

ANNUAL REPORT

2016 - 2017



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CORPORATE INFORMATION	
Board of Directors	
Mr Arun Ramanathan (w.e.f. September 4, 2016)	Chairman and Independent Director
Mr Arun Kumar Verma (w.e.f. September 4, 2016)	Independent Director
Prof Balakrishnan N (w.e.f. September 21, 2016)	Independent Director
Ms Lalitha Lakshmanan	Independent Director
Mr Nagarajan Srinivasan (w.e.f. May 4, 2017)	Non-Executive Non-Independent Director
Dr Ramakrishnan K (w.e.f. September 4, 2016)	Independent Director
Mr Sridhar Ganesh (w.e.f. September 4, 2016)	Independent Director
Mr Srinivasan N (w.e.f. September 4, 2016)	Independent Director
Ms Tabassum Inamdar (w.e.f. October 20, 2016)	Independent Director
Mr Vinod Kumar Sharma	Independent Director
Mr Vasudevan P N (w.e.f. July 23, 2016)	Managing Director and Chief Executive Officer (MD & CEO)
Key Managerial Personnel	
Mr Sridharan N (w.e.f. September 4, 2016)	Chief Financial Officer (CFO)
Mr Sampathkumar K R (w.e.f. September 4, 2016)	Company Secretary (CS)
Registered Office	Statutory Auditors
4 th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai Chennai – 600002 Tel : +91 44 4299 5000 Fax : +91 44 4299 5050 Email : secretarial@equitas.in Website: www.equitasbank.com CIN: U65191TN1993PLC025280	M/s. S.R. Batliboi & Associates LLP, 6 th and 7 th Floor – “A” Block Tidel Park, (Module 601, 701 & 702) No. 4, Rajiv Gandhi Salai Taramani, Chennai – 600113 Tel : +91 44 66548100 Fax : +91 44 22540120

DIRECTORS' REPORT

EQUITAS SMALL FINANCE BANK LIMITED

(PREVIOUSLY KNOWN AS EQUITAS FINANCE LIMITED/ EQUITAS FINANCE PRIVATE LIMITED)

CIN: U65191TN1993PLC025280

REGISTERED OFFICE: 4TH FLOOR, PHASE II, SPENCER PLAZA, NO. 769,
MOUNT ROAD, ANNA SALAI, CHENNAI 600 002

TEL.: + 91 44 4299 5000 E-MAIL: SECRETARIAL@EQUITAS.IN WEBSITE: WWW.EQUITASBANK.COM

TO THE MEMBERS

The Directors are pleased to present the Bank's First Annual Report together with the Audited Accounts for the Financial Year ended March 31, 2017 (FY 2016-17).

1. Merger and Commencement of Banking Business

In order to meet conditions prescribed by RBI while granting 'in-principle' approval for establishing a 'Small Finance Bank' (SFB), the wholly owned subsidiaries of Equitas Holdings Limited ("the Holding Company"), viz., Equitas Micro Finance Limited ("EMFL") and Equitas Housing Finance Limited ("EHFL") were merged with the Company with effect from September 2, 2016 pursuant to Orders of Honourable High Court of Judicature at Madras (HC), Chennai dated June 6, 2016. All the assets and undertakings of EMFL and EHFL got transferred to EFL on September 2, 2016 ("effective date") and the name of EFL was changed to Equitas Small Finance Bank Limited ("Bank"). The Bank commenced operations as SFB on September 5, 2016 and became a Scheduled Bank effective December 23, 2016 vide Official Gazette Notification dated February 4, 2017. EMFL and EHFL were dissolved vide orders of the HC dated December 2, 2016.

2. Financial Results

(₹ in lakh)

Particulars	For the Year ended 31 st March 2017	For the Year ended 31 st March 2016
Deposits & Other Borrowings	6,70,018.52	1,63,773.04
Advances	5,70,183.40	2,22,682.35
Total Income	1,21,432.17	47,936.16
Operating Profit (Profit before Provision, Depreciation and Tax)	25,583.06	14,535.20
Less: Depreciation	3,170.87	473.55
Less: Provision for Tax	5,731.32	4,570.44
Less: Other Provisions and Write offs	6,267.46	979.19
Net Profits	10,413.40	8,512.02
Add: Profit brought forward from previous year	9,770.44	2,961.42
Add: Net additions on amalgamation	12,585.65	-
Total Profit Available for Appropriation	32,769.49	11,473.44
Appropriations		
Transfer to Statutory Reserve	2,603.35	1,703.00
Transfer to Special Reserve	141.80	-
Transfer to/ (from) Investment Reserve	-	-
Proposed Dividend	-	-
Tax including Surcharge and Education cess on Dividend	-	-
Balance carried over to Balance Sheet	30,024.34	9,770.44

3. Dividend

Considering the overall performance of the Bank during the Financial Year and subject to approval of RBI and shareholders, the Board of Directors of the Bank recommend a dividend payout of upto 35% of net profits of the Bank for the Financial Year 2016-17 (translating to a dividend of upto ₹0.36 per equity share) or such lower rate as may be approved by RBI.

4. Transfer to the Investor Education and Protection Fund

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

5. Capital Adequacy

The Capital Adequacy ratio stood at 35.51% as on March 31, 2017 as against the minimum requirement of 15.00% stipulated by RBI. The Net Owned Funds (NOF) as on the said date was ₹2,01,046.74 lakhs.

6. Material changes after the Balance Sheet Date as at March 31, 2017

There have been no material changes and commitments between the end of FY 2016-17 and the date of this report, affecting the financial position of the Bank.

7. Share Capital

i) In April 2016, the Company had issued to EHL, 11,92,05,300 (Eleven crore ninety-two lakhs five thousand and three hundred only) equity shares of ₹10/- each at an overall premium of ₹168,79,47,000/- (Rupees One hundred and sixty-eight crore seventy-nine lakhs forty seven thousand only).

ii) In January 2017, as a consideration for amalgamation of EMFL and EHFL with the Bank, 46,37,38,063 (Forty-six crore thirty-seven lakhs thirty-eight thousand sixty-three) equity shares were issued to EHL at par.

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

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

9. Deposits

Your Bank being a banking company receives and accept deposits. The details of the deposits are detailed in the financial statements for the year ended March 31, 2017.

10. Operational highlights

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

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

The Management Discussion and Analysis Report, Corporate Governance Report and the Business Responsibility Report (BRR) form part of this report.

12. Corporate Social Responsibility (CSR)

The Bank has laid down a Corporate Social Responsibility (CSR) Policy. In accordance with the Policy, the Bank contributes 5% of its net profits towards CSR initiatives carried out through Equitas Development Initiatives Trust (EDIT), a registered public charitable trust established by EHL and Equitas Dhanyakosha India, not-for-profit Company registered under Section 25 of the Companies Act, 1956. A report on Corporate Social Responsibility is given in this Report as Annexure I.

13. Meetings of the Board

Subsequent to conversion into SFB, the Board of the Bank met five times during the FY 2016-17 on September 4, 2016, September 21, 2016, October 20, 2016, November 19, 2016 and January 31, 2017. Prior to conversion, the Board of Equitas Finance Limited (EFL) met five times, on April 16, 2016, May 4, 2016, July 20, 2016, July 25, 2016 and August 22, 2016. The gap between any two Board Meetings did not exceed 120 days and the requisite quorum was present for all the Board Meetings during the year.

14. Directors and Key Managerial Personnel

While selecting Directors, the Bank looks for appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively. The Bank has laid down a clear Policy on remuneration of Directors, Key Managerial Personnel and other employees.

