srinivasan N	6,00,000	1,25,000	2,60,000	Nil
Ms. Tabassum Inamdar	6,00,000	1,50,000	3,65,000	Nil
Mr. Vinod Kumar Sharma	6,00,000	1,50,000	4,05,000	Nil

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

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

REMUNERATION TO MANAGING DIRECTOR

Details of the remuneration of the Managing Director for the year ended March 31, 2019 are as follows:

S. No	Nature of Payment	Amount (₹ in lakh)
1	Salary	110.58
2	Perquisite value of car	0.32
3	Others-Employer's contribution to Provident Fund	5.13
4	Medical Reimbursement	0.30
	TOTAL	116.33

ANNUAL GENERAL MEETINGS

Details relating to last three Annual General Meetings:

Year	Date	Time	Location	No. of Special Resolution [s] passed
2018	July 26, 2018	05.30 PM	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Nil
2017	June 23, 2017	05:00 PM	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	One
2016	June 21, 2016	04:00 PM	4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Two

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

FAIR PRACTICES CODE

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

MD & CEO/CFO CERTIFICATION

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

CODE OF CONDUCT

As per the Bank's policy on Code of Conduct for Directors and Senior Management, all Directors and Senior Management Personnel have affirmed compliance with the Code for FY 2018-19. The Declaration to this effect signed by MD & CEO has been annexed with this Report.

WHISTLE BLOWER POLICY

The Bank has formulated a Whistle Blower Policy pursuant to which Directors, employees and vendors of the Bank can report their concerns on unethical and improper behaviour, practices, actual or suspected fraud or violation of the Bank's Code of Conduct or any other wrongful conduct in the Bank or of its employees. Details of complaints received and the actions taken are reviewed by the Audit Committee. None of the personnel has been denied access to the Audit Committee.

REGULAR UPDATES

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

DISCLOSURES

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

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

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting:	Date	: Thursday, August 1, 2019
	Time	: 5.30 P.M.
	Venue	: 4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002
	Financial year	: April 1 to March 31

Shareholding pattern as on March 31, 2019

Category	No of shares	%
Equitas Holdings Limited	1,00,59,43,348	100%
Mr. S Bhaskar, Nominee of Equitas Holdings Limited	10	0%
Mr. Mohanan B, Nominee of Equitas Holdings Limited	1	0%
Mr. Sridharan N, Nominee of Equitas Holdings Limited	1	0%
Mr. Muralidharan S, Nominee of Equitas Holdings Limited	1	0%
Mr. John Alex A, Nominee of Equitas Holdings Limited	1	0%
Mr. Raghavan H K N, Nominee of Equitas Holdings Limited	1	0%
Total	1,00,59,43,363	100%

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

Sl. No.	Nature of NCDs	Issue Size [₹]	Outstanding as on March 31, 2019 [₹]	ISIN No	Scrip Code
1	14.95% - Unsecured	400,000,000	400,000,000	INE063P08013	951930
2	10.15% - Unsecured	500,000,000	500,000,000	INE063P08047	954769
3	10.15% - Unsecured	1,000,000,000	1,000,000,000	INE063P08070	954804
4	16.00% - Unsecured	300,000,000	300,000,000	INE186N08025	951924
5	12.67% - Secured	600,000,000	600,000,000	INE186N07068	950723
6	14.04% - Unsecured	500,000,000	500,000,000	INE186N08017	947882
7	13.80% - Unsecured	300,000,000	300,000,000	INE186N08033	952815
8	14.05% - Unsecured	1,200,000,000	1,200,000,000	INE186N08041	952812

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

Debenture Trustees :

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

For and on behalf of the Board of Directors

Place: Chennai
Date: May 9, 2019

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

MD & CEO / CFO Certificate

The Board of Directors

Equitas Small Finance Bank Limited

This is to certify that:

1. We have reviewed the Financial Statements and the Cash Flow Statement for the Financial Year ended March 31, 2019 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent or illegal or violative of Bank's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting and we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting.
4. We have indicated to the Auditors and the Audit Committee:
 - a. Significant changes in internal control over financial reporting during the year; **NIL**
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c. Instances of significant frauds of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting. **NIL**

Sridharan N
Chief Financial Officer

Vasudevan P N
Managing Director and
Chief Executive Officer

Chennai
May 9, 2019

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, 2019 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.

Chennai
May 9, 2019

Vasudevan P N
Managing Director and
Chief Executive Officer

BUSINESS RESPONSIBILITY REPORT

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

Introduction

Equitas Small Finance Bank Limited (“The Bank”) has adopted a Stakeholder Centric Sustainability Framework to strategically drive its sustainability initiatives. The disclosures in this report are aligned to the Principles of Business Responsibility as prescribed under the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG-SEE) released by Ministry of Corporate Affairs, Government of India. This report provides transparent and relevant information on the Bank’s efforts and its performance against the nine principles of Business Responsibility.

Section A: General information about the company

1	Corporate Identity Number (CIN) of the Company	U65191TN1993PLC025280
2	Name of the Company	Equitas Small Finance Bank Limited
3	Registered address	4 th Floor, Phase II, Spencer Plaza No.769, Mount Road, Anna Salai Chennai TN 600002
4	Website	www.equitasbank.com
5	Email id	secretarial@equitas.in
6	Financial year reported	2017-18
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	National Industrial Classification 2008 Section K : Financial and Insurance Activities Code : 64191
8	Three key products/services of the Company (as in balance sheet)	<u>Assets Products</u> Micro Finance lending Used Commercial Vehicle Finance lending Micro Loan against Property <u>Liabilities Products</u> Demand Deposits Time Deposits Fee Based Products viz., distribution of insurance and mutual fund products, providing of locker facility, etc.
9	Number of international locations	Nil
10	Number of National locations	The Bank operates from more than 750 locations across 13 states and 2 Union Territories (including National Capital Territory) of the country.
11	Markets served by the Company – Local/ State/National/ International	National

Section B: Financial details of the company

S.No.	Particulars	Details
1	Paid up capital (₹ in lakh)	1,00,594.34
2	Total turnover (₹ in lakh)	240,352.27
3	Total profit after taxes (₹ in lakh)	21,056.61
4	Total spending on Corporate Social Responsibility (CSR) as a percentage of Profit After Tax (%)	4.25%
5	List of activities in which expenditure in 4 above has been incurred	<p>The Bank undertakes various CSR activities in accordance with its 'Policy on Corporate Social Responsibility', which includes:</p> <ul style="list-style-type: none"> i) Educational Initiatives – Running schools in 7 locations across Tamil Nadu ii) Imparting of skill training to Joint Liability Group (JLG) women members to improve their income levels iii) Health care initiatives – Health care and medical camps, Equitas Sugam Clinics for the underprivileged. iv) Holding job fairs for placement of unemployed youth in suitable jobs. <p>Additional information on the Bank's CSR initiatives is discussed under MD & A Report forming part of the Annual Report.</p>

Section C: Other Details

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

Section D: BR Information

1. Details of Director(s) responsible for BR

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

- DIN 01550885
- Name Mr Vasudevan P N
- Designation MD & CEO

(b) Details of the BR head

- DIN (if applicable) Not applicable
- Name Mr Raghavan H K N

3. Designation Senior President – Outreach & Inclusive Banking
4. Telephone number + 91 44 4299 5000
5. e-mail id corporate@equitas.in

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

Equitas Holdings Limited is a Core Investment Company which carries on the business through its Subsidiaries viz., ESFBL and ETPL. Therefore, the following sections capture BR compliances at the Group level.

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

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

- P1 Code of Conduct adopted for employees, Directors and senior management and Whistle Blower Policy ensure conducting of business with Ethics, Transparency and Accountability.
- P2 Fair Practices Code promote responsible lending and banking practices. It ensures guarding against over-leveraging to ensure sustainability, throughout the life cycle of the customer.
- P3 Policy on Prevention of Sexual Harassment and Whistle Blower Policy, endeavors to maintain an organization wide environment of care, concern, nurturing and to provide an opportunity to women employees to accomplish their professional aspirations. These Policies can be viewed online at www.equitasbank.com.

- P4 The interests of the marginalised and vulnerable stakeholders are addressed through Priority Sector Lending and Financial Inclusion. The Fair Practices Code protects the interests of customers who are primarily from the vulnerable sections of the society. Corporate Social Responsibility [CSR] Policy seeks to engage with client communities through community development initiatives and improve their life and life style on a holistic basis. This Policy can be viewed online at www.equitasbank.com.
- P5 Code of Conduct for employees lays down acceptable employee behavior while dealing with clients on various aspects, including human rights.
- P6 Policy on Environmental and Social Safeguards framework for Micro & Small Enterprises ensures integration of environmental and social safeguards into the appraisal process of loan applications for micro & small enterprises.
- P7 While there is no specific policy outlined in respect of this Principle, the Bank, through various trade bodies and associations, puts forth a number of suggestions with respect to the financial services sector.
- P8 The very idea behind differentiated licensing of Small Finance Banks is to further the agenda of financial inclusion and bring about equitable development. Hence, the entire operations of the Bank are aligned towards this commitment. Further, in accordance with the Corporate Social Responsibility Policy, the Bank carries out various social initiatives to promote equitable development amongst its client communities.
- P9 Equitas Group has undertaken wide range of social initiatives under Corporate Social Responsibility Policy to improve the quality of life of its client communities. Details of the same are given in the MD&A Report, which forms part of the Annual Report. The Bank has a Board approved Customer Grievance Redressal Policy for expeditious redressal of customer grievances.

Governance related to BR

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

Section E: Principle-Wise Performance

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

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

Equitas Group has put in place a Code of Conduct which covers all its employees. The Code articulates the ethical principles and acceptable behavior that the employees are expected to demonstrate throughout their tenure as employees of the organization. It also guides all employees to uphold the values of Equitas Group. The Code covers aspects related but not limited to ethics, accountability, conflict of interest, bribery and corruption. Equitas Group has also adopted Code of Conduct for Directors & Senior Management to provide a framework to the Board members and Senior Management in ensuring adoption of highest ethical standards in managing the affairs of the Group. The Group's commitment to ethics and accountability is emphasised upon in all interaction with the stakeholders, right from the time of association with the Group.

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

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

Particulars	Complaints received during 2018-19	% of complaints resolved
Customer complaints	3,452	99.85%
Investor complaints	Nil	100.00%

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

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

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

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

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

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

Housing Finance: The Bank supports the aspiration of owning a house for a large segment of low-income families by focusing on affordable housing. The Bank also offers the benefits accruing under Pradhan Mantri Awas Yojana to deserving beneficiaries from economically weaker sections and low-income groups.

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

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

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

The Bank consciously endeavors to reduce the use of paper. Towards this end, tab-based loan processing is being used in micro finance lending. Similar initiatives are being implemented in other segments as well.

