

**Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")**

**Balance Sheet as at March 31, 2018**

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

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

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Notes forming part of financial statements 18

The accompanying notes are an integral part of the financial statements

**As per our report of even date**

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

Chartered Accountants

ICAI Firm Registration No.:101049W/E300004

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

**per Aniruddh Sankaran**

Partner

Membership No.211107

Place: Chennai

Date: April 26, 2018

**Arun Ramanathan Vasudevan PN**

Chairman Managing Director and Chief Executive Officer

DIN:00308848

DIN:01550885

**Arun Kumar Verma**

Director

DIN:03220124

**N Sridharan**

Chief Financial Officer

Place: Chennai

Date: April 26, 2018

**Sampathkumar KR**

Company Secretary

M.No: A27466

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")				
Profit and Loss account for the year ended March 31, 2018 (All amounts in 000's of ₹, unless otherwise specified)				
Particulars		Schedule	Year ended March 31, 2018	Year ended March 31, 2017
<b>I</b>	<b>INCOME</b>			
	Interest earned	13	15,427,124	9,810,534
	Other income	14	2,412,151	2,332,274
	<b>TOTAL</b>		<b>17,839,275</b>	<b>12,142,808</b>
<b>II</b>	<b>EXPENDITURE</b>			
	Interest expended	15	6,821,720	4,471,578
	Operating expenses	16	8,811,141	5,092,439
	Provisions and contingencies		1,888,100	1,537,451
	<b>TOTAL</b>		<b>17,520,961</b>	<b>11,101,468</b>
<b>III</b>	<b>PROFIT</b>			
	Net Profit for the year		318,314	1,041,340
	<b>TOTAL</b>		<b>318,314</b>	<b>1,041,340</b>
<b>IV</b>	<b>APPROPRIATIONS</b>			
	Transfer to Statutory reserves		79,578	260,335
	Transfer to Special reserve account		6,652	14,180
	Transfer to Investment Reserve		23,000	-
	Balance carried over to Balance Sheet		209,084	766,825
	<b>TOTAL</b>		<b>318,314</b>	<b>1,041,340</b>
	Summary of significant accounting policies	17		
	Notes forming part of financial statements	18		
	Earning per share (Basic) (in ₹)	18.10.4	0.32	1.30
	Earning per share (Diluted) (in ₹)	18.10.4	0.32	1.30
	Face Value per share (in ₹)		10	10
The accompanying notes are an integral part of the financial statements				
<b>As per our report of even date</b>				
<b>For S.R.Batliboi &amp; Associates LLP</b>		<b>For and on behalf of Board of Directors of Equitas Small Finance Bank Limited</b>		
Chartered Accountants				
ICAI Firm Registration No.:101049W/E300004				
<b>per Aniruddh Sankaran</b>		<b>Arun Ramanathan</b>	<b>Vasudevan PN</b>	<b>Arun Kumar Verma</b>
Partner		Chairman	Managing Director and Chief Executive Officer	Director
Membership No.211107		DIN:00308848	DIN:01550885	DIN:03220124
Place: Chennai				
Date: April 26, 2018				
		<b>N Sridharan</b>	<b>Sampathkumar KR</b>	
		Chief Financial Officer	Company Secretary	
			M.No: A27466	
		Place: Chennai		
		Date: April 26, 2018		

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

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

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>A. Cash Flow from Operating activities</b>		
<b>Profit Before Tax</b>	<b>485,148</b>	<b>1,614,472</b>
<i>Adjustments for:</i>		
Depreciation on fixed assets	875,061	317,087
Depreciation on investments	(46,588)	46,588
Amortization on Held to Maturity securities	50,658	10,544
Provision for standard assets	53,660	(254,941)
Provision on managed assets	-	(120,204)
Floating provision on advances	-	190,000
Bad debts written off	1,902,248	337,572
Provision for Non performing assets	(179,287)	736,914
Provision for loss on seized assets	(25,679)	15,020
Provision on overcollateral	14,776	12,939
Provision for doubtful assets	2,136	430
Loss on sale of fixed assets	1,511	409
Interest expenses on borrowings	4,380,018	4,109,308
	<b>7,513,662</b>	<b>7,016,138</b>
<b>Adjustments for:</b>		
(Increase)/Decrease in investments	(19,667,530)	(6,430,088)
(Increase)/Decrease in advances	(21,745,868)	(6,263,746)
Increase/(Decrease) in deposits	36,826,407	19,212,890
(Increase)/Decrease in other assets	146,232	(46,489)
Increase/(Decrease) in other liabilities and provisions	(692,397)	835,453
Direct taxes paid	(323,955)	(986,715)
<b>Net cash flow from operating activities (A)</b>	<b>2,056,551</b>	<b>13,337,443</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(812,842)	(2,937,772)
Proceeds from sale of fixed assets	10,943	6,403
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	759,874	(1,118,335)
<b>Net cash used in investing activities (B)</b>	<b>(42,025)</b>	<b>(4,049,704)</b>
<b>Cash flow from financing activities</b>		
Increase/(decrease) in borrowings (net)	3,983,119	(5,529,842)
Proceeds from issue of share capital	-	2,880,000
Interest paid on borrowings	(4,266,850)	(2,975,699)
<b>Net cash from financing activities (C)</b>	<b>(283,731)</b>	<b>(5,625,541)</b>
<b>Net increase in cash and cash equivalents (A)+(B)+(C)</b>	<b>1,730,795</b>	<b>3,662,198</b>
Cash and Cash equivalents at beginning of the year (Refer Notes below)	<b>9,958,090</b>	<b>942,538</b>
Add: Pursuant to scheme of amalgamation (Refer 17.1(b))	-	5,353,354
<b>Cash and Cash equivalents at end of the year (Refer Notes below)</b>	<b>11,688,885</b>	<b>9,958,090</b>

**Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")**

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018**  
(All amounts in '000 of ₹, unless otherwise specified)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Notes to cash flow statement :</b>		
Cash and Cash equivalents include the following		
Cash and Balances With Reserve Bank of India (As per Schedule 6)	3,860,813	2,479,305
Balances With Banks And Money At Call And Short Notice (As per Schedule 7)	8,250,843	8,661,430
<b>Balances not considered as part of cash and cash equivalents:</b>		
Bank deposits with an original maturity of more than three months or Bank deposits under lien	(422,771)	(1,182,645)
<b>Cash and Cash equivalents at end of the year</b>	<b>11,688,885</b>	<b>9,958,090</b>

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Chartered Accountants

ICAI Firm Registration No.:101049W/E300004

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

**per Aniruddh Sankaran**

Partner

Membership No.211107

Place: Chennai

Date: April 26, 2018

**Arun Ramanathan**

Chairman

DIN: 00308848

**N Sridharan**

Chief Financial Officer

Place: Chennai

Date: April 26, 2018

**Vasudevan PN**

Managing Director and

Chief Executive Officer

DIN:01550885

**Arun Kumar Verma**

Director

DIN:03220124

**Sampathkumar KR**

Company Secretary

M.No: A27466

**Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")**

**SCHEDULES TO BALANCE SHEET as at March 31, 2018**  
(All amounts in 000's of ₹, unless otherwise specified)

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

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

<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
<b>I</b>	<b>Statutory reserve</b>		
	Opening Balance	1,161,584	278,300
	Additions on account of amalgamation (Refer Schedule 17.1(b))	-	622,949
	Add: Transfer from Profit and Loss account	79,578	260,335
	Deductions during the year	-	-
	<b>Total - (A)</b>	<b>1,241,162</b>	<b>1,161,584</b>
<b>II</b>	<b>Capital reserve</b>		
	Opening Balance	132,798	-
	Additions on account of amalgamation (Refer Schedule 17.1(b))	-	132,798
	Additions during the year	-	-
	Deductions during the year	-	-
	<b>Total - (B)</b>	<b>132,798</b>	<b>132,798</b>
<b>III</b>	<b>Share premium account</b>		
	Opening Balance	5,482,616	1,623,705
	Additions on account of amalgamation (Refer Schedule 17.1(b))	-	2,170,964
	Received during the year	-	1,687,947
	Deductions during the year	-	-
	<b>Total - (C)</b>	<b>5,482,616</b>	<b>5,482,616</b>
<b>IV</b>	<b>Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961</b>		
	Opening Balance	25,944	-
	Additions on account of amalgamation (Refer Schedule 17.1(b))	-	11,764
	Add: Transfer from Profit and Loss account	6,652	14,180
	Deductions during the year	-	-
	<b>Total - (D)</b>	<b>32,596</b>	<b>25,944</b>
<b>V</b>	<b>Revenue and Other reserves</b>		
	Opening Balance	254,400	140
	Additions on account of amalgamation (Refer Schedule 17.1(b))	-	39,186
	Additions during the year (Refer Note (a) below)	-	215,074
	Deductions during the year	-	-
	<b>Total - (E)</b>	<b>254,400</b>	<b>254,400</b>
<b>VI</b>	<b>Investment Reserve</b>		
	Opening Balance	-	-
	Additions during the year	23,000	-
	Deductions during the year	-	-
	<b>Total - (F)</b>	<b>23,000</b>	<b>-</b>
<b>VII</b>	<b>Balance in Surplus in profit and loss account</b>		
	Opening Balance	3,002,434	977,044
	Additions on account of amalgamation (Refer Schedule 17.1(b)) (Also refer Note (b) below)	-	1,258,565
	Profits for the year	209,084	766,825
	<b>Closing balance in Surplus in profit and loss account (G)</b>	<b>3,211,518</b>	<b>3,002,434</b>
<b>TOTAL (A)+(B)+(C)+(D)+(E)+(F)+(G)</b>		<b>10,378,092</b>	<b>10,059,776</b>

**Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")**

**SCHEDULES TO BALANCE SHEET as at March 31, 2018**

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

(a) EMFL and EFL had different accounting policies relating to accounting for processing fees collected from the customers. In EMFL, loan processing fee was recognized over the life of the loan on a straightline basis and in EFL, it was recognized as income in the year in which the loan is sanctioned. Consequent to the Scheme of merger that is more fully described in Schedule 17.1(b) to the financial statements, the fee income is now recognized in the year in which loan is sanctioned and disbursed and an amount of ₹ 215,074 (net of income tax of ₹ 113,825) is credited to Reserves as at Mar 31, 2017.