Mr Venkatesh Natarajan, Nominee Director ceased to be a Director of the Company with effect from April 21, 2016 due to listing of shares of the Holding Company. The Board places on record its appreciation for the services rendered by Mr Venkatesh Natarajan as member of the Board and Remuneration & Nomination Committee of the Board that he served on.

14.1 In accordance with provisions of Banking Regulation Act, 1949 and the terms of in-principle approval for setting up SFB and after obtaining approval of RBI, the entire Board of the Bank was reconstituted on September 4, 2016 with the following persons:

- (i) Mr Arun Ramanathan, Part-time Chairman
- (ii) Mr Arun Kumar Verma
- (iii) Mr Srinivasan N
- (iv) Mr Vinod Kumar Sharma
- (v) Mr Sridhar Ganesh
- (vi) Dr Ramakrishnan K
- (vii) Ms Lalitha Lakshmanan
- (viii) Mr Vasudevan P N, MD & CEO

Consequently, the following persons ceased to be Directors with effect from (w.e.f) the aforesaid date:

- i. Mr Kuppuswamy P T
- ii. Mr Balasubramaniam P S
- iii. Mr George V A
- iv. Mr Jagannath R
- v. Mr Parthasarathy P
- vi. Mr John Arunkumar Diaz

The Board places on record its appreciation for the valuable contribution made by aforesaid Directors as Members of the Board and the Committees that they served on.

14.2 Dr Parthasarathi Shome and Prof Balakrishnan N were appointed as Additional Directors w.e.f September 21, 2016 and Ms Tabassum Inamdar was appointed as Additional Director w.e.f October 20, 2016. Dr Shome resigned from the Board of the Company w.e.f the close of office hours on April 21, 2017 due to extensive commitments abroad.

14.3 Mr Nagarajan Srinivasan was appointed as Additional Director w.e.f May 4, 2017.

14.4 Appropriate resolutions recommending appointment of the below mentioned Directors as Independent Directors of the Bank for a period of five years are being placed for approval of shareholders at the ensuing Annual General Meeting (AGM):

- (i) Mr Arun Ramanathan, Part-time Chairman
- (ii) Mr Arun Kumar Verma
- (iii) Mr Srinivasan N
- (iv) Mr Sridhar Ganesh
- (v) Dr Ramakrishnan K
- (vi) Prof Balakrishnan N
- (vii) Ms Tabassum Inamdar

14.5 Appropriate resolution recommending appointment of Mr Nagarajan Srinivasan as Non-Executive Director, liable to retire by rotation, is being placed for approval of shareholders at the ensuing AGM.

14.6 Mr Vasudevan P N, MD & CEO retires by rotation this year, and being eligible, offers himself for re-appointment. The Directors recommend his re-appointment and appropriate resolution for his re-appointment is being placed for approval of the shareholders at the ensuing Annual General Meeting.

15. Declaration from Independent Directors

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

16. Evaluation of Board Performance

The performance of the Chairman, the Board, Audit Committee of the Board (ACB), Remuneration & Nomination Committee (RNC), Corporate Social Responsibility Committee (CSR) and the individual Directors were evaluated on the basis of criteria as approved by the Board. All the Directors were provided the criteria for evaluation which was duly filled and sent. The feedback from the Directors was collated and shared in confidence with the Chairman of the RNC.

The Chairman of the RNC discussed the same at length with other Members of the Committee. Areas of improvement in the functioning of the Board and Committees were identified. Later in the Board Meeting, the Chairman of the RNC shared the evaluation with the Chairman of the Board and other Directors.

17. Key Managerial Personnel (KMP)

The KMPs of the Bank as at March 31, 2017 are as follows:

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

18. Overall Remuneration:

Details of all elements of remuneration of all the Directors are given in the Corporate Governance Report. The Non-Executive Directors of the Bank are not entitled to stock options.

Details of remuneration as required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

(i) Ratio of Remuneration of Each Director with Median Employees Remuneration.	The ratio of remuneration of each Director to median employee remuneration is as below:	
	Chairman	6.09 : 1
	Chairman, Audit Committee	3.91 : 1
	MD & CEO	17.00: 1
	Prof Balakrishnan N & Dr Parthasarathi Shome	1.61 : 1
	Ms Lalitha Lakshmanan	
	Mr Vinod Kumar Sharma	3.06 : 1
	Dr Ramakrishnan K	1.75 : 1
	Mr Sridhar Ganesh	1.94 : 1
	Ms Tabassum Inamdar	1.37 : 1

(ii) the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	There was 20% increase in remuneration of Directors during FY 2016-17 as compared to FY 2015-16. All the Key Managerial Personnel viz., MD & CEO, CFO and Company Secretary have been appointed during the FY 2016-17 and hence comparison of percentage increase is not feasible.
(iii) the percentage increase in the median remuneration of employees in the financial year;	8%
(iv) the number of permanent employees on the rolls of the Company as on 31 st March 2017	13,320
(v) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial Remuneration.	The average percentage increase in salaries of employees other than the managerial personnel in the last financial year was 14%. All the Key Managerial Personnel viz., MD & CEO, CFO and Company Secretary have been appointed during the FY 2016-17 and hence comparison of percentage increase is not feasible.
(vi) affirmation that the remuneration is as per the remuneration policy of the Company.	The remuneration is as per the Remuneration Policy of the Bank.

Statement showing	
(i) the name of every employee, who if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than One crore and Two lakh rupees;	Mr Murthy V S
(ii) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;	Nil
(iii) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director or Whole-Time Director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Company.	Nil

Details of employee who was in receipt of remuneration not less than one crore and two lakh rupees during the Financial Year 2016-17	
(i) designation of the employee;	President – Emerging Enterprise and SME Banking
(ii) remuneration received;	₹2,17,31,949/-
(iii) nature of employment, whether contractual or otherwise;	Permanent
(iv) qualification;	B.Com., MBA
(v) experience (in number of years)	About 25 years
(v) date of commencement of employment;	November 10, 2010
(vi) the age of such employee;	51

(vii) the last employment held by such employee before joining the Company;	Dhandapani Finance Limited
(viii) the percentage of equity shares held by the employee in the Company within the meaning of clause (iii) of sub-rule (2) above; and	Nil
(ix) whether any such employee is a relative of any Director or manager of the Company and if so, name of such Director or manager:	No

19. Directors' Responsibility Statement

Pursuant to Section 134(3) of the Companies Act, 2013, the Board of Directors hereby declare and confirm to the best of their knowledge and belief that:

- i) in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures,
- ii) such accounting policies as specified in Schedule 17 to the Financial Statements have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2017 and of the profit of the Bank for the year ended on that date,
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities,
- iv) annual accounts have been prepared on a going concern basis,
- v) internal financial controls to be followed by the Bank were in place and that the same were adequate and were operating effectively, and
- vi) proper system to ensure compliance with the provisions of all applicable laws was in place and the same were adequate and operating effectively.

20. Ratings of Debt Instruments

Instrument	Rating	Rating Agency	Amount (₹ in crore)
Long Term Borrowings	CRISIL A/ Stable, CARE A+ IND A+ Stable	CRISIL Limited Credit Analysis & Research Limited India Ratings & Research P Limited	4,130.00
Non-Convertible Debentures/ Subordinated Debt	CRISIL A+ Stable/ CARE A+ IND A+ Stable	CRISIL Limited Credit Analysis & Research Limited India Ratings & Research P Limited	2,672.00
Certificate of Deposit	CRISIL A+	CRISIL Limited	1,000.00
Commercial Paper	CRISIL A1+/ IND A+	CRISIL Limited India Ratings & Research P Limited	625.00

21. Auditors

M/s Deloitte Haskins & Sells (DHS), Chartered Accountants, were appointed as Auditors of EFL for a period of 2 years till the conclusion of the 24th Annual General Meeting to be held in the year 2017. As per extant RBI Regulations, the Bank required approval of RBI for appointment of Auditors of the Bank. The RBI approved the appointment of M/s S R Batliboi & Associates LLP (SRB), Chartered Accountants as Auditors of the Bank for the Financial Year 2016-17.