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

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

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

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

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

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

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

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

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

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

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

1	Total number of Employees	14,608
2	Total number of employees hired on contractual basis	23
3	Number of permanent women employees	1541
4	Number of permanent employees with disabilities	86
5	Is there an employee association that is recognized by management	Equitas Group engages with employees through various fora to obtain constructive feedback. Regular Audio bridges are conducted offering an opportunity for all employees to directly express their views, ideas and feedback to the top management. While there is a structured employee grievance redressal mechanism in place, employees are also encouraged to directly approach CEO and Audit Committee in case of serious grievances or unethical practices.
6	Percentage of your permanent employees who are members of this recognized employee association	

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

No.	Category	No. of complaints filed during the financial year	No. of complaints pending as at the end of financial year
1	Child labour/ forced labour/ involuntary labour	Nil	Nil
2	Sexual Harassment	4	Nil
3	Discriminatory Employment	Nil	Nil

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

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

In respect of skill training, Equitas Group has institutionalized learning and development process to create right competencies across various levels and help in career progression of employees. The key focus during the year has been on imparting functional and technical training to the employees. A development program for Managers titled “Managing Business Through the Sales Team” was conducted across the zones for the Asset and Liability Sales divisions. Extensive training was imparted through the e-learning platform and learning days allocated for the same every month. A customized induction program to provide comprehensive training on functional aspects was developed for branch banking roles. An in-house lab is being set up for effective hands-on training in banking software.

The details of employees who underwent skill up-gradation training during FY 2018-19 are as follows:

Permanent Employees	42%
Permanent Women Employees	49%
Contractual Employees	20%
Employees with Disabilities	Nil

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

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

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

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

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

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

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

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

The Bank directly or through its implementing

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

EDIT runs seven schools primarily for socially and economically weaker sections of society. These schools provide affordable schooling to students belonging to economically weak backgrounds, with an emphasis on the quality of the education imparted. More than 5,000 students have benefitted from these schools.

EDIT has empowered around half a million women by imparting training in vocational skills such as tailoring, doll making and artificial jewellery making.

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

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

Principle 5: Businesses should respect and promote human rights

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

Equitas Group is committed to upholding the dignity of every individual engaged or associated with the Group. A strong commitment to human rights is embedded in the Fair Practices Code as well as Employee Code of Conduct, which lays down acceptable behaviour on various aspects including human rights. All employees who have direct interface to customers including collection staff are trained to be polite and courteous to

customers under all circumstances. This code is applicable for all employees, associates, business partners and Group companies with utmost importance placed on fairness and transparency.

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

Kindly refer to response to Principle 1 – Question 2.

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

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

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

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

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

In regard of its activities, Equitas Group focuses on decreasing the utilization of paper to lessen the carbon footprint. Towards this end, the Bank has embarked its digital footprint over its products offerings and has been a consistent leader across Small Finance Banks. Our focus is to empower clients with ease of access and

to transact efficiently and effectively using our variety of Digital offerings, along these lines lessening the dependence on paper-based banking activities. The operations of ETPL are carried out by utilizing mobile and online applications. A number of new activities and products are through digital channels.

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

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

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

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

4. Does the company have any project related to Clean Development Mechanism?

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

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

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

As explained above, the Bank focuses on reducing the usage of paper and provides

alternate banking channels like internet banking, mobile banking, ATMs, Tab-based account opening, online & mobile account opening etc.

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

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

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

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

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

The operations of the Bank do not result in any significant environmental or pollution related issues. No notices were received by the Bank as on March 31, 2019.

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

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

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

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

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

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

Principle 8: Businesses should support inclusive growth and equitable development

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

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

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

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

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

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

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

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

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

A social audit of CSR initiatives carried out by EDIT during the period from April 2016 to March 2018 was carried out during the year under review by Social Audit Network (SAN), an international organisation. The social audit testified to our firm belief on the positive impact of our CSR initiatives on the livelihood, health and education aspects of the economically weaker sections of the society.

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

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

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

CSR initiatives are reviewed by Board-level CSR Committee of the respective entities, on a periodic basis. The Group closely tracks not only the number of beneficiaries but also qualitative improvement in the lives of beneficiaries. The educational initiatives undertaken through implementing agency, EDIT creates enduring

value for the beneficiaries by empowering people to rise above their existing socio-economic constraints. The Schools run by EDIT cater predominantly to people from the lower income group. The children studying in these schools develop English speaking skills apart from their academic pursuits, where they are continuing to do well. This apart, they also develop life skills and get their personality shaped which would go a long way in changing the future outlook of their life. The Bank is also involved in a pavement dwellers uplifting program, called Equitas Bird's Nest (EBN). Through this program, more than 160 platform dwelling families were provided formal housing in FY18. EBN also conducts health care initiatives, vocational skills training programs, provides educational assistance & scholarships and micro-credit facilitation as required by the rehabilitated families.

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

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

0.15% of the customer complaints are pending as at the end of the Financial Year 2018-19. All the pending complaints have since been resolved within the prescribed timelines.

2. Does the company display product information on the product label, over and

above what is mandated as per local laws?

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

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

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

Nil

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

The Bank has an active customer service department, which ensures that continuous steps are taken to ensure customer satisfaction in all their dealings with the Group. The Bank is planning to conduct Depositors Satisfaction survey during the Financial Year 2019-20.

For and on behalf of the Board of Directors

Place: Chennai
Date: May 9, 2019

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman



Financial Statements

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, 2019, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013 ("the Act") in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2019, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

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, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters	How our audit addressed the key audit matter
<p>(a) Identification of and provisioning for non-performing assets (Refer to note 17.3.3 to the financial statements)</p> <p>Loans and advances form a material portion of the Bank's assets, and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. Identification and provisioning of NPAs are governed by the prudential norms on Income Recognition and Asset Classification prescribed by the Reserve Bank of India (RBI) which includes rule based and judgmental factors. Management is also required to make estimates in respect of specific borrowers or groups of borrowers, on account of specific factors that may affect such borrowers/groups.</p> <p>A material error or omission in the process of NPA identification or provisioning may result in a material misstatement of the financial statements, and also potentially result in a non-compliance of applicable regulatory guidelines. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.</p>	<ul style="list-style-type: none"> • We considered the Bank's accounting policies for NPA identification, and provisioning and assessing compliance with the prudential norms prescribed by the RBI. • 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. • We made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/or provisioning. • We performed test of details on the provisioning made against respective asset classes as at balance sheet date, and consistency of such provisioning with the Bank's accounting policies. • We made inquiries of management and examined any relevant supporting documentation or evidence, for situations where provision was made at levels higher than the minimum prescribed by RBI. • We made inquiries of management regarding any effects considered on the NPA identification and / or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations. • We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against. • We tested the arithmetical accuracy of computation of provision for loans and advances.

Key audit matters	How our audit addressed the key audit matter
<p>(b) IT systems and controls</p> <p>There has been a major enhancement in the information technology (IT) infrastructure of the Bank in the current year. During the current year, as the IT systems and processes continue to mature in view of the evolving business and regulatory landscape, frequent changes in the technology environment have been carried out by the Bank.</p> <p>The IT infrastructure is critical for effective and efficient functioning of the Bank's business operations as well as for timely and accurate financial reporting. Accordingly, the Bank has continued to invest in its IT infrastructure in the current year as well.</p> <p>Due to the pervasive nature and complexity of the IT environment and considering that several systems and process have been implemented in recent past, and as a result the IT control environment may not have matured, it is considered a key audit matter.</p>	<ul style="list-style-type: none"> • We included specialized IT auditors as part of our audit team for testing IT general controls, application controls and IT dependent manual controls implemented by the Bank, and testing the information produced by the Bank's IT systems. • We tested the design and operating effectiveness of the Bank's IT access controls over the key information systems that are related to financial reporting. • We tested IT general controls in the nature of controls over logical access, changes management, and other aspects of IT operational controls. These included testing that requests for access to systems were reviewed and authorized. • We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • In addition, we tested the key application controls to evaluate their operating effectiveness. • If deficiencies were identified, we tested compensating controls or performed alternate procedures.

Other Information

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is

a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank provision of section 29 of the Banking Regulation Act, 1949

and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time.

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

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

Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system 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, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.
2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the

appointment letter dated October 1, 2018, we report that:

- a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - c. The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 22 branches for the purpose of our audit.
3. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - c. The Balance Sheet, the Profit and Loss Account, the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - e. On the basis of the written representations received from the directors as on March

31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

- f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in “Annexure 1” to this report;
- g. In our opinion, the entity being a banking company, remuneration to the whole time director during the year ended March 31, 2019 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 Schedule 12 and Note 20 to the financial statements;

- ii. The Bank did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For S. R. Batliboi & Associates LLP

Chartered Accountants

Firm’s Registration No.: 101049W/E300004

per Aniruddh Sankaran

Partner

Membership No.: 211107

Place: Chennai

Date: May 09, 2019

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF EQUITAS SMALL FINANCE BANK LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of **Equitas Small Finance Bank Limited**

We have audited the internal financial controls over financial reporting of **Equitas Small Finance Bank Limited** (the "Bank") as of March 31, 2019 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the

Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions

are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per Aniruddh Sankaran

Partner

Membership Number: 211107

Place of Signature: Chennai

Date: May 09, 2019

Balance Sheet As at March 31, 2019

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

Particulars	Schedule	As at March 31, 2019	As at March 31, 2018
CAPITAL AND LIABILITIES			
Capital	1	10,059,434	10,059,434
Reserves and Surplus	2	12,483,751	10,378,092
Deposits	3	90,067,363	56,039,727
Borrowings	4	39,730,261	51,772,081
Other Liabilities and Provisions	5	5,286,100	4,850,249
TOTAL		157,626,909	133,099,583
ASSETS			
Cash and Balances With Reserve Bank of India	6	4,027,037	3,860,813
Balances With Banks and Money At Call and Short Notice	7	8,579,115	8,250,843
Investments	8	23,444,540	38,568,415
Advances	9	115,950,045	77,066,926
Fixed Assets	10	2,373,362	2,808,826
Other Assets	11	3,252,810	2,543,760
TOTAL		157,626,909	133,099,583
Contingent Liabilities	12	327,223	331,451
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 S.R.Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No.: 101049W/E300004