(b) Represents balances of Surplus in profit and loss account of ₹ 2,467,480 in the books of EMFL and EHFL incorporated on account of amalgamation, net off with the excess of net assets and reserves over consideration paid on amalgamation of EMFL amounting to ₹ 1,208,915. Refer Schedule 17.1(b) to the financial statements.

<b>SCHEDULE 3 - DEPOSITS</b>		<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
<b>A</b>	<b>I Demand deposits</b>		
	(i) From banks	218,686	44,777
	(ii) From others	3,672,601	609,632
	<b>II Savings bank deposits</b>	12,486,718	2,662,530
	<b>III Term deposits</b>		
	(i) From banks	13,643,319	11,402,279
	(ii) From others	26,017,973	4,493,672
	<b>TOTAL</b>	<b>56,039,297</b>	<b>19,212,890</b>
<b>B</b>	<b>I Deposits of branches in India</b>	56,039,297	19,212,890
	<b>II Deposits of branches outside India</b>	-	-
	<b>TOTAL</b>	<b>56,039,297</b>	<b>19,212,890</b>
<b>SCHEDULE 4 - BORROWINGS</b>		<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
<b>I</b>	<b>Borrowings in India</b>		
	(i) Reserve Bank of India	7,900,000	-
	(ii) Other banks	1,800,000	8,396,429
	(iii) Other institutions and agencies	42,072,081	39,392,533
	<b>TOTAL</b>	<b>51,772,081</b>	<b>47,788,962</b>
<b>II</b>	<b>Borrowings outside India</b>	-	-
	<b>TOTAL</b>	-	-
	<b>TOTAL</b>	<b>51,772,081</b>	<b>47,788,962</b>
	Secured borrowings included in above	17,189,581	12,718,463
<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>		<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
<b>I</b>	Bills payable	67,055	8,706
<b>II</b>	Interest accrued	1,691,287	1,422,279
<b>III</b>	Provision for Tax (net of advance tax)	26,981	-
<b>IV</b>	Others (including provisions)*	3,065,356	3,901,373
	<b>TOTAL</b>	<b>4,850,679</b>	<b>5,332,358</b>
	*Includes :- Provision for standard assets ₹ 210,767 (Previous year: ₹ 157,107) Floating provision outstanding of ₹ 190,000 (Previous year: ₹ 190,000)		
<b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>		<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
<b>I</b>	<b>Cash in hand</b>	1,159,262	666,990
<b>II</b>	<b>Balances with Reserve Bank of India :</b>		
	(a) In current accounts	2,701,551	1,812,315
	(b) In other accounts	-	-
	<b>TOTAL</b>	<b>3,860,813</b>	<b>2,479,305</b>

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")			
SCHEDULES TO BALANCE SHEET as at March 31, 2018 (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, 2018	As at March 31, 2017
<b>I</b>	<b>In India</b>		
	(i) Balances with banks :		
	(a) In current accounts	612,622	3,228,785
	(b) In other deposit accounts (Refer Note below)	608,221	1,182,645
	(ii) Money at call and short notice :		
	(a) With banks	2,300,000	3,500,000
	(b) With other institutions	500,000	750,000
	(c) Lending under Reverse Repo to RBI	4,230,000	-
<b>II</b>	<b>Outside India</b>		
	(i) In current accounts	-	-
	(ii) In deposit accounts	-	-
	(iii) Money at call and short notice	-	-
	<b>TOTAL</b>	<b>8,250,843</b>	<b>8,661,430</b>
<b>Note</b>			
Other deposits include deposits under lien amounts to ₹ 422,771 (Previous year ₹11,82,645)			
SCHEDULE 8 - INVESTMENTS		As at March 31, 2018	As at March 31, 2017
<b>I</b>	Investments in India in (Net of provision)		
	(i) Government securities	28,402,361	18,199,672
	(ii) Shares	2,000	2,000
	(iii) Debentures and bonds	1,250,000	-
	(iv) Others	8,914,054	703,283
		<b>38,568,415</b>	<b>18,904,955</b>
	Gross Investments	38,568,415	18,951,543
	Less: Depreciation	-	(46,588)
	<b>Net Investments</b>	<b>38,568,415</b>	<b>18,904,955</b>
<b>II</b>	Investments outside India	-	-
	<b>TOTAL</b>	<b>38,568,415</b>	<b>18,904,955</b>
SCHEDULE 9 - ADVANCES (Net of provision)		As at March 31, 2018	As at March 31, 2017
<b>A</b>	(i) Bills purchased and discounted	-	-
	(ii) Cash credits, overdrafts and loans repayable on demand	1,316,703	617,411
	(iii) Term loans	75,750,223	56,400,929
	<b>TOTAL</b>	<b>77,066,926</b>	<b>57,018,340</b>
<b>B</b>	(i) Secured by tangible assets	49,918,605	29,765,589
	(ii) Covered by bank / government guarantees	-	-
	(iii) Unsecured	27,148,321	27,252,751
	<b>TOTAL</b>	<b>77,066,926</b>	<b>57,018,340</b>
<b>C</b>	<b>I Advances in India</b>		
	(i) Priority sector	54,044,162	50,130,859
	(ii) Public sector	-	-
	(iii) Banks	600,838	-
	(iv) Others	22,421,926	6,887,481
	<b>Total Advances in India</b>	<b>77,066,926</b>	<b>57,018,340</b>
	<b>II Advances outside India</b>		
	(i) Due from banks	-	-
	(ii) Due from others	-	-
	(a) Bills purchased and discounted	-	-
	(b) Syndicated loans	-	-
	(c) Others	-	-
	<b>Total Advances Outside India</b>	-	-
	<b>TOTAL</b>	<b>77,066,926</b>	<b>57,018,340</b>