Consequently, DHS tendered their resignation vide letter dated November 17, 2016 and SRB were appointed as Statutory Auditors of the Bank for the Financial Year 2016-17 to hold office till the conclusion of Annual General Meeting to be held in the year 2017.

SRB retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The Bank has received a letter from SRB stating that they satisfy the criteria provided in Section 141 of the Companies Act, 2013 and the reappointment, if approved, will be in accordance with the conditions prescribed under the Companies (Audit and Auditors) Rules, 2014 and the extant RBI Directions in this regard. Hence, subject to annual approval of RBI and approval of shareholders, the Directors recommend reappointment of M/s S R Batliboi & Associates LLP, Chartered Accountants, as Auditors of the Bank for a period of three years (Financial Years 2017-18, 2018-19 and 2019-20) to hold office till the conclusion of the Annual General Meeting to be held in the year 2020.

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

There have been no frauds reported directly by Auditors during the Financial Year ended March 31, 2017.

23. Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed M/s B Ravi & Associates, Practising Company Secretaries (C.P. 3318) to conduct Secretarial Audit of the Bank. The Secretarial Audit Report is given in Annexure - II to this Report.

24. Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made –

(i) Statutory Auditor's Report: There are no qualifications, reservations, adverse remarks or disclaimers in the auditor's Report.

(ii) Secretarial Auditor's Report: The Secretarial Audit Report does not contain any qualification, reservation or adverse remarks.

25. Risk Management

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

26. Internal Financial Controls

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

27. Whistle Blower Policy/ Vigil Mechanism

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

During the year under review, four complaints were received under the Whistle Blower Policy of the Bank, all of which were resolved. These are placed before the Audit Committee and the Board every quarter for review. The functioning of the Mechanism is reviewed by the Audit Committee from time to time. None of the Bank personnel have been denied access to the Audit Committee.

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

28.1 The Bank has no activity relating to conservation of energy or technology absorption.

28.2 During the year, the Bank did not have any foreign currency earnings. Foreign currency expenditure of ₹257.64 lakh (Previous year – ₹158.28 lakh) was incurred during the year.

29. Particulars of contracts or arrangements with Related Parties

Subsequent to conversion into SFB, there are no transactions required to be reported under Section 188 (1) of the Act in Form AOC-2. The details of transactions entered into prior to conversion to SFB and required to be reported under Section 188(1) of the Act are given below in Form AOC-2:

AOC - 2

(a) Name(s) of the related party and nature of relationship	Equitas Micro Finance Limited – fellow subsidiary
(b) Nature of contracts/ arrangements/ transactions	Sourcing of customers and collection service.
(c) Duration of the contracts / arrangements/ transactions	Contract renewable by mutual consent.
(d) Salient terms of the contracts or arrangements or transactions including the value, if any:	Up to 1.5% of the loan disbursement and collection. Actual payment made was 1% on Loan disbursement and 0.5% for collection [excluding Service Tax] upto August 31, 2016
(e) Date(s) of approval by the Board, if any:	30 th April 2015
(f) Amount paid as advances, if any:	Nil
(g) Date on which the special resolution was passed in the General Meeting as required under first proviso to Section 188	29 th June 2015

30. Loans / Guarantees / Investments

The Bank has not given any loans/guarantees and has not made any investment in securities as covered under Section 186 of the Companies Act, 2013.

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

The Bank has in place, a Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee has been set up for redressal of complaints. During the year 2016-17, two complaints were received under the Policy and both the complaints have been redressed.

32. The extract of Annual Return in MGT-9 as required under Section 92(3) of the Act and prescribed in Rule 12 of the Companies (Management and Administration) Rules, 2014 is appended as **Annexure - III to this Report.**

33. In accordance with Rule 8(5)(vii) of the Companies (Accounts) Rules 2014, there have been no significant and material orders passed by the Regulators or courts or tribunals impacting the going concern status and the future operations of the Bank.

Acknowledgement

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

For and on behalf of the Board of Directors

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Chennai
May 4, 2017

Note: The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in an Annexure and forms part of this report. In terms of Section 136(1) of the Companies Act, 2013, the Report and the Accounts are being sent to the Members excluding the aforesaid Annexure. The said Annexure is open for inspection at the registered office of the Bank during business hours on any working day. Any Member interested in obtaining a copy of the Annexure may write to the Company Secretary at the Registered Office of the Bank.

Corporate Social Responsibility (CSR) Report

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

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

CSR Policy of the Bank is available on our website, www.equitasbank.com. The oversight of Projects undertaken by Equitas Development Initiatives Trust (EDIT) and Equitas Dhanyakosha India (EDK), through which the Company carries on CSR activities, is done by the CSR Committee and the Board.

2. The composition of the CSR Committee as at 31st March, 2017 is as follows:

- a) Dr. Parthasarathi Shome, Independent Director**
- b) Mr. Sridhar Ganesh, Independent Director
- c) Ms. Tabassum Inamdar, Independent Director
- d) Mr. Vasudevan P N, Managing Director & CEO

**Dr Shome resigned as a Director with effect from close of office hours on April 21, 2017

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

Particulars	₹ in lakh
Profit/Loss - 2015-16	13,324.18
Profit/Loss - 2014-15	5,304.38
Profit/Loss - 2013-14	2,446.60
Average PROFIT for CSR purpose	7,025.05
2% of average Profit/Loss for last three years	140.50*

* Prescribed CSR Expenditure

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

Particulars	₹ in lakh
Amount paid during the year 2016-17	618.00
TOTAL	618.00

The entire sum contributed was productively spent.

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

(₹ in lakhs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub – heads : (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period (FY 2016-17)	Amount spent : Direct or through implementing agency*
1	Providing support to 6 Matriculation schools set up and run for students from socially and economically weaker sections of the society, by Equitas Development Initiatives Trust (EDIT)	Education	Six schools in Tamil Nadu located at Karur, Trichy, Salem, Coimbatore, Dindigul and Cuddalore	Same as Column 2	305.00	305.00	Through implementing agency – EDIT, a public charitable trust - EDIT
2	Providing support to families from low income households	Food Security, livelihood enhancement & Empowerment of women	1. 24 Stores in Chennai, Tamil Nadu 2. GEM-Grocery Entrepreneur Model-Train SHG women to set up grocery stores in rural places	Same as Column 2	313.00	313.00	Through EDK-a Sec 25, Not for profit Company
	Total				618.00	618.00	

6. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company

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

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Place: Chennai
Date: May 4, 2017

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2017

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

To

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

Dear Members,

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

Based on our verification of EQUITAS SMALL FINANCE BANK LIMITED's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by EQUITAS SMALL FINANCE BANK LIMITED ("the Company") for the financial year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 1956, the Companies Act 2013 (to the extent Sections and Schedules notified) and the rules made thereunder including Amendment, Circulars, Notifications and Removal of Difficulties Order issued by the Ministry of Corporate Affairs from time to time;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder to the extent applicable;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (was not applicable to the Company during the period under review);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') as amended:-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (was not applicable to the Company during the period under review)
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (was not applicable to the Company during the period under review)
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (was not applicable to the company during the period under review)

- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (was not applicable to the Company during the period under review)
- g) The Securities and Exchange Board of India (Buyback of Securities), Regulations, 1998 (was not applicable to the Company during the period under review)
- h) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(vi) The following Industry Specific Laws and the rules, regulations, directions, guidelines, circulars and instructions framed thereunder:

- a) Reserve Bank of India Act, 1934, The Banking Regulation Act, 1949 read with the rules, regulations, directions, guidelines and circulars issued by RBI for compliance by Small Finance Bank
- b) Master Circulars, directions, guidelines issued to NBFCs/ Small Finance Banks by the Reserve Bank of India from time to time.