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

per Aniruddh Sankaran

Partner

Membership No.211107

Arun Ramanathan

Chairman

DIN: 00308848

Vasudevan PN

Managing Director and

Chief Executive Officer

DIN: 01550885

Arun Kumar Verma

Director

DIN: 03220124

Place: Chennai

Date: May 09, 2019

N Sridharan

Chief Financial Officer

Sampathkumar KR

Company Secretary

M.No: A27466

Profit and Loss account for the year ended March 31 , 2019

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

Particulars	Schedule	Year ended March 31, 2019	Year ended March 31, 2018
I INCOME			
Interest earned	13	21,206,252	15,427,124
Other income	14	2,828,975	2,412,151
TOTAL		24,035,227	17,839,275
II EXPENDITURE			
Interest expended	15	9,688,913	6,821,720
Operating expenses	16	10,084,865	8,811,119
Provisions and contingencies		2,155,788	1,888,122
TOTAL		21,929,566	17,520,961
III PROFIT			
Net Profit for the year		2,105,661	318,314
TOTAL		2,105,661	318,314
IV APPROPRIATIONS			
Transfer to Statutory reserves		526,416	79,578
Transfer to Special reserve account		26,375	6,652
Transfer to Investment Reserve		-	23,000
Transfer to Investment Fluctuation Reserve		84,300	-
Balance carried over to Balance Sheet		1,468,570	209,084
Total		2,105,661	318,314
Summary of significant accounting policies	17		
Notes forming part of financial statements	18		
Earning per share (Basic) (in ₹)	18.10.4	2.09	0.32
Earning per share (Diluted) (in ₹)	18.10.4	2.09	0.32
Face Value per share (in ₹)		10	10
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For S.R.Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No.: 101049W/E300004

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

per Aniruddh Sankaran

Partner
Membership No.211107

Arun Ramanathan

Chairman
DIN: 00308848

Vasudevan PN

Managing Director and
Chief Executive Officer
DIN: 01550885

Arun Kumar Verma

Director
DIN: 03220124

Place: Chennai

Date: May 09, 2019

N Sridharan

Chief Financial Officer

Sampathkumar KR

Company Secretary
M.No: A27466

Cash Flow Statement for the year ended March 31, 2019

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
A. Cash Flow from Operating activities		
Profit Before Tax	3,237,367	485,148
Adjustments for:		
Depreciation on fixed assets	917,767	875,061
Depreciation on investments	-	(46,588)
Amortization on Held to Maturity securities	51,623	50,658
Provision for standard assets	98,887	53,660
Bad debts written off	607,743	1,902,248
Provision for Non performing assets	282,597	(204,966)
Other Provision and Contingencies	34,890	16,912
Loss on sale of fixed assets	1,113	1,511
Interest expenses on borrowings	4,591,902	4,380,018
Interest expenses on bank balances not considered as cash and cash equivalents	20,319	70,937
	9,844,208	7,584,599
Adjustments for:		
(Increase)/Decrease in investments	15,072,252	(19,667,530)
(Increase)/Decrease in advances	(39,773,459)	(21,745,868)
Increase/(Decrease) in deposits	34,027,636	36,826,407
(Increase)/Decrease in other assets	(426,829)	146,232
Increase/(Decrease) in other liabilities and provisions	730,864	(692,397)
Direct taxes paid	(1,441,030)	(323,955)
Net cash flow from operating activities (A)	18,033,642	2,127,488
Cash flow from investing activities		
Purchase of fixed assets	(516,363)	(812,842)
Proceeds from sale of fixed assets	32,946	10,943
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	369,816	759,874
Interest received from bank balances not considered as cash and cash equivalents	6,784	(70,937)
Net cash used in investing activities (B)	(106,817)	(112,962)

Cash Flow Statement for the year ended March 31, 2019

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flow from financing activities		
Increase/(decrease) in borrowings (net)	(12,041,820)	3,983,119
Interest paid on borrowings	(5,020,693)	(4,266,850)
Net cash from financing activities (C)	(17,062,513)	(283,731)
Net increase in cash and cash equivalents (A)+(B)+(C)	864,312	1,730,795
Cash and Cash equivalents at beginning of the year (Refer Notes below)	11,688,885	9,958,090
Cash and Cash equivalents at end of the year (Refer Notes below)	12,553,197	11,688,885
Notes to cash flow statement :		
Cash and Cash equivalents include the following		
Cash and Balances With Reserve Bank of India (As per Schedule 6)	4,027,037	3,860,813
Balances With Banks And Money At Call And Short Notice (As per Schedule 7)	8,579,115	8,250,843
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	(52,955)	(422,771)
Cash and Cash equivalents at end of the year	12,553,197	11,688,885
The accompanying notes are an integral part of the financial statements		

As per our report of even date

For S.R.Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No.: 101049W/E300004

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

per Aniruddh Sankaran

Partner

Membership No.211107

Arun Ramanathan

Chairman

DIN: 00308848

Vasudevan PN

Managing Director and

Chief Executive Officer

DIN: 01550885

Arun Kumar Verma

Director

DIN: 03220124

Place: Chennai

Date: May 09, 2019

N Sridharan

Chief Financial Officer

Sampathkumar KR

Company Secretary

M.No: A27466

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

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

SCHEDULE 1 - CAPITAL	As at March 31, 2019	As at March 31, 2018
Authorised capital		
2500,000,000 (Previous Year: 1,155,000,000) Equity Shares of ₹ 10 each	25,000,000	11,550,000
Issued, subscribed and paid-up capital		
1,005,943,363 (Previous year: 1,005,943,363) Equity Shares of ₹ 10 each (Refer note)	10,059,434	10,059,434
TOTAL	10,059,434	10,059,434

Note: Includes 420,344,289 and 43,393,774 equity shares issued to the shareholders of Equitas Micro Finance Limited ("EMFL") and Equitas Housing Finance Limited ("EHFL") respectively, as part of the Scheme of merger approved by the Hon'ble High Court of Madras and effected in FY2016-17.

SCHEDULE 2 - RESERVES AND SURPLUS	As at March 31, 2019	As at March 31, 2018
I Statutory reserve		
Opening Balance	1,241,162	1,161,584
Add: Transfer from Profit and Loss account	526,416	79,578
Deductions during the year	-	-
Total - (A)	1,767,578	1,241,162
II Capital reserve		
Opening Balance	132,798	132,798
Additions during the year	-	-
Deductions during the year	-	-
Total - (B)	132,798	132,798
III Share premium account		
Opening Balance	5,482,616	5,482,616
Received during the year	-	-
Deductions during the year	-	-
Total - (C)	5,482,616	5,482,616
IV Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	32,596	25,944
Add: Transfer from Profit and Loss account	26,375	6,652
Deductions during the year	-	-
Total - (D)	58,971	32,596

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

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

SCHEDULE 2 - RESERVES AND SURPLUS	As at March 31, 2019	As at March 31, 2018
V Revenue and Other reserves		
Opening Balance	254,400	254,400
Additions during the year	-	-
Deductions during the year	-	-
Total - (E)	254,400	254,400
VI Investment Reserve		
Opening Balance	23,000	-
Additions during the year	-	23,000
Deductions during the year	-	-
Total - (F)	23,000	23,000
VII Investment Fluctuation Reserve		
Opening Balance	-	-
Additions during the year	84,300	-
Deductions during the year	-	-
Total - (G)	84,300	-
VI Balance in Surplus in profit and loss account		
Opening Balance	3,211,518	3,002,434
Profits for the year	1,468,570	209,084
Closing balance in Surplus in profit and loss account (H)	4,680,088	3,211,518
TOTAL (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)	12,483,751	10,378,092
SCHEDULE 3 - DEPOSITS	As at March 31, 2019	As at March 31, 2018
A I Demand deposits		
(i) From banks	460,775	218,686
(ii) From others	4,362,761	3,672,601
II Savings bank deposits	17,919,120	12,487,104
III Term deposits		
(i) From banks	23,750,878	13,643,319
(ii) From others	43,573,829	26,018,017
TOTAL	90,067,363	56,039,727

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

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

SCHEDULE 3 - DEPOSITS	As at March 31, 2019	As at March 31, 2018
B I Deposits of branches in India	90,067,363	56,039,727
II Deposits of branches outside India	-	-
TOTAL	90,067,363	56,039,727

SCHEDULE 4 - BORROWINGS	As at March 31, 2019	As at March 31, 2018
I Borrowings in India		
(i) Reserve Bank of India	-	7,900,000
(ii) Other banks	800,000	1,800,000
(iii) Other institutions and agencies	38,930,261	42,072,081
TOTAL	39,730,261	51,772,081
II Borrowings outside India	-	-
TOTAL	-	-
TOTAL	39,730,261	51,772,081
Secured borrowings included in above	1,504,761	17,189,581

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS	As at March 31, 2019	As at March 31, 2018
I Bills payable	626,222	67,055
II Interest accrued	1,484,617	1,691,287
III Provision for Tax (net of advance tax)	-	26,981
IV Others (including provisions)*	3,175,261	3,064,926
TOTAL	5,286,100	4,850,249

*Includes :-

Provision for standard assets ₹309,654 (Previous year: ₹210,767)

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

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA	As at March 31, 2019	As at March 31, 2018
I Cash in hand	1,158,596	1,159,262
II Balances with Reserve Bank of India :		
(a) In current accounts	2,868,441	2,701,551
(b) In other accounts	-	-
TOTAL	4,027,037	3,860,813

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

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

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	As at March 31, 2019	As at March 31, 2018
I In India		
(i) Balances with banks :		
(a) In current accounts	689,070	612,622
(b) In other deposit accounts	52,955	608,221
(ii) Money at call and short notice :		
(a) With banks	-	2,300,000
(b) With other institutions	2,298,258	500,000
(c) Lending under Reverse Repo	5,538,832	4,230,000
II Outside India		
(i) In current accounts	-	-
(ii) In deposit accounts	-	-
(iii) Money at call and short notice	-	-
TOTAL	8,579,115	8,250,843

Note : Other deposits include deposits under lien amounting ₹ 52,955 (Previous year ₹ 422,771)

SCHEDULE 8 - INVESTMENTS	As at March 31, 2019	As at March 31, 2018
I Investments in India (Net of provision)		
(i) Government securities	22,442,540	28,402,361
(ii) Other Approved securities	-	-
(iii) Shares	2,000	2,000
(iv) Debentures and Bonds	1,000,000	1,250,000
(v) Subsidiaries and / or Joint Ventures	-	-
(vi) Others	-	8,914,054
	23,444,540	38,568,415
Gross Investments	23,444,540	38,568,415
Less: Depreciation	-	-
Net Investments	23,444,540	38,568,415
II Investments outside India	-	-
TOTAL	23,444,540	38,568,415

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

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

SCHEDULE 9 - ADVANCES (Net of provision)	As at March 31, 2019	As at March 31, 2018
A (i) Bills purchased and discounted	-	-
(ii) Cash credits, overdrafts and loans repayable on demand	2,789,992	1,316,703
(iii) Term loans	113,160,053	75,750,223
TOTAL	115,950,045	77,066,926
B (i) Secured by tangible assets	81,946,787	49,918,605
(ii) Covered by bank / government guarantees	-	-
(iii) Unsecured	34,003,258	27,148,321
TOTAL	115,950,045	77,066,926
C I Advances in India		
(i) Priority sector	76,734,059	54,044,162
(ii) Public sector	-	-
(iii) Banks	700,387	600,838
(iv) Others	38,515,599	22,421,926
Total Advances in India	115,950,045	77,066,926
II Advances outside India		
(i) Due from banks	-	-
(ii) Due from others	-	-
(a) Bills purchased and discounted	-	-
(b) Syndicated loans	-	-
(c) Others	-	-
Total Advances Outside India	-	-
TOTAL	115,950,045	77,066,926