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")			
SCHEDULES TO BALANCE SHEET as at March 31, 2018 (All amounts in 000's of ₹, unless otherwise specified)			
SCHEDULE 10 - FIXED ASSETS		As at March 31, 2018	As at March 31, 2017
A	<b>Premises including leasehold improvements</b>		
	<b>Gross Block</b>		
	At cost as at the beginning of the year	745,188	16,233
	Additions on account of amalgamation (Refer Schedule 17.1b)	-	52,475
	Additions during the year	305,282	676,480
	Deductions during the year	(644)	-
		<b>1,049,826</b>	<b>745,188</b>
	<b>Depreciation</b>		
	As at beginning of the year	83,351	9,021
	Additions on account of amalgamation (Refer Schedule 17.1b)	-	36,667
	Additions during the year	138,210	37,663
	Deductions during the year	(629)	-
	<b>Depreciation to date</b>	<b>220,932</b>	<b>83,351</b>
	<b>Net block</b>	<b>828,894</b>	<b>661,837</b>
B	<b>Other fixed assets (including furniture and fixtures)</b>		
	<b>Gross Block</b>		
	At cost as at the beginning of the year	2,781,018	225,055
	Additions on account of amalgamation (Refer Schedule 17.1b)	-	460,815
	Additions during the year	643,502	2,113,787
	Deductions during the year	(27,593)	(18,639)
		<b>3,396,927</b>	<b>2,781,018</b>
	<b>Depreciation</b>		
	As at beginning of the year	706,790	120,615
	Additions on account of amalgamation (Refer Schedule 17.1b)	-	318,578
	Additions during the year	736,851	279,424
	Deductions during the year	(15,154)	(11,827)
	<b>Depreciation to date</b>	<b>1,428,487</b>	<b>706,790</b>
	<b>Net block</b>	<b>1,968,440</b>	<b>2,074,228</b>
C	<b>Capital work-in-progress</b>	<b>11,492</b>	<b>147,434</b>
	<b>TOTAL</b>	<b>2,808,826</b>	<b>2,883,499</b>
SCHEDULE 11 - OTHER ASSETS		As at March 31, 2018	As at March 31, 2017
I	Interest accrued	1,155,392	1,003,070
II	Tax paid in advance (Net of provision for tax)	21,357	29,105
III	Deferred tax asset, net	628,765	436,916
IV	Others	738,246	1,036,800
	<b>TOTAL</b>	<b>2,543,760</b>	<b>2,505,891</b>
SCHEDULE 12 - CONTINGENT LIABILITIES		As at March 31, 2018	As at March 31, 2017
I	Claims against the bank not acknowledged as debts		
	(a) Service tax	8,660	36,395
	(b) Provident Fund	18,822	18,754
	(c) Income tax	1,372	1,372
	(d) Value added tax	-	-
	(e) Others	9,761	3,974
II	Guarantees given on behalf of constituents		
	In India	292,836	432,578
	<b>Total</b>	<b>331,451</b>	<b>493,073</b>

**Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")**

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018**

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

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

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

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

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

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

## Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

### SCHEDULE 17 – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Corporate information

##### 1(a). Background

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

The Bank has a network of 392 banking outlets and 597 asset branches in India is engaged in retail banking business with focus on micro-finance, commercial vehicle finance, home finance, loan against-property finance, corporate finance, and providing financing solutions for individuals and micro and small enterprises (MSEs) that are underserved by formal financing channels while providing a comprehensive banking and digital platform for all.

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

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

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

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

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

## Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

### SCHEDULE 17 – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

#### 2. Basis of Preparation

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

#### Comparatives

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

#### 3. Significant accounting policies

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

##### 3.1 Investments

###### *Classification:*

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

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

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

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## **Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")**

### **SCHEDULE 17 – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

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#### *Basis of classification:*

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

#### *Acquisition cost:*

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

#### *Transfer between categories*

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

#### *Valuation:*

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

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

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

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

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

In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FBIL is adopted for this purpose.

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

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

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

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

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in the six groups is not recognised except to the extent

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## Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

### SCHEDULE 17 – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

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

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

#### *Disposal of investments:*

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

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

### **3.2 Advances**

#### *Classification:*

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

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

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

#### *Provisioning:*

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

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

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

The Bank considers restructured account, if any, as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider.

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Restructuring would normally involve modification of terms of the advance / securities, which would generally include, amongst others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level.

Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

#### *Recording and Presentation*

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

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

### **3.3 Securitisation transactions and direct assignments**

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

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

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

### **3.4 Property, Plant and Equipment [PPE]**

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

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

Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as per the table below, based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc.,

<b>Asset</b>	<b>Estimated useful life as assessed by the Bank</b>	<b>Estimated useful life specified under Schedule II of the Companies Act 2013</b>
Office Equipment	3 Years	5 Years
Computer Equipment	3 Years	3 years
Furniture and Fixtures	3 Years	10 years
Vehicles	4 Years	8 Years

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## Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

### SCHEDULE 17 – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

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

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

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

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

#### 3.5 Intangible Assets

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

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

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

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

#### 3.6 Impairment of Assets

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

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

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

**SCHEDULE 17 – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

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**3.7 Transactions involving foreign exchange**

*Initial recognition*

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

*Measurement at the Balance Sheet date*

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

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

*Treatment of Exchange differences*

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Bank are recognised as income or expense in the Profit and Loss Account.

**3.8 Revenue Recognition**

Interest Income on loans, advances and investments (including deposits with banks and other institutions) are recognised on accrual basis. Income on Non-performing Assets is recognized upon realisation as per RBI norms.

Fee and Commission income are recognised as income when due, except in cases where the Bank is uncertain of its ultimate collection.

Guarantee commission and commission on letter of credit, and locker rent are recognised on a straight line basis over the period of contract. Interest Income on deposits / investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Income on discounted instruments is recognised over the tenor of the instruments on a straight line basis.

Dividend income, if any, is accounted for, when the right to receive the same is established.

In accordance with the RBI guidelines on Securitisation Transactions, gains arising from assignment / securitisation are amortised over the life of the underlying portfolio loans. In case of any loss, the same is recognised in the Profit and Loss Account immediately.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the Profit and Loss Account.

**3.9 Employee Benefits**

Employee benefits include provident fund, gratuity and compensated absences.

*Defined contribution plan:*

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

*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.

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**SCHEDULE 17 – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

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*Short term Employee benefits*

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

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

*Long term Employee benefits*

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

**3.10 Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the lease term.

**3.11 Accounting of Priority Sector Lending Certificate (PSLC)**

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

**3.12 Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

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

**3.13 Earnings per Share**

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

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**SCHEDULE 17 – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

**3.14 Proposed Dividend**

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

**3.15 Segment reporting**

The disclosure relating to segment information is in accordance with the guidelines issued by RBI. In accordance with guidelines issued by RBI, the bank has adopted segment reporting as under:

**Treasury** includes all investment portfolios, Profit/Loss on sale of investments, PSLC Fee, Profit/Loss on foreign exchange transaction, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation/amortisation of premium on HTM category investments.

**Corporate / Wholesale Banking** includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under 'Retail Banking'.

**Retail Banking** includes lending to and deposits, from retail customers and identified earnings and expenses of the segment.

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

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

*Geographic segment*

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

**3.16 Provisions and Contingencies**

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

**3.17 Cash and Cash Equivalents**

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

**Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")**

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

**1 Capital adequacy**

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

S.No	Particulars	As at March 31, 2018	As at March 31, 2017
1	Common Equity Tier 1 capital ratio	27.09%	32.30%
2	Tier 1 capital ratio	27.09%	32.30%
3	Tier 2 capital ratio	2.54%	3.21%
4	Total Capital Ratio (CRAR)	29.63%	35.51%
5	Amount of equity capital raised during the year*	-	582.94
6	Amount of Additional Tier 1 capital raised; of which Perpetual Non Cumulative Preference Shares (PNCPS): Perpetual Debt Instruments (PDI) :	-	-
7	Amount of Tier 2 capital raised; of which Debt capital instruments: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

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

**2 Business Ratio**

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

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

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

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

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

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

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

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

**3 Investments**

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

S.No	Particulars	As at March 31, 2018			As at March 31, 2017		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	957.01	1,883.22	-	602.23	755.65	462.09
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	-	0.20	-	-	0.20	-
iv)	Debentures and bonds	-	125.00	-	-	-	-
v)	Subsidiaries and/ or Joint Ventures	-	-	-	-	-	-
vi)	Other Deposits under RIDF scheme with NABARD, Security Receipts/Pass through Certificates, investments in Mutual funds, Commercial papers, etc.,	-	891.41	-	-	70.33	-
	<b>Total</b>	<b>957.01</b>	<b>2,899.83</b>	<b>-</b>	<b>602.23</b>	<b>826.18</b>	<b>462.09</b>

**3.2 Details of investments**

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

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

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	-	-	-	-

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

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

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

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

S.No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	70.33	70.33	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	<b>Total</b>	<b>70.33</b>	<b>70.33</b>	<b>-</b>	<b>0.20</b>	<b>0.20</b>

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

**3.5 b) Non performing Non-SLR investments**

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

**3.6 Sale and transfer of securities to / from HTM category**

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

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

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

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

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

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

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

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

**5.1.1 Movement of NPAs**

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

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

**5.2 Divergence in the asset classification and provisioning**

The Bank has not been subject to any assessment by the RBI during the current year and in the previous year, in relation to compliance with Prudential norms on income recognition, asset classification and provisioning. Accordingly, the disclosure on divergence in Asset classification and provisioning as per RBI Circular: DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017 is not applicable.