We further report that based on the information received, explanations given, process explained, records maintained, statutory compliance and internal audit reports submitted to the Board on periodic basis, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable labour laws, rules, regulations and guidelines. The Company has confirmed compliance with the labour laws:

- a) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- b) The Employees' State Insurance Act, 1948
- c) Labour Welfare Fund – Location wise
- d) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- e) Shops and Establishments Act – Location wise

We further report that based on the information received, explanations given, process explained, records maintained and Internal audit reports submitted to the board, the company is regular in making statutory payments and there have been no prosecution against the company or its officers nor notices issued to them under the following Acts:

- a) Finance Act, 1994 with respect to Service Tax
- b) Income Tax Act, 1961 with respect to Tax Deducted at Source and Advance Tax
- c) Professional tax- location wise

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

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

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

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

All decisions were carried out unanimously.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company:

1. At its Board Meeting held on 16.04.2016 accorded approval for issue of 11,92,05,300 fully paid up equity shares on rights basis to M/s. Equitas Holdings Limited.
2. Has received order from Hon'ble High Court of Judicature at Madras, Chennai for amalgamation of Equitas Micro Finance Limited (EMFL) and Equitas Housing Finance Limited (EHFL) with the Company in accordance with the Scheme of Amalgamation, effective 02.09.2016. Subsequently the order of dissolution dated 02.12.2016 was issued on 22.12.2016 by Hon'ble High Court of Judicature at Madras, Chennai for dissolution of EMFL and EHFL.
3. Pursuant to merger of Equitas Micro Finance Limited and Equitas Housing Finance Limited with the Company, at the Extra Ordinary General Meeting (EGM) held on 23.08.2016, approval was accorded to sell/assign/securitise, the assets/ receivables of the company upto Rs. 4200 Crore during the period from the conclusion of the 23rd AGM till the 24th AGM however the total managed assets shall not exceed 35% of the total loan outstanding, prior to which the limits were Rs. 2000 Crore for the Financial Year 2016-17 as sanctioned at the EGM held on 27.04.2016.
4. Has received license from the Reserve Bank of India (RBI) vide licence no. MUM:119 dated 30.06.2016 to carry on Small Finance Bank business in India. The Company commenced the business of Small Finance Bank from 5th September, 2016. Further the name of the Bank was included in Second Schedule to the Reserve Bank of India Act, 1934 vide official gazette notification dated 04.02.2017.
5. Subsequent to conversion into Small Finance Bank and dissolution of EMFL and EHFL, has issued and allotted 46,37,38,063 shares of Rs. 10 each at par as a consideration for the amalgamation, vide resolution passed in the Meeting of Board of Directors on 31st January 2017.
6. At a duly convened meeting of the Board, accorded approval subject to shareholders' consent under Section 180(1)(c) to borrow money from time to time upto an aggregate sum of Rs. 12000 Crore.
7. At a duly convened meeting of the Board, limits for making loans as well as investments were fixed.

Place: Chennai
Date: 10.04.2017

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

Letter to Members

The Members,
EQUITAS SMALL FINANCE BANK LIMITED
(Formerly known as Equitas Finance Limited)
CIN: U65191TN1993PLC025280
4th Floor, Phase II, Spencer Plaza,
No.769, Mount Road, Anna Salai,
Chennai 600002.

Dear Members,

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

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

Place : Chennai
Date : 10.04.2017

Signature:
Name of Company Secretary in practice: Dr. B Ravi
FCS No.: 1810 CP No.: 3318
Managing Partner
B Ravi & Associates

EXTRACT OF ANNUAL RETURN
AS ON THE FINANCIAL YEAR ENDED 31st MARCH 2017
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies
(Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

CIN	U65191TN1993PLC025280	Registration Date	21.06.1993
Category/Sub-Category of the Company	Banking Company		
Company name	EQUITAS SMALL FINANCE BANK LIMITED		
Registered Office Address	4 th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600002		
Phone	044 4299 5000	Fax	044 4299 5050
Email	secretarial@equitas.in	Website	www.equitasbank.com
Whether listed Company Yes/No	Debenture Listed Company		
Name & Address	Karvy Computershare Private Limited		
of Registrar and Transfer Agent, if any	Karvy Selenium Tower B, Plot number 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad 500 032		
Phone	+91 40 67161604		
Email	mukharji.yenugu@karvy.com		
Contact Person	Mr Mukharji Yenugu		

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

SI No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares held	Applicable Section
1	Equitas Holdings Limited	U65100TN2007PLC064069	Holding	100	2(46)

IV. SHARE HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of shareholders	No of shares held at the year beginning				No of shares held at the year end				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. PROMOTERS									
(1) Indian									
a) Individual/ HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.	NIL	423000000	423000000	100	NIL	1005943363	1005943363	100	NIL
e) Banks / FI									
f) Any Other....									
Sub-total (A) (1):-	NIL	423000000	423000000	100	NIL	1005943363	1005943363	100	NIL
(2) Foreign	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A) (1)+(A)(2)	NIL	423000000	423000000	100	NIL	1005943363	1005943363	100	NIL
B. PUBLIC SHAREHOLDING									
Total Public Shareholding	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
C. SHARES HELD BY CUSTODIAN FOR GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	NIL	423000000	423000000	100	NIL	1005943363	1005943363	100	NIL

(ii) Shareholding of Promoters

Sl No	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Equitas Holdings Limited	42,30,00,000	100	NIL	100,59,43,363	100	NIL	NIL
	Total	42,30,00,000	100	NIL	100,59,43,363	100	NIL	NIL

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

Sl No	Date wise Increase / Decrease in Promoters Share holding during the year	Shareholding at the beginning of the year		Cumulative Shareholding during the year		Reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc)
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company	
1	01.04.2016	42,30,00,000	100%	42,30,00,000	100%	
	21.04.2016			54,22,05,300	100%	Allotment of 11,92,05,300 shares
	31.01.2017			100,59,43,363	100%	Allotment of 46,37,38,063 shares
	31.03.2017			100,59,43,363	100%	

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

Sl No	Name of Top 10 Shareholders	Date wise Increase / Decrease in Promoters shareholding during the year	Shareholding at the beginning of the year		Cumulative Shareholding during the year		Reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc)
			No. of shares	% of total shares	No. of shares	% of total shares	
1.		01.04.2016					
		31.03.2017			NIL		
2.		01.04.2016					
		31.03.2017					

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

Sl. No.	Names of shareholders who are also KMP/ Directors of the Company	Date wise Increase / Decrease in Promoters shareholding during the year	Shareholding at the beginning of the year		Cumulative Shareholding during the year		Reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc)
			No. of shares	% of total	No. of shares	% of total shares of the Company	
1.		01.04.2016					
		31.03.2017			NIL		
2.		01.04.2016					
		31.03.2017					