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

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

SCHEDULE 10 - FIXED ASSETS	As at March 31, 2019	As at March 31, 2018
A Premises		
Cost		
As at beginning of the year	1,049,826	745,188
Additions during the year	84,496	305,282
Deductions during the year	(2,388)	(644)
	1,131,934	1,049,826
Depreciation		
As at beginning of the year	220,932	83,351
Additions during the year	142,848	138,210
Deductions during the year	(2,382)	(629)
Depreciation to date	361,398	220,932
Net block	770,536	828,894
B Other fixed assets (including furniture and fixtures)		
Cost		
As at beginning of the year	3,396,927	2,781,018
Additions during the year	427,127	643,502
Deductions during the year	(84,599)	(27,593)
	3,739,455	3,396,927
Depreciation		
As at beginning of the year	1,428,487	706,790
Additions during the year	774,919	736,851
Deductions during the year	(50,546)	(15,154)
Depreciation to date	2,152,860	1,428,487
Net block	1,586,595	1,968,440
C Capital work-in-progress	16,231	11,492
TOTAL	2,373,362	2,808,826
SCHEDULE 11 - OTHER ASSETS	As at March 31, 2019	As at March 31, 2018
I Interest accrued	1,462,847	1,155,392
II Tax paid in advance (Net of provision for tax)	56,841	21,357
III Deferred tax asset	875,604	628,765
IV Stationery and stamps	247	-
V Others	857,271	738,246
TOTAL	3,252,810	2,543,760

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

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

SCHEDULE 12 - CONTINGENT LIABILITIES	As at March 31, 2019	As at March 31, 2018
I Claims against the bank not acknowledged as debts		
(a) Service tax	8,660	8,660
(b) Provident Fund (Refer Note b below)	-	18,822
(c) Income tax	1,137	1,372
(d) Others	10,460	9,761
II Guarantees given on behalf of constituents		
In India	306,966	292,836
TOTAL	327,223	331,451

Notes

- a)
 - i. Matters wherein management has concluded the Bank's liability to be probable have accordingly been provided for in the books (included under Others in Schedule 5).
 - ii. Matters wherein management has concluded the Bank's liability to be possible have accordingly been disclosed under Schedule 12 Contingent liabilities.
 - iii. Matters wherein management is confident of succeeding in these litigations and have concluded the Bank's liability to be remote. This is based on the relevant facts of judicial precedents and as advised by legal counsel which involves various legal proceedings and claims, in different stages of process.
- b) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated 28th February, 2019. As a matter of caution, the Bank has made a provision on a retrospective basis from the date of inception of the company. Accordingly, based on internal computation, the Bank has provided ₹ 5.50 crores towards provident fund and interest thereon @ simple rate of interest in terms of the provisions of section 7Q of the The Employees' Provident Funds and Miscellaneous provisions Act, 1952. The Bank will update its provision, on receiving further clarity on the subject.

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

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

SCHEDULE 13 - INTEREST EARNED	Year ended March 31, 2019	Year ended March 31, 2018
I Interest on advances	18,323,467	13,422,409
II Income from investments	2,579,612	1,812,423
III Interest on balance with RBI and other inter-bank funds	303,173	192,292
IV Others	-	-
TOTAL	21,206,252	15,427,124

SCHEDULE 14 - OTHER INCOME	Year ended March 31, 2019	Year ended March 31, 2018
I Commission, exchange and brokerage	186,008	101,708
II Profit / (loss) on sale of investments (net)	32,731	(102,986)
III Profit / (loss) on sale of building and other assets (net)	(1,113)	(1,511)
IV Miscellaneous income*	2,611,349	2,414,940
TOTAL	2,828,975	2,412,151

* During the year FY2018-19, the bank has recognised PSLC fee income of ₹28.15 crores (Previous year ₹60.72 crores) on account of sale of PSL certificates, included in Miscellaneous Income above.

SCHEDULE 15 - INTEREST EXPENDED	Year ended March 31, 2019	Year ended March 31, 2018
I Interest on deposits	5,097,011	2,441,701
II Interest on RBI / inter-bank borrowings	529,299	472,612
III Other interest	4,062,603	3,907,407
TOTAL	9,688,913	6,821,720

SCHEDULE 16 - OPERATING EXPENSES	Year ended March 31, 2019	Year ended March 31, 2018
I Payments to and provisions for employees	5,513,063	5,154,105
II Rent, taxes and lighting	906,143	814,830
III Printing and stationery	96,861	109,536
IV Advertisement and publicity	162,477	107,377
V Depreciation on bank's property	917,767	875,061
VI Directors' fees, allowances and expenses	8,833	8,457
VII Auditors' fees and expenses	8,731	6,142
VIII Legal and Professional Fees	158,386	117,046
IX Postage, telegram, telephone etc.	208,424	262,503
X Repairs and maintenance	193,506	173,259
XI Insurance	62,554	34,761
XII Commission and Brokerage	184,761	176,320
XIII Information Technology Expenses	377,331	360,609
XIV Travel & Conveyance	400,398	349,868
XV Bank and Other finance charges	42,962	20,494
XVI Cash handling charges	51,656	43,268
XVII CSR contributions	87,490	23,908
XVIII Other expenditure*	703,522	173,575
TOTAL	10,084,865	8,811,119

* During the year FY2018-19, the bank has paid PSLC fees of ₹ 29.41 crores (previous year : Nil) towards purchase of PSL certificates, included in Other expenditure above.

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

Corporate information

1(a). Background

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

The Bank has a network of 392 banking outlets and 595 asset branches in India is engaged in retail banking business with focus on micro-finance, commercial vehicle finance, home finance, loan against-property finance, corporate finance, and providing financing solutions for individuals and micro and small enterprises (MSEs) that are underserved by formal financing channels while providing a comprehensive banking and digital platform for all.

2. Basis of Preparation

The Financial Statements have been prepared and presented under the historical cost convention and on accrual basis of accounting in accordance with the requirements prescribed under the "Third Schedule" of the Banking Regulation Act, 1949. The accounting policies of the Bank used in preparation of these financial statements confirm in all material aspects

to Generally Accepted Accounting Principles in India (Indian GAAP), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards specified under Section 133 of the Companies Act, 2013, (as amended) and practices prevailing within the banking industry in India, as applicable. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

As a precondition to small finance bank licensing guidelines issued by the Reserve Bank of India, amongst other conditions, the Bank is required to be listed within 3 years from the date of commencement of operations (i.e 5th September 2016). Accordingly, the Board of Directors of the Bank have approved a Composite Scheme of arrangement under the provisions of Section 230 read with Section 52 and other applicable provisions of the Companies Act 2013 (the "Proposed Scheme"), between Equitas Holdings Limited, Equitas Small Finance Bank Limited and their respective shareholders, for issuance and allotment of fully paid up equity shares of Equitas Small Finance Bank Limited to the shareholders of Equitas Holdings Limited, and consequent reduction in the securities premium, revenue and other reserves and the surplus in profit and loss account of Equitas Small Finance Bank Limited. The Proposed Scheme is subject to the approval of the Reserve Bank of India ('RBI'), the Securities Exchange Board of India ('SEBI'), the respective shareholders and creditors of each of the entities and the National Company Law Tribunal ('NCLT'). The appointed date and effective date of the Proposed Scheme is based on the receipt of the aforesaid approvals. Pending the same, the Proposed Scheme does not have any impact on the current financial results or the financial position of the Bank as at March 31, 2019. Considering the same, the Management is confident of meeting the conditions as per licensing guidelines and does not foresee any

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

material uncertainty with regard to compliance with the guidelines and going concern assumption.

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 in the current and future periods.

3.2. Investments

Classification:

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

- i) Held to Maturity (HTM) – Securities acquired with the intention to hold till maturity
- ii) Held for Trading (HFT) – Securities acquired with the intention to trade
- iii) Available for Sale (AFS) – Securities which do not fall within the above two categories

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

in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

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

Acquisition cost:

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

Transfer between categories

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

Valuation:

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

Investments classified under HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over face value.

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

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.

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

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

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

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

Disposal of investments:

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

Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines.

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

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

3.3. Advances

Classification:

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

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

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

advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings; and where the bank is participating in, the aggregate amount of participation is shown as due from banks under advances.

Provisioning:

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies. Advances are disclosed, net of provisions in the Balance Sheet (Also refer Note 11.1)

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as Floating Provision. Creation of Floating Provision is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, Floating Provisions are utilised up to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts. Floating Provisions have been included under 'Other Liabilities'.

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The Bank considers restructured account, if any, as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, amongst others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level.

Non-performing advances are written-off in accordance with the Bank's policies Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

Recording and Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created is netted against gross amount of advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off / settlement of the account.

Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

3.4. Securitisation transactions and direct assignments

The Bank transfers its loan receivables both through Direct Assignment route as well as transfers to Special Purpose Vehicles (SPV).

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized

receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss Account in the period in which the sale occurs.

3.5. Fixed Assets (Property, Plant and Equipment [PPE]) and depreciation

Property, Plant and Equipment, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives. Assets under development as at balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as per the table below, based on technical advice, taking into account the nature of the asset, the estimated

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usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc.,

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Office Equipment	3 Years	5 Years
Computer Equipment	3 Years	3 years
Furniture and Fixtures	3 Years	10 years
Vehicles	4 Years	8 Years
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

- Leasehold improvements are depreciated over the primary lease period or over the remaining useful life of the asset, whichever is lower.
- 'Point of Sale' terminals are fully depreciated in the year of purchase.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the Balance Sheet date and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the

difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

PPE held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the Profit and Loss Account.

3.6. Intangible Assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Bank uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 5 years or license period, whichever is lower.

The amortization period and the amortization method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

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3.7. Impairment of Assets

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

3.8. Transactions involving foreign exchange

Initial recognition

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees,

letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

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.

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

3.10. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

The Bank's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short term Employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits

The Bank accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the year in which they arise.

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

3.13. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

3.14. Earnings per Share

Basic earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.15. Proposed Dividend

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

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.

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

Other Banking Operations includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and reserves and other unallocable assets, liabilities, income and expenditure.

Geographic segment

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

3.17. Provisions and Contingencies

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

3.18. Cash and Cash Equivalents

Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice. Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

3.19. Short sale transactions

In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognised. Profit or loss on settlement of the short position is recognised in the Profit and Loss account.

3.20. Reward Points

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

1 Capital adequacy

The Capital Adequacy Ratio [CRAR] of the Bank, calculated as per the Standardised approach for Credit Risk under Basel II regulation is set out below. Market Risk and Operational Risk are not considered for computation of Risk Weighted Assets in the current year as per Guidelines applicable for Small Finance Banks.