**5.3 (a) Details of financial assets purchased/sold**

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

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

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

**5.4 Details of Non-performing assets purchased/sold**

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

**5.5 Provision on Standard Assets**

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

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

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

SI No	Type of Restructuring Asset Classification	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total						
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total		
1	Restructured Accounts as on April 1 of the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	724	-	-	724	-	724	-	-	-	724	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1.83	-	-	1.83	-	1.83	-	-	-	1.83	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.46	-	-	0.46	-	0.46	-	-	-	0.46	
3	Upgradations to restructured standard category during the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional	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	-	-	-	-	-	-	-	-	-	-	(0.18)	-	-	(0.18)	-	(0.18)	-	-	-	(0.18)	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.05)	-	-	(0.05)	-	(0.05)	-	-	-	(0.05)	
7	Restructured Accounts as on March 31 of the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	724	-	-	724	-	724	-	-	-	724	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1.65	-	-	1.65	-	1.65	-	-	-	1.65	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.41	-	-	0.41	-	0.41	-	-	-	0.41	

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

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

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

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

6 Asset Liability Management

6.1 Maturity pattern of certain items of assets and liabilities

a) As at March 31, 2018

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	184.35	62.31	8.46	270.36	496.73	930.37	767.50	989.67	1,892.29	0.52	1.37	5,603.93
Advances	19.76	101.50	100.04	100.03	315.11	142.60	838.34	1,393.90	3,094.53	900.55	700.33	7,706.69
Investments	755.27	554.72	89.87	289.65	-	24.58	362.53	723.01	255.85	307.93	493.43	3,856.84
Borrowings	-	877.76	66.18	239.84	26.18	106.94	1,170.71	670.13	1,625.40	389.46	4.61	5,177.21
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

b) As at March 31, 2017

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	36.57	0.87	1.01	13.12	4.04	2.71	106.41	690.54	1,065.10	0.16	0.76	1,921.29
Advances	10.07	67.78	72.98	87.89	265.26	256.60	750.76	1,380.56	2,023.86	437.31	348.75	5,701.82
Investments	-	-	124.77	-	-	123.76	-	331.22	220.35	535.67	554.73	1,890.50
Borrowings	-	117.14	56.26	0.26	152.86	329.28	633.45	670.04	2,440.00	222.82	156.78	4,778.89
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

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

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

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

**7 Exposures to sensitive sectors**

**7.1 Exposures to Real Estate Sector**

Particulars		As at March 31, 2018	As at March 31, 2017
(a)	<b>Direct Exposures</b>		
	(i) Residential Mortgages	643.62	453.91
	- of which housing loans eligible for inclusion in priority sector advances are rendered	454.17	427.44
	(ii) Commercial Real Estate	28.78	42.69
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	-	-
	a. Residential	-	-
	b. Commercial Real Estate	-	-
(b)	<b>Indirect Exposures</b>		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	14.84	-
<b>Total exposure to Real Estate Sector</b>		<b>687.24</b>	<b>496.60</b>

**7.2 Exposures to Capital Market**

Particulars		As at March 31, 2018	As at March 31, 2017
i	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	0.20	0.20
ii	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds;	0.26	0.75
iii	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
v	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii	Bridge loans to companies against expected equity flows / issues	-	-
viii	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix	Financing to stockbrokers for margin trading;	-	-
x	Venture Capital Funds (both registered and unregistered)	-	-
<b>Total exposure to Capital market</b>		<b>0.46</b>	<b>0.95</b>

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

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**7.3 Risk Category-wise exposure to country risk**

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

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

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

**7.5 Unsecured Advances**

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc., (Previous year Nil). The unsecured advances of ₹ 2714.83 crores (Previous year: ₹ 2,725.28 crores) as disclosed in Schedule 9 are without any collateral security.

**8 Disclosures relating to Penalties imposed by RBI**

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

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

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

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

**9 Disclosure on remuneration**

**Qualitative disclosures**

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

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

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

Objective of Bank's compensation policy is:

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

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

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

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

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

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

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

NEDs are to be paid such Sitting Fee for each meeting of the Board/ Committees of the Board attended by them, as may be approved by the Board pursuant to provisions of Section 197 of the Companies Act, 2013.

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

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

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

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

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

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

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

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

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

Currently the bank does not follow any deferred remuneration.

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

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

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

<b>Quantitative disclosures</b>			
<b>Particulars</b>	<b>For the year ended March 31, 2018</b>	<b>For the year ended March 31, 2017</b>	
Number of meetings held by the Remuneration Committee during the financial year	5	3	
Remuneration paid to its members	0.03	0.01	
(i) Number of employees having received a variable remuneration award during the financial year.	-	-	
(ii) Number and total amount of sign on awards made during the financial year.	-	-	
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-	
(iv) Details of severance pay, in addition to accrued benefits, if any.	-	-	
(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	-	-	
(ii) Total amount of deferred remuneration paid out in the financial year.	-	-	
<b>Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred:</b>			
(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-	
(ii) Total amount of reductions during the financial year due to ex post explicit adjustments.	-	-	
(iii) Total amount of reductions during the financial year due to ex post implicit adjustments.	-	-	

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

**10 Disclosures- Accounting Standards**
**10.1 Segment Reporting (AS 17)**

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

**FY 2017-18**

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

**FY 2016-17**

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

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.