V. INDEBTEDNESS

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

Particulars	Secured Loans Excluding deposits	Unsecured Loans (including ICDs)	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,59,773.05	4,000.00	-	1,63,773.05
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1,328.69	3.27	-	1,331.96
Total (i+ii+iii)	1,61,101.74	4,003.27	-	1,65,105.01
Change in Indebtedness during the financial year				
Addition	3,84,245.25	3,83,270.00	1,92,128.90	9,59,644.15
Reduction	4,16,833.68	36,565.00	-	4,53,398.68
Net Change	(32,588.43)	3,46,705.00	1,92,128.90	5,06,245.47
Indebtedness at the end of the financial year				
i) Principal Amount	1,27,184.62	3,50,705.00	1,92,128.90	6,70,018.52
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	3,277.87	10,487.56	-	13,765.43
Total (i+ii+iii)	1,30,462.49	3,61,192.56	1,92,128.90	6,83,783.95

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

Remuneration to Non-Executive Directors

(In ₹)

Sl. No.	Name of Director	Fee for attending Board/ Committee Meetings	Commission	Others	Total
1	Mr. Arun Ramanathan (Chairman)	1,25,000	6,87,200	Nil	8,12,200
2	Mr. Arun Kumar Verma	2,85,000	5,15,400	Nil	8,00,400
3	Prof. Balakrishnan N	65,000	3,15,600	Nil	3,80,600
4	Ms. Lalitha Lakshmanan	5,65,000	6,00,000	Nil	11,65,000
5	Dr. Parthasarathi Shome	0	3,15,600	Nil	3,15,600
6	Dr. Ramakrishnan K	3,45,000	3,43,600	Nil	6,88,600
7	Mr. Sridhar Ganesh	1,70,000	3,43,600	Nil	5,13,600
8	Mr. Srinivasan N	1,95,000	3,43,600	Nil	5,38,600
9	Ms. Tabassum Inamdar	1,25,000	2,68,000	Nil	3,93,000
10	Mr. Vinod Kumar Sharma	3,70,000	6,00,000	Nil	9,70,000
11	Mr. Kuppuswamy P T**	1,15,000	5,12,800	Nil	6,27,800
12	Mr. Jagannath R**	1,05,000	2,56,400	Nil	3,61,400
13	Mr. Parthasarathy P**	2,20,000	3,84,600	Nil	6,04,600
14	Mr. Balasubramaniam P S**	2,20,000	2,56,400	Nil	4,76,400
15	Mr. George V A**	1,80,000	2,56,400	Nil	4,36,400
16	Mr. Venkatesh Natarajan**	20,000	34,600	Nil	54,600
17	Mr. John Arunkumar Diaz**	40,000	2,56,400	Nil	2,96,400
	Total (B)	31,45,000	62,90,200	Nil	94,35,200

Overall Ceiling for Remuneration as per the Act	1% of Profits for Financial Year 2016-17 computed u/s 197 of the Act	1,61,44,720
Commission payable to Directors as above		62,90,200

**Relates to remuneration payable to Directors of Equitas Finance Limited(EFL) in respect of the period prior to conversion into SFB (April 1, 2016 to September 3, 2016)

Remuneration to Managing Director & other Key Managerial Personnel (in ₹)

Sl. No.	Particulars of Remuneration	MD &CEO	CFO	CS	Total
1	Gross salary (a) Salary as per provisions contained in sec.17(1) of the Income-tax Act, 1961	31,50,323	33,99,957	7,84,210	73,34,490
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	19,896	12,540	Nil	32,436
	(c) Profits in lieu of salary u/s. 17(3) of Income-tax Act, 1961	Nil	Nil	Nil	Nil
2	Stock Option	Nil	5,63,922	Nil	5,63,922
3	Sweat Equity	Nil	Nil	Nil	Nil
4	Commission - as % of profit - others, specify	Nil	Nil	Nil	Nil
5	Others, Contribution to Provident Fund	1,59,174	1,63,271	37,704	3,60,149
	Total (A)	33,29,393	41,39,690	8,21,914	82,90,997

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

Type	Section of the Companies Act	Details of the Penalty, Fees etc	Authority imposing (RD/ NCLT/ Court)	Details of Appeal made if any
Penalty				
Punishment				
Compounding				
Other Officers In Default <<Name>>		NIL		
Penalty				
Punishment				
Compounding				

For and on behalf of the Board of Directors

Chennai
May 4, 2017

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

Equitas Small Finance Bank Limited
(previously, Equitas Finance Limited/ Equitas Finance P Limited)

Remuneration of Key Managerial Personnel who ceased to be so during FY 2016-17

(In ₹)

Sl. No.	Particulars of Remuneration	CEO	CFO	CS	Total
		From 1 Apr 2016 to 3 Sep 2016			
1.	Gross salary				
	(a) Salary as per provisions contained in sec.17(1) of the Income-tax Act, 1961	32,62,669	16,95,257	4,81,185	54,39,111
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	19,493	9,180	Nil	28,673
	(c) Profits in lieu of salary u/s. 17(3) of Income-tax Act, 1961	Nil	Nil	Nil	Nil
2	Stock Option*	1,54,39,506	5,63,922	2,13,273	1,62,16,701
3	Sweat Equity	Nil	Nil	Nil	Nil
4	Commission - as % of profit - others, specify	Nil	Nil	Nil	Nil
5	Others	Nil	Nil	Nil	Nil
	Total (A)	1,87,21,668	20,82,569	6,94,458	2,14,98,695

*represents tax value of perquisites in respect of stock options of holding company exercised during the period

For and on behalf of the Board of Directors

Chennai
May 4, 2017

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

MANAGEMENT DISCUSSION & ANALYSIS [MD & A]

BANKING TRANSITION

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

Prior to commencement of operations as an SFB, Equitas Finance Limited (EFL), a wholly owned subsidiary of Equitas Holdings Limited [EHL], operated as an NBFC. In order to comply with conditions prescribed in the in-principle approval received from RBI to set-up the SFB, the other two wholly owned subsidiaries of EHL, viz., Equitas Micro Finance Limited [EMFL] and Equitas Housing Finance Limited [EHFL] merged into EFL to form the Bank. The name of EFL was changed to Equitas Small Finance Bank Limited vide a fresh Certificate of Incorporation dated September 2, 2016. ESFB was the first among the NBFC licences to commence operations as an SFB. This was achieved within 12 months of the receipt of the 'in principle' approval of RBI.

The financials of ESFB for FY 2016-17 represents the NBFC operations of EFL from April 1, 2016 to September 1, 2016 and of the SFB operations from September 2, 2016 to March 31, 2017. The Reserves and surplus of EMFL and EHFL, which included the net profits as on September 1, 2016, were taken into the Reserves of ESFB, in accordance with the Scheme of Merger.

In view of the change in nature of operations of the entity during the year and the Merger mentioned above, the MD&A does not discuss about prior year comparative numbers.

BUSINESS ENVIRONMENT

Indian Economy overview FY 2016-17

Growth

India's GDP growth decelerated from 7.6% in FY 2015-16 to 7.1% in FY 2016-17 due to lacklustre private investment and household consumption and also perhaps the impact of demonetisation. Contribution from agriculture increased while growth in industrial and mining sectors decelerated. Government consumption was the major source of growth through increased spending on infrastructure.

Inflation

Retail inflation dropped from 4.8% in March 2016 to 3.8% in March 2017. The drop in inflation was mainly led by the fall in food prices due to bumper agriculture production. Wholesale inflation, however, rebounded to 3.7% in FY 2016-17. This was mainly driven by fuel and power inflation.

Monetary Policy

Continuing its accommodative stance on the monetary policy, the Reserve Bank of India delivered a total 50bps cut in FY 2016-17 in its benchmark repo rate, bringing it down to a six-year low of 6.25%. Monetary transmission also picked up pace after demonetisation as many large banks cut their lending rates by up to 80 bps, lowering the cost of borrowings.