S.No	Particulars	As at March 31, 2019	As at March 31, 2018
1	Common Equity Tier 1 capital ratio	20.92%	27.09%
2	Tier 1 capital ratio	20.92%	27.09%
3	Tier 2 capital ratio	1.52%	2.54%
4	Total Capital Ratio (CRAR)	22.44%	29.63%
5	Amount of equity capital raised during the year	-	-
6	Amount of Additional Tier 1 capital raised; of which Perpetual Non Cumulative Preference Shares (PNCPS): Perpetual Debt Instruments (PDI) :	-	-
7	Amount of Tier 2 capital raised; of which Debt capital instruments: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

2 Business Ratio

S.no	Ratio	As at March 31, 2019	As at March 31, 2018
(i)	Interest Income as a percentage to Working Funds *	14.39%	14.61%
(ii)	Non interest income as a percentage to Working Funds *	1.92%	2.28%
(iii)	Operating Profit as a percentage to Working Funds *	2.89%	2.09%
(iv)	Return on Assets @	1.43%	0.30%
(v)	Business (deposits plus advances) per employee # & (in crore)	1.32	0.89
(vi)	Profit per employee & (in crore)	0.015	0.002

* Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

@ Return represents net profit after tax. Return on assets is computed with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

Business is the total of net advances and deposits (net of inter-bank deposits)

& Productivity ratios are based on average employee numbers, which excludes contract staff, intern etc.

^ Operating profit is profit for the year before provisions and contingencies.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

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

S.No	Particulars	As at March 31, 2019			As at March 31, 2018		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	1,080.70	1,163.55	-	957.01	1,883.22	-
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	-	0.20	-	-	0.20	-
iv)	Debentures and bonds	-	100.00	-	-	125.00	-
v)	Subsidiaries and/ or Joint Ventures	-	-	-	-	-	-
vi)	Other Deposits under RIDF scheme with NABARD, Security Receipts/Pass through Certificates, investments in Mutual funds, Commercial papers, etc.,	-	-	-	-	891.41	-
Total		1,080.70	1,263.75	-	957.01	2,899.83	-

3.2 Details of investments

S.No	Particulars	As at March 31, 2019	As at March 31, 2018
1	(1) Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	2,344.45	3,856.84
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	2,344.45	3,856.84
	(b) Outside India	-	-
2	(2) Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	4.66
	(ii) Add: Provisions made during the year	3.76	6.77
	(iii) Less: Write off / write back of excess provisions during the year	3.76	11.43
	(iv) Closing balance	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

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

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31 2019 #
1	Securities sold under repo				
	i. Government securities	-	1,198.81	359.86	-
	ii. Corporate debt securities	-	-	-	-
2	Securities purchased under reverse repo				
	i. Government securities	-	1,330.00	152.52	783.71
	ii. Corporate debt securities	-	-	-	-

Tri party repo transactions have been reported in Deal Value terms. LAF and Market repo transactions have been reported in Face Value terms.

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

3.4 a) Issuer composition of Non SLR investments as at March 31, 2019 :

S.No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	100.20	100.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	100.20	100.20	-	0.20	0.20

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

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

S.No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	991.61	793.14	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	25.00	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
Total		1,016.61	793.14	-	0.20	0.20

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

3.5 b) Non performing Non-SLR investments

The Bank does not have any non performing non SLR investments in the current year and in the previous year.

3.6 Sale and transfer of securities to / from HTM category

The Bank has not sold or transferred any security to/from HTM category in the current year and in the previous year.

4 Derivatives/ Exchange traded interest derivatives/ Risk exposures in derivatives

The Bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations. The Bank does not have any Forward Rate Agreement or Interest rate swaps.

5 Asset Quality
5.1 Non-Performing Assets

S.no	Particulars	As at March 31, 2019	As at March 31, 2018
(i)	Net NPAs to Net Advances (%)	1.44%	1.46%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	212.53	206.48
	(b) Additions during the year	317.30	344.27
	(c) Reductions during the year	234.12	338.22
	(d) Closing balance	295.71	212.53

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

S.no	Particulars	As at March 31, 2019	As at March 31, 2018
(iii)	Movement of Net NPAs		
	(a) Opening balance	131.50	104.95
	(b) Additions during the year	206.78	154.36
	(c) Reductions during the year	151.86	127.81
	(d) Closing balance	186.42	131.50
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	81.03	101.53
	(b) Additions during the year	110.52	189.91
	(c) Reductions during the year	82.26	210.41
	(d) Closing balance	109.29	81.03

5.1.1 Movement of NPAs

Particulars	As at March 31, 2019	As at March 31, 2018
Gross NPAs as at April 1	212.53	206.48
Additions during the year	317.30	344.27
Subtotal - (A)	529.83	550.75
Less:		
(i) Upgradations	81.28	53.43
(ii) Recoveries (excluding recoveries made from upgraded accounts)	92.07	94.56
(iii) Technical or Prudential write offs	31.76	142.11
(iv) Write offs other than those under (iii) above	29.01	48.12
Subtotal - (B)	234.12	338.22
Gross NPAs as at March 31	295.71	212.53

5.1.2 Movement in technical/prudential written off accounts is set out below:

Particulars	As at March 31, 2019	As at March 31, 2018
Opening balance of Technical / Prudential written off accounts as at April 1	142.11	-
Add : Technical / Prudential write offs during the year	31.76	142.11
Subtotal - (A)	173.87	142.11
Less: Recoveries made from previously technical / prudential written off accounts during the year (B)	4.64	-
Closing balance as at March 31 (A-B)	169.23	142.11

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

5.2 Divergence in the asset classification and provisioning

The divergence observed by RBI for the financial year 2017-18 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provision is below the regulatory threshold requirement for the disclosure and hence the disclosure requirement under RBI circular No. RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 April 18, 2017 read with circular No. RBI/2018-19/157 DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 are not made in the financial statements.

5.3 (a) Details of financial assets purchased/sold

During the year, there was no sale of non-performing financial assets to Securitisation Company / Reconstruction Company for asset reconstruction (Previous year Nil)

(b) Details of book value of investment in security receipts:

The Bank has not invested in security receipts during the year. (Previous year Nil).

5.4 Details of Non-performing assets purchased/sold

The Bank did not sell/buy non-performing assets during the year. Assets repossessed / hypothecated to bank are not considered as non banking assets of the bank.

5.5 Provision on Standard Assets

Particulars	As at March 31, 2019	As at March 31, 2018
Provision towards standard assets	30.71	21.08
Provisions for restructured standard advances	0.26	-
Total	30.97	21.08

5.6 Details of Loan Assets subjected to Restructuring as on March 31, 2019

Sl No	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Total
1	Restructured Accounts as on April 1 of the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	724
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.65
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.41
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	2,265	135	287	-	2,687	2,687
		Amount outstanding	-	-	-	-	-	-	-	-	-	5.19	0.05	0.21	-	5.45	5.45
		Provision thereon	-	-	-	-	-	-	-	-	-	0.26	0.01	0.21	-	0.48	0.48
3	Upgradations to restructured standard category during the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	699	(699)	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	0.75	(0.75)	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	0.04	(0.19)	-	-	-	(0.15)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2018-19 and hence need not be shown as restructured standard advances at the beginning of the next FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY 2018-19*	No. of borrowers	-	-	-	-	-	-	-	-	-	(9)	(17)	-	-	(26)	(26)
		Amount outstanding	-	-	-	-	-	-	-	-	-	(0.79)	(0.89)	(0.03)	-	(1.71)	(1.71)
		Provision thereon	-	-	-	-	-	-	-	-	-	(0.04)	(0.22)	(0.03)	-	(0.29)	(0.29)
7	Restructured Accounts as on March 31 of the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	3,385
		Amount outstanding	-	-	-	-	-	-	-	-	-	5.15	0.06	0.18	-	5.39	5.39
		Provision thereon	-	-	-	-	-	-	-	-	-	0.26	0.01	0.18	-	0.45	0.45

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

The figures under Sr No 2 includes ₹ 5.45 Crore of additional sanction (2,687 accounts and ₹ 0.48 Crore Provision there on)

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

Sl No	Type of Restructuring		Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
			Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	
1	Restructured Accounts as on April 1 of the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.83
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.46
	Upgradations to restructured standard category during the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2017-18 and hence need not be shown as restructured standard advances at the beginning of the next FY 2018-19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the FY 2017-18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY 2017-18*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the FY 2017-18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

6 Asset Liability Management

6.1 Maturity pattern of certain items of assets and liabilities

a) As at March 31, 2019

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Total
Deposits	35.41	327.96	286.36	757.07	376.79	546.82	801.81	2,339.33	3,532.07	2.44	9,006.74
Advances	11.76	129.91	149.09	109.85	538.05	369.84	1,070.74	1,995.20	4,290.64	1,460.38	11,595.00
Investments	617.54	-	-	120.82	217.62	97.13	206.76	394.84	631.85	44.37	2,344.45
Borrowings	-	10.00	15.00	-	231.45	83.66	617.22	641.46	1,916.92	454.25	3,973.03
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-

b) As at March 31, 2018

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Total
Deposits	184.35	62.31	8.46	270.36	496.73	930.37	767.50	989.67	1,892.29	0.52	5,603.93
Advances	19.76	101.50	100.04	100.03	315.11	142.60	838.34	1,393.90	3,094.53	900.55	7,706.69
Investments	755.27	554.72	89.87	289.65	-	24.58	362.53	723.01	255.85	307.93	3,856.84
Borrowings	-	877.76	66.18	239.84	26.18	106.94	1,170.71	670.13	1,625.40	389.46	5,177.21
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

7 Exposures to sensitive sectors**7.1 Exposures to Real Estate Sector**

SI No	Particulars	As at March 31, 2019	As at March 31, 2018
(a)	Direct Exposures		
(i)	Residential Mortgages	1,449.79	940.75
	- of which housing loans eligible for inclusion in priority sector advances are rendered	276.71	222.57
(ii)	Commercial Real Estate	33.12	11.24
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	-	-
a.	Residential	-	-
b.	Commercial Real Estate	-	-
(b)	Indirect Exposures		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	122.50	333.00
	Total exposure to Real Estate Sector	1,605.41	1,284.99

Exposure represents the higher of the sanctioned or outstanding to Real estate sector.

Commercial Real estate exposure classification is based on RBI circular DBOD.BP.BC.No. 42/08.12.015/2009-10 dated September 9, 2009.

Exposure on account of loans given to micro and small enterprises for business purposes with the additional security of residential property, aggregating to ₹.3058.24 Crore (Previous year ₹.1671.44 Crore) are not included in the above disclosure.