**Equitas Small Finance Bank Limited**

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

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

**10.2 Related Party Transactions (AS 18)**

**i. Names of Related Parties and Nature of Relationship**

Holding Company	Equitas Holdings Limited
Fellow Subsidiaries	Equitas Technologies Private Limited
Key Management Personnel	Vasudevan PN, MD & CEO N Sridharan, Chief Financial Officer Sampathkumar KR, Company Secretary V.S. Murthy, Chief Executive Officer (upto September 3, 2016) S Vasudevan, Chief Financial Officer (upto September 3, 2016) Sridevi Surender, Company Secretary (upto September 3, 2016)
Entities under the same Management	Equitas Development Initiatives Trust Equitas Dhanyakosha India Equitas Healthcare Foundation from March 13, 2018

**ii. Transactions with the Related Parties**

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

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

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

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

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

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

iii. Balances outstanding at the end of the year

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

10.3 Operating leases (AS 19)

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

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Future lease rentals payable at the end of the year		
- Not later than one year	47.21	36.02
- Later than one year but not later than five years	183.24	129.36
- Later than five years	126.23	122.12
Total minimum lease payments recognised in the Profit and loss account	56.91	26.09
Total of future minimum sub lease payments expected to be received under non-cancellable sub-lease	-	-

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

10.4 Earnings per Share (AS 20)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Net profit after tax	31.83	104.13
Basic weighted average number of equity shares	1,005,943,363	803,752,218
Diluted weighted average number of equity shares	1,005,943,363	803,752,218
Nominal value of Equity shares (₹)	10.00	10.00
Basic Earnings per share (₹)	0.32	1.30
Diluted Earnings per share (₹)	0.32	1.30

10.5 Deferred Taxes (AS 22)

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

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

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

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

**10.6 Employee Benefits (AS 15)****Defined Contribution Plan****Provident Fund**

The Bank makes Provident Fund contributions to State administered fund for qualifying employees. The Bank is required to contribute a specified percentage of the payroll costs to the Fund. The Company recognised ₹ 27.12 crores (Previous Year: ₹ 16.09 Crores) towards Provident Fund contributions in the Profit and Loss Account. The contributions payable to the fund by the Bank is at rates specified in the rules of the scheme.

**Defined Benefit Plans****Gratuity**

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

Particulars	March 31, 2018	March 31, 2017
<b>Change in defined benefit obligations during the Year</b>		
Present value of defined benefit obligation at beginning of the year	13.53	2.19
Current service cost	6.37	4.72
Interest cost	0.87	0.45
Benefits paid	(1.39)	(0.47)
Actuarial (gains)	(1.50)	6.64
<b>Present value of Defined Benefit Obligation at End of the Year</b>	<b>17.88</b>	<b>13.53</b>
<b>Change in Fair Value of Assets during the Year</b>		
Plan Assets at beginning of the year	10.49	2.99
Add: Adjustments to the opening balance	1.36	0.24
Expected return on plan assets	0.95	0.57
Actual company contributions	0.00	7.73
Benefits paid out of the asset	0.00	0.00
Actuarial gain / (loss)	(0.95)	(1.04)
<b>Plan Assets at End of the Year</b>	<b>11.85</b>	<b>10.49</b>
<b>Liability Recognised in the Balance Sheet</b>		
Present value of defined benefit obligation	(17.88)	(13.53)
Fair value of plan assets	11.85	10.49
Unrecognized actuarial (gain) / loss	0.00	0.00
<b>Net Liability Recognised in the Balance Sheet</b>	<b>(6.03)</b>	<b>(3.04)</b>
<b>Cost of Defined Benefit Plan for the Year</b>		
Current service cost	6.37	4.72
Interest cost	0.87	0.45
Expected return on plan assets	(0.95)	(0.57)
Net actuarial gains	(0.55)	7.68
<b>Net Cost Recognized in the Profit and Loss account*</b>	<b>5.74</b>	<b>12.28</b>
<b>Return on Plan Assets</b>	0.95	0.57
<b>Assumptions</b>		
Discount rate (Refer Note (b))	7.28%	6.77%
Interest rate (Estimated rate of return on assets)	8.05%	8.05%
Future salary increase (Refer Note (a))	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%

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

**Notes:**

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

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

## c) Experience Adjustments:

Particulars	For the Year Ended 31 March 2018	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016	For the Year Ended 31 March 2015
Projected benefit obligation	17.88	13.53	2.19	1.17
Fair value of plan assets	11.85	10.49	2.99	1.63
Surplus/ (Deficit)	(6.03)	(3.04)	0.80	0.46
Experience adjustments on plan liabilities - gains	(1.50)	6.64	(0.04)	(0.01)
Experience adjustments on plan assets - gains / (losses)	(0.95)	(1.04)	(0.25)	-
The details of experience adjustments for the financial years prior to FY 2014-15 have not been disclosed in the absence of necessary information.				