Demonetisation and ensuing process of remonetisation

Government decided to ban the high value currency notes of ₹ 1,000 and ₹ 500 on November 8, 2016. Non-availability of cash created disruption in economic activity in the months of November and December 2016, particularly in the unorganised sector. Highly cash dependent sectors of the economy – land, real estate, construction, luxury items, gold etc. witnessed sharp falls in demand. However, many organised segments of the economy were close to normalcy by March 2017.

Passage of GST Bills

FY 2016-17 has been a historical year from a proposed GST roll-out perspective. Lok Sabha passed four Bills required to implement the Goods and Services Tax in FY 2017-18.

Banking Sector overview FY 2016-17

At the system level, deposit accretion outpaced credit growth for FY 2016-17 growing by about 13%, compared to credit growth of about 4.5% resulting in a fall in credit-deposit [C/D] ratio to around 70%. The demonetisation of higher denomination currencies in the month of November 2016 led to deposit growth spiking to 16% YoY for November 2016, compared to 10% in October 2016. A majority of these deposits came in the form of Current account and Savings account [CASA] deposits, resulting in higher CASA ratio for most banks. While this was initially seen as temporary, most banks have seen a structural improvement in their CASA ratio in FY 2016-17, despite substantial CASA outflows from the banking system during the March quarter.

With the emergence of Small Finance Banks, the landscape is set to get more competitive and granular with a focus on grass root banking and delivering banking to the hinterlands of the country.

Asset quality

FY 2016-17 was marked by continuing stress in asset quality with banks normally lending to large corporates also reporting a substantial spike in NPAs. At a systemic level, GNPA's increased from 7.8% in FY 2015-16 to 9.1% by H1 FY 2016-17 while stressed assets [GNPA's + restructured assets] increased from 11.5% in FY 2015-16 to 12.3% by H1 FY 2016-17.

Treasury Operations and margins

The 10 year GOI benchmark yield softened during the year from a high of 7.52% to 6.67% in the first half of the year as GOI securities saw good buying interest from banks. Demonetisation and resultant deposit inflows into the banks resulted in surplus liquidity exacerbated by weak credit demand. The benchmark yields hovered around the 6.40% levels until the RBI in its monetary policy review in February 2017 changed its stance to 'neutral' from 'accommodative' resulting in benchmark yields spiking to 6.94%. The yields settled at 6.68% as at the end of the financial year.

Small Finance Bank [SFB] – an Overview

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

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

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

STRATEGY AS A BANK

The strategy of the Bank on the asset side is to stay focussed on the low and moderate income segment of the population and roll out products relevant to their needs. On the deposit side, the strategy is to focus not only on the existing borrower segments, but also on the mass and the mass affluent segment of the population and offer them a strong product offering based on digital services as well as customised product features.

Asset side - Business Divisions

The asset side of the Bank is led by the following Divisions, which are based on the similarity of the customer profile being served as well as the channels which are used for reaching out to them:

Business Divisions	Product offerings
Agri, Micro Enterprise & Inclusive Banking	Micro Finance, Micro Loan against Property and Agricultural loans
Emerging Enterprise Banking	Commercial vehicle finance, including used vehicles
MSE Banking	Loans to Micro and Small Enterprises
Home Loans	Affordable home financing
Business Banking	Business and working capital loans to Medium Enterprises
Outreach Banking	Business Correspondent Channel
Corporate Banking	Banking solutions to emerging corporates

Agri, Micro Enterprise and Inclusive Banking

Micro Finance [MF] and Micro Loan against Property [M-LAP] are products which have been on offer for the last 10 and 5 years respectively while Agriculture loan has been introduced recently. The Micro Finance loan ranges from ₹ 15,000 – 30,000 while M-LAP is between ₹ 50,000 to 5 lakh. Agri loans are based on the size of the land holding of the farmers and starts from ₹50,000 for farmers owning 1 acre of land.

Emerging Enterprise Banking

Emerging Enterprise Banking deals with helping people who have been drivers of commercial vehicles to turn owners by providing them with the capital required to buy their first used commercial vehicle. While this product has been on offer for the past 6 years, the product range has been recently expanded to include funding for new LCVs [Light Commercial Vehicles] as well as funding small to medium size fleet operators for their working capital purposes

MSE Banking

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

Home Loans

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

Business Banking

This Division focuses on providing secured and unsecured working capital and term loans to medium enterprises. The typical turnover of such medium enterprises range from ₹10 – 50 crore. The average loan sizes range normally between ₹10 – 100 lakh.

Outreach Banking

The Bank intends to supplement the reach of its own branches through Business Correspondents [BCs]. Since the Bank has developed sufficient expertise in dealing with a large number of small value transactions over the years, it intends to leverage this by appointing BCs to the Bank to act as Customer Service Points [CSPs] in their respective local community. The BCs would offer both the asset and liability products of the Bank.

Corporate Banking

The recently launched Corporate Banking business aims to leverage its deep understanding of a multi-product NBFC operations to provide innovative banking solutions to mid-sized corporates and collaborate with new age companies to leverage the banking technology platform.

Liability side

The Bank has the benefit of a large number of existing client relationship on the loan side. The Bank has also set up a strong sales team for liability sourcing. These teams are actively involved in running multiple campaigns in catchment areas, promoting the products and services offered by the Bank to prospective clients. The Bank plans to address the mass and the mass affluent segment of the population for mobilising deposits and liability accounts. Digital banking services and key product differentiation would be the key USPs to drive the Bank's thrust on the Liability acquisition.

Over a period of time, the positioning of the Bank in the industry is expected to be one where it minimises costs by being highly digitised in its way of offering products and services to depositors and in supporting the financial needs of tiny and small entrepreneurs.

OPERATING PERFORMANCE FOR FY 2016-17

Due to reasons mentioned earlier, comparative numbers have not been provided. The entity's operating performance is summarised in the table below.

(₹ Crore)

Particulars	1 April to 1 September 2016 [erstwhile, EFL *]	2 Sep 2016 to 31 March 2017 [ESFBL]	ESFBL FY 2016-17
Net Interest Income	123.1	410.8	533.9
Non-interest income	55.3	178.0	233.3
Operative revenue	178.4	588.8	767.2
Operating expenses	95.9	447.1	543.0
Operating profit	82.5	141.7	224.2
Provision and Contingencies	20.9	41.8	62.7
Profit before tax	61.6	99.9	161.5
Provision for tax	22.5	34.9	57.4
Profit after tax	39.1	65.0	104.1

* EFL up to September 1, 2016 operated as an NBFC engaged in UCV Finance and Loan against Property [LAP] businesses. For FY 2016-17, the operations as an NBFC for 5 months and SFB for the remaining 7 months delivered a PAT of ₹ 104.1 crore on an Operating Revenue of ₹767.2 crore.

Some of the key factors that influenced the financial performance for the year are given below. These relate mainly to transition into a bank and the adverse impact on our MF business post demonetisation.