7.2 Exposures to Capital Market

SI No	Particulars	As at March 31, 2019	As at March 31, 2018
i	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	0.20	0.20
ii	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds;	0.21	0.26
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;	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

SI No	Particulars	As at March 31, 2019	As at March 31, 2018
iv	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
v	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii	Bridge loans to companies against expected equity flows / issues	-	-
viii	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix	Financing to stockbrokers for margin trading;	-	-
x	Venture Capital Funds (both registered and unregistered)	-	-
Total exposure to Capital market		0.41	0.46

7.3 Risk Category-wise exposure to country risk

The Bank does not have any country risk exposure other than "home country" exposures and accordingly, no provision is maintained with regard to country risk exposure. (Previous year Nil)

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank.

During the year, the Bank has not exceeded the prudential credit exposure limit as prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers (Previous year Nil).

7.5 Unsecured Advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc., (Previous year Nil). The unsecured advances of ₹ 3,400.33 crores (Previous year: ₹ 2,714.83 crores) as disclosed in Schedule 9 are without any collateral security.

8 Disclosures relating to Penalties imposed by RBI

During the year ended March 31, 2019, RBI had not imposed any penalties on the Bank. (During the previous year 2017-18, the Bank had paid monetary penalty of ₹ 10 lacs for its lapse in getting approval for distribution of third party product from RBI).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

9 Disclosure on remuneration**Qualitative disclosures**

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

- (a) Remuneration Policy of the bank covers remuneration payable for directors and employees of the bank and all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan and gratuity.

The functions of the committee include: recommendation of appointment of Directors to the board, evaluation of performance of the Directors, approval of the policy for bonus payable to the employees, including senior management and key management personnel, framing guidelines for the Employee Stock Option Scheme (ESOS) and deciding on the grant of stock options to the employees and Whole Time Directors of the Bank.

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

The bank believes in a sound compensation practice that ensures effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement. This policy is framed in accordance with the guidelines laid down by Reserve Bank of India (RBI) vide their Master Circular Reference no DBOD No.BC.72 /29.67.001/2011-12 dated 31, January 2012.

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

The Board of Directors through the Nomination and Remuneration Committee (NRC) shall be responsible for formulating and making the necessary amendments to the Remuneration Policy for the Directors, Key Managerial Persons (KMP) and Senior Executives of the Bank from time to time. The NRC may consider different aspects like risk-return alignment, cost to income ratio in framing the remuneration.

The Non-Executive Directors (NED) including Independent Directors of the Bank shall be paid remuneration as a percentage of the net profits of the Bank for the financial year as may be fixed by the Board from time to time, calculated as per the provisions of the Companies Act, 2013 and subject to the limits fixed by the Reserve Bank of India, from time to time.

Further, within the above ceiling, the remuneration payable to the Chairman of the Board shall be two times the amount payable to other Non-Executive Directors and Independent Directors and further subject to approval of RBI and the remuneration payable to the Chairman of the Audit & Risk Management Committee shall be 1.5 times the amount payable to other Non-Executive Directors and Independent Directors.

NEDs are to be paid such Sitting Fee for each meeting of the Board/ Committees of the Board attended by them, as may be approved by the Board pursuant to provisions of Section 197 of the Companies Act, 2013 read with Sec.35B (1) of the Banking Regulation Act 1989.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

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

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

The MD/CEO would also be eligible for Employee Stock Options of the Holding Company, which would be as determined from time to time by the NRC of the Holding Company, subject the approval of Reserve Bank of India.

For the other categories of staff, the compensation is structured taking into account all relevant factors such as the level of the position, roles and responsibilities and the prevailing compensation structure in the industry for the similar role.

(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration

The bank follows Annual Performance Review (12 months period) to link performance and remuneration is fixed based on the grade and merit rating for all the employees. Individual performances are assessed in line with business or individual deliveries of the Key Result Areas (KRA), top priorities of business, budgets etc.

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

Currently the bank does not follow any deferred remuneration.

(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

A variable component would also be made available for specific employees as agreed and included as a part of compensation. The percentage of variable component may be fixed upto 25% of remuneration.

As on the reporting date, the Bank does not have any form of variable remuneration other than as stated above. Employees above a defined grade are eligible for Employee Stock Options issued by the Holding Company determined by the Nomination, Remuneration & Governance Committee of the Holding Company.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Quantitative disclosures

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Number of meetings held by the Remuneration Committee during the financial year	6	5
Remuneration paid to its members	0.03	0.03
(i) Number of employees having received a variable remuneration award during the financial year.	-	-
(ii) Number and total amount of sign on awards made during the financial year.	-	-
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
(iv) Details of severance pay, in addition to accrued benefits, if any.	-	-
(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	-	-
(ii) Total amount of deferred remuneration paid out in the financial year.	-	-
<u>Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred:</u>		
(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-
(ii) Total amount of reductions during the financial year due to ex post explicit adjustments.	-	-
(iii) Total amount of reductions during the financial year due to ex post implicit adjustments.	-	-

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

10. Disclosures- Accounting Standards

10.1 Segment Reporting (AS 17)

The business of the Bank is divided into three segments: Treasury, Wholesale Banking and Retail Banking business. These segments have been identified and reported taking into account the target customer profile, the nature of products and services, the different risks and returns, and the guidelines prescribed by RBI.

FY 2018-19

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	319.79	2,009.59	45.31	28.83	2,403.52
Segment Results	112.47	258.11	2.77	10.15	383.50
Unallocated income/(expenses)					59.77
Operating profit					323.74
Income taxes					113.17
Net Profit					210.57
Other information					
Segment assets	2,747.16	12,178.57	645.98	-	15,571.71
Unallocated assets					190.98
Total assets					15,762.69
Segment liabilities	2,376.13	10,562.03	561.41	-	13,499.57
Unallocated liabilities					8.80
Total liabilities					13,508.37
Net assets / Capital employed	371.03	1,616.54	84.57	-	2,072.14
Additional information					
Capital expenditure	-	51.64	-	-	51.64

FY 2017-18

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Geographic segments

The Bank's operations are confined to one geography (India).

Segmental information is provided as per the MIS/reports maintained for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

10.2 Related Party Transactions (AS 18)

i. Names of Related Parties and Nature of Relationship

Holding Company	Equitas Holdings Limited
Fellow Subsidiaries	Equitas Technologies Private Limited
Key Management Personnel	Vasudevan PN, MD & CEO N Sridharan, Chief Financial Officer Sampathkumar KR, Company Secretary
Entities under the same Management	Equitas Development Initiatives Trust Equitas Dhanyakosha India Equitas Healthcare Foundation

ii. Transactions with the Related Parties

Transaction	Name of the Related Party	For the year ended March 31, 2019	For the year ended March 31, 2018
Expenses			
CSR Contribution	Equitas Development Initiatives Trust	8.65	2.39
	Equitas Healthcare Foundation	0.30	-
Deposits			
Term deposits received	Equitas Holdings Limited	207.59	27.56
	Equitas Technologies Private Limited	-	9.35
	Equitas Development Initiatives Trust	0.04	0.04
	Key Managerial Personnel	0.20	0.01
Term deposits closed	Equitas Holdings Limited	76.58	17.11
	Equitas Technologies Private Limited	3.53	5.85
	Key Managerial Personnel	-	0.59
Interest on Term Deposits	Equitas Holdings Limited	11.05	3.46
	Equitas Development Initiatives Trust	0.00	0.00
	Key Managerial Personnel	0.01	0.02
	Equitas Technologies Private Limited	0.05	0.07
Savings Deposits and Interest	Equitas Development Initiatives Trust	23.30	15.73
	Equitas Healthcare Foundation	0.00	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Transaction	Name of the Related Party	For the year ended March 31, 2019	For the year ended March 31, 2018
	Key Managerial Personnel	1.44	1.64
Demand Deposits	Equitas Technologies Private Limited	5.76	17.65
	Equitas Holdings Limited	224.12	70.73
	Equitas Dhanyakosha India	0.00	0.52
Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	19.78	15.51
	Key Managerial Personnel	1.38	1.35
	Equitas Healthcare Foundation	-	-
Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	226.02	68.16
	Equitas Dhanyakosha India	0.00	0.52
	Equitas Technologies Private Limited	5.86	17.19
Borrowings			
Borrowings Repaid	Equitas Holdings Limited	121.70	-
Interest on Borrowings	Equitas Holdings Limited	2.65	9.74
Other Transactions			
Reimbursement of Expenses	Equitas Development Initiatives Trust	0.22	-
	Equitas Technologies Private Limited	0.02	-
	Equitas Holdings Limited	0.00	-
Staff Loan transferred in	Equitas Technologies Private Limited	-	0.00
	Equitas Dhanyakosha India	-	0.01
Staff Loan transferred out	Equitas Technologies Private Limited	-	0.00
	Equitas Development Initiatives Trust	-	0.00
Guarantees issued / (released) during the Year (net)	Equitas Holdings Limited	(150.00)	(223.00)
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)	Vasudevan PN, MD & CEO	1.11	0.49
	N Sridharan, Chief Financial Officer	0.79	0.71
	Sampathkumar KR, Company Secretary	0.18	0.15

Under the Employee Stock Option Scheme (ESOS) 2015 of the Holding company, Equitas Holdings Limited, the Key Managerial Personnel were allotted 6,594 shares during the year (Previous year 11,574 shares).

The remuneration to KMP does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

iii. Balances outstanding at the end of the year

Particulars	Name of the Related Party	As at March 31, 2019	As at March 31, 2018
Payables			
Borrowings outstanding	Equitas Holdings Limited	-	121.70
Term Deposit outstanding	Equitas Holdings Limited	176.48	45.47
	Equitas Technologies Private Limited	-	3.50
	Equitas Development Initiatives Trust	0.08	0.04
	Key Managerial Personnel	0.20	-
Interest Payable on term deposits	Equitas Holdings Limited	2.03	0.19
	Equitas Technologies Private Limited	-	0.06
	Equitas Development Initiatives Trust	0.00	0.00
	Key Managerial Personnel	0.00	-
Demand Deposits	Equitas Holdings Limited	1.43	3.33
	Equitas Dhanyakosha India	0.02	0.02
	Equitas Technologies Private Limited	0.37	0.47
Savings Deposit	Equitas Development Initiatives Trust	3.83	0.32
	Equitas Healthcare Foundation	0.01	-
	Key Managerial Personnel	0.50	0.44
Others			
Corporate Guarantees	Equitas Holdings Limited	52.00	202.00

10.3 Operating leases (AS 19)

The Bank has taken a number of premises on operating leases for branches, offices, ATMs and residential premises for staffs. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Future lease rentals payable at the end of the year		
- Not later than one year	44.95	47.21
- Later than one year but not later than five years	197.31	183.24
- Later than five years	88.81	126.23
Total minimum lease payments recognised in the Profit and loss account	58.99	56.91
Total of future minimum sub lease payments expected to be received under non-cancellable sub-lease	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