## d) Category of Plan Assets

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

**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 Independent Actuary are as given below:

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

**11 Additional disclosures****11.1 Provisions and Contingencies**

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

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

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

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

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

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

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

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

b) **Movement in provision for frauds included under Other Liabilities**

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

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

**11.2 Floating provision**

Particulars	March 31, 2018	March 31, 2017
Opening Balance at the beginning of the year	19.00	-
Provisions made during the year	-	19.00
Drawdown made during the year	-	-
Closing Balance at the end of the year	19.00	19.00

**11.3 Drawdown from reserves**

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

**Appropriations to reserve:****Statutory reserve**

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Bank has transferred ₹ 7.96 crore ( Previous year ₹ 26.03 crore) to Statutory Reserve for the year.

**Special reserve**

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, the specified entity is allowed the deduction in respect of any special reserve created and maintained by it, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause). This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital (excluding the amounts capitalized from reserves) of the entity. During the year, the Bank has transferred an amount of ₹ 0.67 crore (Previous year ₹ 1.42 crore) to Special Reserve.

**Investment reserve**

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

**11.4 Disclosure relating to Complaints**

A

a) **Customer complaints**

[Nos.]

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

b) **ATM transaction disputes relating to the Bank's customers on the Bank's ATMs**

[Nos.]

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

c) **ATM transaction disputes relating to the Bank's customers on other banks' ATMs**

[Nos.]

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

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

[Nos.]

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

B

**Awards Passed by the Banking Ombudsman**

[Nos.]

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

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

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

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

**11.5 Letters of Comfort**

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

**11.6 Provision Coverage ratio**

Provision coverage ratio as at March 31, 2018 is 47.07% (as at March 31, 2017 is 58.37%). The Provision Coverage ratio is computed on the advances as at respective year end.

**11.7 Bancassurance Business**

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

Particulars	March 31, 2018	March 31, 2017
On Insurance products	8.92	0.81
On Mutual Fund products	1.22	0.08
<b>Total</b>	<b>10.14</b>	<b>0.89</b>

**11.8 Concentration of Deposits, Advances, Exposures and NPAs**

**11.8.1 Concentration of Deposits**

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

**11.8.2 Concentration of Advances\***

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

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

**11.8.3 Concentration of Exposures \***

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

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

**11.8.4 Concentration of NPA**

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

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

**11.8.5 Inter-bank participation with risk sharing**

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines as at March 31, 2018 ₹ 15 crore ( Previous year - ₹455 crore).

**11.8.6 Priority Sector Lending Certificate (PSLCs)**

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

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

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

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

12 Sector-wise advances

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

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

13 Securitisation/Assignment

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

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

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).

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

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

**18 Liquidity Coverage Ratio (LCR)**

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

	Quarter ended June 30, 2017		Quarter ended September 30, 2017		Quarter ended December 31, 2017		Quarter ended March 31, 2018	
	Total 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								
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.

**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.

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

**18 Liquidity Coverage Ratio (LCR) Continued**

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

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

**Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")**

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

**19 Fixed Assets - details of software**

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

**20 Contingent liabilities**

Claims against the Bank not acknowledged as debts includes liability on account of Service tax, and other legal cases filed against the bank. The Bank is a party to various legal proceedings in the ordinary course of business which are contested by the Bank and are therefore subjudice. The Bank does not expect the outcome of these proceedings to have a material adverse impact on the Bank's financial position.

Guarantees represent irrevocable assurances given by the Bank on securitized assets, to make payments in the event of customers failing to fulfil their financial obligations.

As a part of banking activities, the Bank issues Letter of Guarantees on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers obligations either directly or incase the customer fails to fulfill their financial or performance obligations.

**21 Corporate Social Responsibility Activities**

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

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

**22 Dues to Micro, Small and Medium Enterprises**

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. Based on the information available with the Company, there are no overdue amounts payable to Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as at the Balance Sheet date. Further, the Bank has not paid any interest to any Micro and Small Enterprises during the current and previous year.

**23 Employees Stock Option Scheme**

Under the Employee Stock Option Scheme (ESOS) - 2015 of the Holding Company, Equitas Holdings Limited, 17,942,970 options (As at 31 March 2017 - 26,728,741 options) granted to some of the employees of the Bank are outstanding as at March 31, 2018. As the administrator of the Employee Stock Option Scheme, EHL has informed the Bank that there are no costs to be transferred to the Bank with respect to the options granted and outstanding as at March 31, 2018.

**As per our report of even date**

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

Chartered Accountants

ICAI Firm Registration No.:101049W/E300004

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

**per Aniruddh Sankaran**  
Partner

**Arun Ramanathan**  
Chairman

**Vasudevan PN**  
Managing Director  
and Chief Executive  
Officer

**Arun Kumar Verma**  
Director

Membership No.211107

DIN: 00308848

DIN: 01550885

DIN: 03220124

Place: Chennai

Date: April 26, 2018

**N Sridharan**  
Chief Financial Officer

**Sampathkumar KR**  
Company Secretary

Place: Chennai  
Date: April 26, 2018

M.No:A27466