- High cost term loans taken as an NBFC were retired in H1FY17, which impacted in terms of pre-closure cost but were partially offset by lower borrowing cost in H2FY17
- PSLC income on trading in PSL advances was a new income source from September 2016 onwards
- Due to the setting up of the Banking operations, ESFB had to undertake the following activities, which resulted in incremental operating costs for the year: setting up of the IT & communication infrastructure, setting up of liabilities branches and related infrastructure, resourcing of the Bank branches, setting up of the Centralised Processing Centre for the banking operations, setting up of the various other corporate functions including IT, Treasury, Compliance, Risk Management, Internal Audit and Brand Building & Advertisement cost for promoting the 'fun banking' theme of the Bank etc.
- NPA recognition transitioned from the 5 months recognition up to March 2016 to 90 days Bank norms resulting in additional NPA provision
- Additional Standard Assets provision on the Micro Finance portfolio beyond the RBI norms of 0.25% was written back to P&L. This was partly used towards the creation of Floating Provision in books
- The Micro Finance business, predominantly cash oriented, was impacted post demonetisation. The delinquencies were significantly high in specific branches in certain States. The Bank reviewed the MF portfolio as at March 31, 2017 and identified certain impaired portfolio and prudently made appropriate provisions, even though these were not technically NPAs as per RBIs Guidelines.

OPERATING PERFORMANCE OF KEY BUSINESS DIVISIONS FOR FY 2016-17

Deposits

As of March 31, 2017, Bank has mobilised CASA deposits of ₹ 332 crore – Current Account balance of ₹ 65 crore and Savings balance of ₹ 267 crore, while Demand & Term Deposits was ₹ 1,589 crore, representing a total deposit base of ₹ 1,921 crore.

The deposits as a percentage of total borrowings stood at 28.67% while CASA as a percentage of the borrowings was 4.95%.

The Bank has also started offering cross-sell Third Party Products of Insurance and Mutual Funds. On Mutual Funds, the Bank has become an agent for about 20 Mutual Fund houses in the country. With the offering of these products on a Pan India basis, the Bank expects fee income to grow from FY 2017-18 onwards.

Advances

On an overall basis, despite the challenges of the economic environment, the Advances portfolio of Equitas grew to ₹5,701.83 crore as of March '17. The GNPA as at March '17 stood at 3.56% and NNPA at 1.84%. During the year, the Bank transitioned to the RBI norms for NPA recognition applicable to Banks. Further, post demonetisation, the prudential recognition of impairment on the MF portfolio above regulatory stipulations also increased the NPA.

Our performance on the various Asset products is summarised below.

Agri, Micro Enterprise and Inclusive Banking

Micro Finance [MF] Advances as at March 31, 2017 stood at ₹ 3,293 crore, with demonetisation affecting disbursements during months of November & December 2016. As a prudent measure, the disbursement of loans post demonetisation was moved entirely to the bank mode against the earlier 70% cash disbursement.

Agri loans have commenced post commencement of banking business. With the branch network currently in place and further to be expanded by Q2FY18, this portfolio is likely to grow consistently

Loans to Micro Enterprises [M-LAP] as at March 31, 2017 stood at ₹ 1,290 crore. This is a fast growing segment over the last few years. During the year, the portfolio grew by 53.9%, despite the disbursal volumes getting impacted during the demonetisation period. Despite the product being marketed to higher end Micro Finance customers, this segment did not face problems.

Emerging Enterprise Banking

The Bank's UCV finance focusses on first time buyers of vehicles with no prior formal financing experience. Launched in 2011 as part of EFL, the portfolio has steadily grown over the years and is present in 175 locations across the country with over 76,000 customers.

UCV finance maintained its healthy growth trend during FY 2016-17 with the Advances at ₹ 1,928 crore as at March 31, 2017, a growth of 27.7% over the previous year, despite a slowdown in the demonetisation period.

The Bank has recently forayed into financing fleet owners and providing finance for working capital. This is expected to give the business a strong foothold in the segment and help its robust growth.

MSE Banking

MSE Banking targets funding to Small and Medium Enterprises through secured lending. These advances stood at ₹ 269 crore as at March 31, 2017 and witnessed nominal growth. This product will receive adequate focused attention.

Home Loans

Home Loans maintained nominal growth during FY 2016-17, with outstanding advances of ₹265 crore as at March 31, 2017. ESFB home loan growth rate remains below industry levels. During the year, the bank has revamped its offerings to better suit customer needs and market potential, given the Government's push on affordable housing.

We aim to gain traction in this business with liability branches becoming a good source for originating home loans.

Business Banking

This was launched after commencing banking operations. This has seen good initial traction with the loans outstanding at ₹ 63 crore as at March 31, 2017. This is planned to be launched across about 70 locations through the year 2017-18.

Other Functions – brief overview

Information Technology [IT]

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

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

Treasury Operations

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

Treasury activities commenced about a month before EFL got converted into a Bank. The Bank managed the transition by raising adequate funds at optimal cost. These funds were partly utilised to retire high cost term loans as well as to meet statutory investment requirements.

The Treasury also made use of instruments like Inter Bank Participatory Certificates [IBPC] to reduce funding costs and Priority Sector Lending Certificates [PSLC] to earn fee income during the year.

Risk Management

The Bank manages Risk under an Enterprise-wide Risk Management [ERM] framework that aligns risk and capital management to business strategy, protects its financial strength, reputation and ensures support to business activities for adding value to customers while creating sustainable shareholder value. The Risk Unit works closely with the business teams within each Division, maintaining its independence. The independent Risk function is headed by the Bank's Head Risk who reports directly to the MD and CEO of the Bank. It provides an independent and integrated assessment of risks across various business lines. The Board of Directors is assisted by various Board level and Management Committees to track credit, operational and market risks like liquidity and interest rate risks.

Capital Adequacy

The Bank aims to maintain a strong capital base to support the risks inherent in its business. To this end, it ensures adequate capitalisation to meet short term and long term business plans, and capital buffers to absorb unforeseen stresses

In accordance with RBI guidelines for SFBs dated October 6, 2016 vide Circular No.: DBR.NBD. No.26/16.13.218/2016-17, the Bank has adopted the standardised approach for credit risk. Operating guidelines on Market Risks and Operational Risks for SFBs are awaited.

Compliance

The Bank is committed to adhere to the highest standards of compliance with respect to regulatory matters as well as its internal norms & guidelines. This aspect is dealt through the Compliance function, which disseminates regulatory changes to the internal stakeholders on an ongoing basis. It also advises the internal stakeholders to ensure that policies design complies with regulatory requirements. The Audit Committee of the Board reviews compliance across functions.

Internal Audit

The Bank's Internal Audit function provides independent assurance to the Board of Directors on an ongoing basis on the quality and effectiveness of its internal controls, risk management, governance systems and processes. To ensure independence, Internal Audit functionally reports to the Audit Committee of the Board and for administrative purposes to the MD and CEO of the Bank. The Audit Committee of the Board reviews on a half yearly basis, the performance of the Department, the effectiveness of controls laid down by the Bank and compliance with regulatory guidelines.

Human Resources

The employee strength of the Bank as of March '17 increased by over 50% from March '16 levels.

During FY 2016-17, the Bank's key focus was on hiring the right talent for the Consumer Banking, on people development and aligning itself to banking industry HR norms. With the installation of a new HR System, many of the HR processes have been completely digitised improving efficiency and eliminating paper work normally associated with such activities.

Corporate Social Responsibility

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

As per the CSR Policy, the Bank can contribute up to 5% of its net profits every year to EDIT & EDK to carry out CSR initiatives identified by the Bank.