10.4 Earnings per Share (AS 20)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Net profit after tax	210.57	31.83
Basic weighted average number of equity shares	1,005,943,363	1,005,943,363
Diluted weighted average number of equity shares	1,005,943,363	1,005,943,363
Nominal value of Equity shares (₹)	10.00	10.00
Basic Earnings per share (₹)	2.09	0.32
Diluted Earnings per share (₹)	2.09	0.32

10.5 Deferred Taxes (AS 22)

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

Particulars	31-Mar-19		31-Mar-18	
	Assets	Liabilities	Assets	Liabilities
Timing difference on account of:				
Impact of difference between tax depreciation and depreciation/amortization for financial reporting	10.44	-	-	2.29
Expenditure charged to the profit and loss account in the current year but allowed for tax purposes on payment basis	24.25	-	25.24	-
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viiia) of Income Tax Act, 1961	29.64	-	21.73	-
Provision for advances	17.46	-	14.00	-
Others	7.83	-	5.34	-
Provision for special reserve u/s 36(i)(viii) of Income Tax Act, 1961	-	2.06	-	1.14
Net closing balance carried to the Balance Sheet (included in Schedule 11 - Others)	89.62	2.06	66.31	3.43

10.6 Employee Benefits (AS 15)

Defined Contribution Plan

Provident Fund

The Bank makes Provident Fund contributions to State administered fund for qualifying employees. The Bank is required to contribute a specified percentage of the payroll costs to the Fund. The Company recognised ₹ 28.73 Crores (Previous Year: ₹ 27.36 Crores) towards Provident Fund contributions in the Profit and Loss Account. The contributions payable to the fund by the Bank is at rates specified in the rules of the scheme.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Defined Benefit Plans**Gratuity**

The Bank has a funded gratuity scheme for its employees and the Gratuity liability has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary is as follows:

Particulars	March 31, 2019	March 31, 2018
Change in defined benefit obligations during the Year		
Present value of defined benefit obligation at beginning of the year	17.88	13.53
Current service cost	7.38	6.37
Interest cost	1.56	0.87
Benefits paid	(1.61)	(1.39)
Actuarial (gains)	(1.71)	(1.50)
Present value of Defined Benefit Obligation at End of the Year	23.50	17.88
Change in Fair Value of Assets during the Year		
Plan Assets at beginning of the year	11.85	10.49
Add: Adjustments to the opening balance	0.00	1.36
Expected return on plan assets	1.18	0.95
Actual company contributions	8.78	0.00
Benefits paid out of the asset	0.00	0.00
Actuarial gain / (loss)	(1.18)	(0.95)
Plan Assets at End of the Year	20.63	11.85
Liability Recognised in the Balance Sheet		
Present value of defined benefit obligation	(23.50)	(17.88)
Fair value of plan assets	20.63	11.85
Unrecognized actuarial (gain) / loss	0.00	0.00
Net Liability Recognised in the Balance Sheet	(2.87)	(6.03)
Cost of Defined Benefit Plan for the Year		
Current service cost	7.38	6.37
Interest cost	1.56	0.87
Expected return on plan assets	(1.18)	(0.95)
Net actuarial gains	(0.53)	(0.55)
Net Cost Recognized in the Profit and Loss account	7.23	5.74
Return on Plan Assets	1.18	0.95
Assumptions		
Discount rate (Refer Note (b))	7.01%	7.28%
Interest rate (Estimated rate of return on assets)	8.05%	8.05%
Future salary increase (Refer Note (a))	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Notes:

- The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors. Further, the Management revisits the assumptions such as attrition rate, salary escalation etc., taking into account, the business conditions, various external/internal factors affecting the Bank.
- Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.
- Experience Adjustments:

Particulars	For the Year Ended 31 March 2019	For the Year Ended 31 March 2018	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016	For the Year Ended 31 March 2015
Projected benefit obligation	23.50	17.88	13.53	2.19	1.17
Fair value of plan assets	20.63	11.85	10.49	2.99	1.63
Surplus / (Deficit)	(2.87)	(6.03)	(3.04)	0.80	0.46
Experience adjustments on plan liabilities - gains	(1.71)	(1.50)	6.64	(0.04)	(0.01)
Experience adjustments on plan assets - gains / (losses)	(1.18)	(0.95)	(1.04)	(0.25)	-

- Category of Plan Assets

Particulars	% of fair value to total plan assets March 31, 2019	% of fair value to total plan assets March 31, 2018
Government securities	0%	0%
Debenture and bonds	0%	0%
Equity shares	0%	0%
Others	100%	100%

Long-term Compensated Absences and Leave Encashment

The key assumptions used in the computation of provision for long term compensated absences and leave encashment as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	For the Year Ended March 31, 2019	For the Year Ended March 31, 2018
Assumptions:		
Discount Rate	7.01%	7.28%
Future Salary Increase	10.00%	10.00%
Attrition rate	20.00%	20.00%

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

11 Additional disclosures**11.1 Provisions and Contingencies**

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

Particulars	March 31, 2019	March 31, 2018
Provisions for depreciation on Investment	-	(4.66)
Provision for NPA (including write off)	89.03	169.73
Net Provision / (reversal) towards Standard assets	9.89	5.37
Floating provision	-	-
Provision for taxes (net)	137.86	35.87
Deferred tax (net)	(24.69)	(19.18)
Other Provision and Contingencies	3.49	1.68
Total	215.58	188.81

a) Movement in provision for debit card reward points

Particulars	March 31, 2019	March 31, 2018
Opening provision for reward points	0.08	-
Provision for reward points made during the year	0.33	0.08
Utilisation / Write back of provision for reward points	0.08	-
Effect of change in rate for accrual of reward points	-	-
Effect of change in cost of reward points	-	-
Closing provision for reward points	0.33	0.08

c) Movement in provision for frauds included under Other Liabilities

Particulars	March 31, 2019	March 31, 2018
Opening provision	0.27	0.29
Provision during the year	0.36	0.11
Utilisation/Write back of provision	0.21	0.13
Closing provision	0.42	0.27

11.2 Floating provision

Particulars	March 31, 2019	March 31, 2018
Opening Balance at the beginning of the year	19.00	19.00
Provisions made during the year	-	-
Drawdown made during the year	-	-
Closing Balance at the end of the year	19.00	19.00

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

11.3 Drawdown from reserves

The Bank has not undertaken any drawdown from reserves during the year.

Appropriations to reserve:

Statutory reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Bank has transferred ₹ 52.64 Crore (Previous year ₹ 7.96 crore) to Statutory Reserve for the year.

Special reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, the specified entity is allowed the deduction in respect of any special reserve created and maintained by it, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause). This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital (excluding the amounts capitalized from reserves) of the entity. During the year, the Bank has transferred an amount of ₹ 2.64 crore (Previous year ₹ 0.67 crore) to Special Reserve.

Investment reserve

In accordance with Reserve Bank of India guidelines, reversal of excess depreciation on Investments to the profit and loss account, net off taxes and transfer to Statutory reserve is transferred to investment reserve. The total amount required to be transferred to the investment reserve in FY2018-19 is Nil (Previous year : ₹ 2.30 crore).

Investment Fluctuation Reserve

During the year, the bank has apportioned ₹ 8.43 crore (Previous year : Nil) to Investment Fluctuation Reserve, based on net profit on sale of investment and the value of investments in HFT and AFS category, to protect against future increase in yield, in accordance RBI guidelines.

11.4 Disclosure relating to Complaints

A a) Customer complaints [Nos.]

Particulars	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	81	63
No. of complaints received during the year	3,452	2,826
No. of complaints redressed during the year	3,526	2,808
No. of complaints pending at the end of the year	7	81

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

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

Particulars	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	4	0
No. of complaints received during the year	748	523
No. of complaints redressed during the year	746	519
No. of complaints pending at the end of the year	6	4

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

Particulars	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	12	0
No. of complaints received during the year	6,373	2,210
No. of complaints redressed during the year	6,366	2,198
No. of complaints pending at the end of the year	19	12

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

Particulars	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	97	63
No. of complaints received during the year	10,573	5,559
No. of complaints redressed during the year	10,638	5,525
No. of complaints pending at the end of the year	32	97

B Awards Passed by the Banking Ombudsman [Nos.]

Particulars	March 31, 2019	March 31, 2018
No. of unimplemented Awards at the beginning of the year	NIL	NIL
No. of Awards passed by the Banking Ombudsmen during the year	NIL	NIL
No. of Awards implemented during the year	NIL	NIL
No. of unimplemented Awards at the end of the year	NIL	NIL

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

11.5 Letters of Comfort

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

11.6 Provision Coverage ratio

Provision coverage ratio as at March 31, 2019 is 43.38% (as at March 31, 2018 is 47.07%). The Provision Coverage ratio is computed on the advances as at respective year end.

11.7 Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Particulars	As at March 31, 2019	As at March 31, 2018
On Insurance products	16.60	8.92
On Mutual Fund products	1.93	1.22
Total	18.53	10.14

11.8 Concentration of Deposits, Advances, Exposures and NPAs

11.8.1 Concentration of Deposits

Particulars	As at March 31, 2019	As at March 31, 2018
Total Deposits of twenty largest depositors *	2,941.14	2,077.86
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	32.65%	37.08%

* excludes Certificate of Deposits issued.

11.8.2 Concentration of Advances*

Particulars	As at March 31, 2019	As at March 31, 2018
Total advances of twenty largest borrowers	556.59	421.20
Percentage of advances of twenty largest borrowers to Total advances of the bank	4.76%	5.41%

*Advances represents Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

11.8.3 Concentration of Exposures *

Particulars	As at March 31, 2019	As at March 31, 2018
Total Exposure of twenty largest borrowers/customers	654.51	424.20
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	5.51%	5.32%

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

11.8.4 Concentration of NPA

Particulars	As at March 31, 2019	As at March 31, 2018
Total exposure of top four NPA accounts	4.77	2.89

11.8.5 Inter-bank participation with risk sharing

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines as at March 31, 2019 ₹ Nil crore (Previous year - ₹ 150 crore).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

11.8.6 Priority Sector Lending Certificate (PSLCs)

Particulars	Fy 2018-19	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	394.00	-
Small and Marginal Farmers	416.00	975.00
Micro Enterprises	-	1,543.75
General	4,665.00	1,057.50
Total	5,475.00	3,576.25

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

11.8.7. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has not done restructuring in Micro, Small and Medium Enterprises (MSME) sector as per the RBI guidelines RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 January 1, 2019.

Particulars	FY 2018-19	FY 2017-18
No of accounts Restructured	Nil	Nil

11.8.8. Disclosure on Exposure to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities

The Bank does not have any exposure (advances/investments) to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities.

Position as on 31st March 2019

Amount outstanding	Of (1), total amount of exposures which are NPAs as per IRAC norms and not classified as NPA.	Provisions required to be made as per IRAC norms.	Provisions actually held
Nil	Nil	Nil	Nil

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

12 Sector-wise advances

Sector	As at March 31, 2019			As at March 31, 2018		
	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	7,768.97	246.22	3.17%	5,459.58	188.77	3.46%
(i) Agriculture	2,424.55	14.68	0.61%	1,604.84	6.70	0.42%
(ii) Micro, Small and Medium Enterprises	5,080.78	218.19	4.29%	3,642.95	171.63	4.71%
(iii) Export Credit	-	-	0.00%	-	-	0.00%
(iv) Education	-	-	0.00%	-	-	0.00%
(v) Housing	263.64	13.35	5.06%	211.79	10.44	4.93%
(vi) Social Infrastructure	-	-	0.00%	-	-	0.00%
(vii) Renewable Energy	-	-	0.00%	-	-	0.00%
(viii) Others	-	-	0.00%	-	-	0.00%
B. Non-priority sector	3,935.32	49.49	1.26%	2,328.13	23.76	1.02%
Total	11,704.29	295.71	2.53%	7,787.71	212.53	2.73%

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

13 Securitisation/Assignment

13.1 Securitisation

The information on securitisation and direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at March 31, 2019	As at March 31, 2018
No of SPVs sponsored by the bank for securitisation transactions	5	5
Total amount of securitised assets as per books of the SPVs sponsored by the Bank	487.28	487.28
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR) as on the Date of Balance Sheet	-	-
a) Off-balance sheet exposures	-	-
First loss (Corporate Guarantee)	28.89	28.89
Others (Corporate Guarantee)	-	-
b) On-balance sheet exposures	-	-
First loss (Cash Collateral & Retained Assets)	30.19	31.78
Others	-	-
Amount of exposure to securitisation transactions other than MRR	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Particulars	As at March 31, 2019	As at March 31, 2018
a) Off-balance sheet exposures	-	-
i) Exposure to own securitisation	-	-
First loss	-	-
Others	-	-
ii) Exposure to third party securitisation	-	-
First loss	-	-
Others	-	-
b) On-balance sheet exposures	-	-
i) Exposure to own securitisation	-	-
First loss	1.26	2.78
Others	-	-
ii) Exposure to third party securitisation	-	-
First loss	-	-
Others	-	-

13.2 Assignment

The information on Direct assignment activity of the Bank as an originator as per RBI guidelines “Revisions to the Guidelines on Securitisation Transactions” is given below.

Particulars	As at March 31, 2019	As at March 31, 2018
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	1.12	3.82
Amount of exposure to Assignment transactions other than MRR	-	-
a) Off-balance sheet exposures	-	-
i) Exposure to own Assignment	-	-
First loss	-	-
Others	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Particulars	As at March 31, 2019	As at March 31, 2018
ii) Exposure to third party Assignment	-	-
First loss	-	-
Others	-	-
b) On-balance sheet exposures	-	-
i) Exposure to own Assignment	-	-
First loss	-	-
Others	-	-
ii) Exposure to third party Assignment	-	-
First loss	-	-
Others	-	-

14 Credit Default Swaps

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

15 Intra-Group Exposure

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

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

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

17 Unhedged foreign currency exposure

As of March 31, 2019, the Bank has made a provision of ₹.003 crore for unhedged foreign currency exposure as required by RBI guidelines (Previous year Nil).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

18 Liquidity Coverage Ratio (LCR)

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

Particulars	Quarter ended June 30, 2018		Quarter ended September 30, 2018		Quarter ended December 31, 2018		Quarter ended March 31, 2019	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		2,292.83		2,360.10		2,212.87		2,737.12
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	437.32	21.87	484.47	24.22	463.67	23.18	503.33	25.17
(ii) Less stable deposits	1,380.45	138.04	1,510.15	151.02	1,797.13	179.71	2,391.24	239.12
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)								
(ii) Non-operational deposits (all counterparties)	1,517.09	1,223.73	2,054.28	1,629.38	2,186.47	1,649.42	2,717.80	2,248.50
(iii) Unsecured debt								
4 Secured wholesale funding								
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements								
(ii) Outflows related to loss of funding on debt products								
(iii) Credit and liquidity facilities								
6 Other contractual funding obligations					141.47	141.47	55.14	55.14
7 Other contingent funding obligations	393.22	184.70	272.30	80.88	158.38	29.46	164.06	18.90
8 TOTAL CASH OUTFLOWS		1,568.34		1,885.50		2,023.25		2,586.82
Cash Inflows								
9 Secured lending (e.g. reverse repos)	88.14	0.00	32.67	0.00	46.66	0.00	697.88	0.00
10 Inflows from fully performing exposures	321.02	160.51	333.57	166.78	347.56	173.78	361.19	180.60
11 Other cash inflows	345.31	345.31	372.17	372.17	187.55	187.55	97.87	77.80
12 TOTAL CASH INFLOWS	754.48	505.82	738.40	538.95	581.77	361.33	1,156.95	258.40
13 TOTAL HQLA		2,292.83		2,360.10		2,212.87		2,737.12
14 TOTAL NET CASH OUTFLOWS		1,062.52		1,346.54		1,661.92		2,328.42
15 LIQUIDITY COVERAGE RATIO (%)		215.79		175.27		133.15		117.55

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Qualitative disclosure around LCR

"The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days. "

"Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

The mandated regulatory threshold as per the transition plan is embedded in the board approved ALM policy of the Bank, with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk Management Department computes the LCR and monitors the same as per the Operating guidelines for small finance banks. The Bank has been submitting LCR reports to RBI from December 2016."

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is highly invested into GOI Bonds which has resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz Non-Convertible Debentures and Customer Deposits. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Bank expects the LCR to reduce in the coming quarters primarily on account of growth in advances and increased focus on garnering retail deposits. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

18 Liquidity Coverage Ratio (LCR) Continued

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

	Quarter ended June 30, 2017		Quarter ended September 30, 2017		Quarter ended December 31, 2017		Quarter ended March 31, 2018	
	Total 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)	1,551.77	1,551.77	1,534.00	1,534.00	1,485.79	1,485.79	1,660.79	1,660.79
Cash Outflows	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2 Retail deposits and deposits from small business customers, of which:	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(i) Stable deposits	166.99	8.35	244.70	12.23	326.21	16.31	364.86	18.24
(ii) Less stable deposits	586.06	58.61	772.61	77.26	917.72	91.77	1,042.28	104.23
3 Unsecured wholesale funding, of which:	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(i) Operational deposits (all counterparties)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Non-operational deposits (all counterparties)	64.73	49.09	224.59	159.07	351.70	237.71	942.89	605.69
(iii) Unsecured debt	329.93	329.93	391.14	391.14	343.00	343.00	423.68	423.68
4 Secured wholesale funding	0.00	0.00	0.00	0.00	523.18	0.00	815.76	0.00
5 Additional requirements, of which	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(i) Outflows related to derivative exposures and other collateral requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(iii) Credit and liquidity facilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6 Other contractual funding obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7 Other contingent funding obligations	134.94	5.78	104.90	4.30	109.89	4.63	211.02	9.78
8 TOTAL CASH OUTFLOWS	1,282.65	451.76	1,737.94	644.00	2,571.71	693.42	3,800.49	1,161.62
Cash Inflows								
9 Secured lending (e.g. reverse repos)	0.00	0.00	0.00	0.00	40.00	0.00	156.00	0.00
10 Inflows from fully performing exposures	263.64	131.82	280.11	140.06	202.47	101.24	312.71	156.35
11 Other cash inflows	232.54	232.54	125.67	125.67	168.03	168.03	225.90	225.90
12 TOTAL CASH INFLOWS	496.18	364.36	405.78	265.73	410.50	269.27	694.61	382.25
13 TOTAL HQLA		1,551.77		1,534.00		1,485.79		1,660.79
14 TOTAL NET CASH OUTFLOWS	786.47	87.39	1,332.16	378.28	2,161.20	424.15	3,105.88	779.36
15 LIQUIDITY COVERAGE RATIO (%)		1,373.99		405.52		350.30		213.10

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

Qualitative disclosure around LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

The mandated regulatory threshold as per the transition plan is embedded in the board approved ALM policy of the Bank, with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk Management Department computes the LCR and monitors the same as per the Operating guidelines for small finance banks. The Bank has been submitting LCR reports to RBI from December 2016.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is highly invested into GOI Bonds which has resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz Non-Convertible Debentures and Customer Deposits. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Bank expects the LCR to reduce in the coming quarters primarily on account of growth in advances and increased focus on garnering retail deposits. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

19. Fixed Assets - details of software

Particulars	As at March 31, 2019	As at March 31, 2018
Opening cost	66.24	73.44
Additions during the year	22.04	11.90
Less: Deletions	-	-
Less: Amortization to date	21.61	19.10
Closing balance	66.67	66.24

20. Contingent liabilities

Claims against the Bank not acknowledged as debts includes liability on account of Service tax, and other legal cases filed against the bank. The Bank is a party to various legal proceedings in the ordinary course of business which are contested by the Bank and are therefore subjudice. The Bank does not expect the outcome of these proceedings to have a material adverse impact on the Bank's financial position.

Guarantees represent irrevocable assurances given by the Bank on securitized assets, to make payments in the event of customers failing to fulfil their financial obligations.

As a part of banking activities, the Bank issues Letter of Guarantees on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers obligations either directly or incase the customer fails to fulfill their financial or performance obligations.

21. Corporate Social Responsibility Activities

Operating expenses include ₹ 8.75 crore (Previous year ₹ 2.39 crore) for the year ended March 31, 2019 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. The Bank has spent 7.46% (Previous Year 2%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2019.

Details of CSR expenditure	As at March 31, 2019	As at March 31, 2018
a) Gross amount required to be spent by the Bank during the year	2.35	2.39
b) Amount spent during the year		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	8.75	2.39

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

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

22 Dues to Micro, Small and Medium Enterprises

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. Based on the information available with the Company, there are no overdue amounts payable to Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as at the Balance Sheet date. Further, the Bank has not paid any interest to any Micro and Small Enterprises during the current and previous year.

23 Employees Stock Option Scheme

Under the Employee Stock Option Scheme (ESOS) - 2015 of the Holding Company, Equitas Holdings Limited, 12,614,538 options (As at 31 March 2018 - 17,942,970 options) granted to some of the employees of the Bank are outstanding as at March 31, 2019. As the administrator of the Employee Stock Option Scheme, EHL has informed the Bank that there are no costs to be transferred to the Bank with respect to the options granted and outstanding as at March 31, 2019.

As per our report of even date

For S.R.Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No.: 101049W/E300004

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

per Aniruddh Sankaran

Partner

Membership No.211107

Arun Ramanathan

Chairman

DIN: 00308848

Vasudevan PN

Managing Director and

Chief Executive Officer

DIN: 01550885

Arun Kumar Verma

Director

DIN: 03220124

Place: Chennai

Date: May 09, 2019

N Sridharan

Chief Financial Officer

Sampathkumar KR

Company Secretary

M.No: A27466



Equitas Small Finance Bank Limited
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