The CSR activities are undertaken by way of i) educational initiatives through seven schools in Tamil Nadu, ii) skill development of women through training in tailoring & embroidery, doll making, artificial jewellery making, candle making etc., iii) pavement dwellers rehabilitation programs [Equitas Birds Nest], iv) placement coordination for unemployed youth of low income communities networking with recruiters and employers, v) health care services by connecting with hospitals, vi) empowering women by training and helping them set up grocery shops in rural areas. The summary of the various CSR activities covered through the funding by the Group for FY 2016-17 as well as cumulative from inception of the Holding Company is summarised in the following table:

Nature of activity	FY 2016-17	Cumulative
No. of eye-camp participants [A]	2,99,941	18,25,541
No. of spectacles [free of cost]	8,852	91,502
No. of cataract operations [free of cost]	1,842	27,950
Other Medical camps [B]	5,37,306	27,56,815
Total [Eye camps + Medical Camps] [A]+[B]	8,37,247	45,82,356
Participants in skill training programs	39,406	4,48,895
Health Helpline	2,103	22,801
Placement for Unemployed children	32,090	91,719
SwasthMahila Health Education	36,363	1,04,245
Equitas Birds Nest	482	1,193

Outlook and challenges

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

Cautionary Statement

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

For and on behalf of the Board of Directors

Chennai
May 4, 2017

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PHILOSOPHY

The philosophy of Equitas on Corporate Governance envisages adherence to the highest levels of transparency, accountability and fairness, in all areas of its operations and in all interactions with its stakeholders. The Bank deals with borrowers who are mostly from the economically weaker sections of the society with poor linkages to mainstream financial markets. The Bank's policies and processes have been fine-tuned to ensure utmost clarity while dealing with semi-literate and poor clients. Adherence to the law, both in letter and in spirit, is the foundation on which the Bank's ethical standards are built.

AMALGAMATION AND CHANGE OF NAME

During the year FY 2016-17, to meet the conditions of RBI while granting In-Principle approval to the Holding Company to set up a Small Finance Bank ("SFB"), the Scheme of Amalgamation of Equitas Micro Finance Limited ("EMFL") and Equitas Housing Finance Limited ("EHFL") with Equitas Finance Limited ("EFL"), was filed and approved by the Hon'ble High Court of Judicature at Madras, Chennai vide Order dated June 6, 2016.

On fulfilling all the conditions stipulated for issue of banking licence, RBI issued final licence (No. MUM:119) to commence SFB Business in the name of Equitas Small Finance Bank Limited ("Bank") on June 30, 2016. The Bank commenced operations of SFB with effect from September 5, 2016.

BOARD OF DIRECTORS

Board Composition

As on March 31, 2017, the Board comprised of eleven (11) Directors out of which 10 are Independent Directors. Subsequent to conversion into SFB, the Board of the Bank met five times on September 4, 2016, September 21, 2016, October 20, 2016, November 19, 2016 and January 31, 2017. The gap between any two Meetings has been less than 120 days. The names and categories of Directors, the number of Directorships, their attendance at Board Meetings as well as their shareholding as on March 31, 2017 are given below:

Meetings & Attendance for FY 2016-17:

Name	No of Board Meetings during the year 2016-17		Attendance at the Last AGM	Other Directorships (&)
	Held	Attended		
Mr. Arun Ramanathan (Chairman)*	5	5	Not Applicable	3
Mr. Arun Kumar Verma*	5	5	Not Applicable	-
Prof. Balakrishnan N**	3	2	Not Applicable	2
Ms. Lalitha Lakshmanan	5	5	Yes	1
Dr. Parthasarathi Shome**	3	0	Not Applicable	2
Dr. Ramakrishnan K*	5	5	Not Applicable	-
Mr. Sridhar Ganesh*	5	3	Not Applicable	2
Mr. Srinivasan N*	5	4	Not Applicable	3
Ms. Tabassum Inamdar#	3	2	Not Applicable	-
Mr. Vinod Kumar Sharma	5	3	No	3
Mr. Vasudevan P N, Managing Director & Chief Executive Officer (MD & CEO)§	5	4	Yes	-

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

** Appointed in the first Board Meeting of the Bank held on September 4, 2016*

*** Appointed as Additional Directors in the Board Meeting held on September 21, 2016; Dr Parthasarathi Shome subsequently resigned as a Director with effect from close of office hours on April 21, 2017*

Appointed as Additional Director in the Board Meeting held on October 20, 2016

§ Appointed as Managing Director for a period of five years, with effect from July 23, 2016. The tenure was later reduced to three years in accordance with approval received from RBI.

Prior to conversion to SFB, the Board of Equitas Finance Limited met five times on April 16, 2016, May 4, 2016, July 20, 2016, July 25, 2016 and August 22, 2016.

INFORMATION SUPPLIED TO THE BOARD

In advance of each Meeting, the Board is presented with relevant information on various matters related to the working of the Bank, especially those that require deliberation at the highest level. Presentations are also made to the Board by different functional heads on important matters from time to time. Directors have separate and independent access to officers of the Bank. In addition to items which are required to be placed before the Board for its noting and/or approval, information is provided on various significant items. The Bank diligently ensures that the information furnished by Management to the Board of the Bank is comprehensive and of a very high order.

TRAINING OF BOARD MEMBERS

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

SEPARATE MEETING OF THE INDEPENDENT DIRECTORS

During the calendar year 2017, in line with the requirements under Companies Act, 2013("the Act"), the Independent Directors of the Bank had a separate meeting on May 4, 2017 without the presence of the Management team and the Non-Independent Directors and reviewed the performance of Chairperson, non-Independent Directors and the Board as a whole and also assessed the quality, quantity and timeliness of flow of information between the management and the Board.

COMMITTEES OF THE BOARD

As at March 31, 2017, the Bank has Eleven (11) Committees of the Board, constituted in accordance with the provisions of the Act and RBI Guidelines and Directions issued to banks from time to time viz.,

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

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

The Bank also has ten (10) executive Committees with senior management executives as its Members.

1. Asset Liability Committee (ALCO);
2. Investment Committee;
3. Management Committee on Customer Service;
4. IT Steering Committee;
5. Risk Management Committee;
6. Capital Management Committee;
7. Compliance Committee;
8. Credit Committee
9. Product Approval and Change Management and
10. Management Committee for Prevention of Sexual Harassment

AUDIT COMMITTEE OF THE BOARD

Composition

The Audit Committee of the Board, which was constituted on September 4, 2016, was re-constituted on October 20, 2016 and comprised of five (5) Independent Directors as on March 31, 2017:

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

The Board of the Bank has also adopted an Audit Committee Charter in its Meeting held on October 20, 2016.

Meetings & Attendance

The Committee held five(5) Meetings during the year on September 21, 2016, October 20, 2016, November 19, 2016, January 12, 2017 and January 30, 2017:

Name	No. of Meetings	
	Held	Attended
Mr Arun Kumar Verma, Chairman	5	5
Ms Lalitha Lakshmanan	5	5
Dr Ramakrishnan K	5	5
Ms Tabassum Inamdar*	3	2
Mr Vinod Kumar Sharma	5	3

*Inducted as Member of the Committee at the Meeting of the Board held on October 20, 2016

Terms of Reference

The terms of reference of the Audit Committee include:

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

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

25) To review compliance with KYC/ AML Guidelines including periodic review of audit reports on adherence to KYC/AML guidelines at branches

26) To review penalties imposed/ penal action taken against Bank under various laws and statutes and corrective action taken

27) To review IT Governance & Infrastructure and Information Security Risk related aspects of the Bank.

28) Any other requirement in accordance with the applicable provisions of the Companies Act, RBI Regulations and SEBI Regulations as may be applicable from time to time.

The Audit Committee shall mandatorily review the following information:

- 1) Management discussion and analysis of financial condition and results of operations;
- 2) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- 3) Management letters / letters of internal control weaknesses issued by the statutory auditors;
- 4) Internal audit reports relating to internal control weaknesses;
- 5) The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

RISK MANAGEMENT COMMITTEE

Composition

The Risk Management Committee which was constituted on September 4, 2016 was re-constituted on October 20, 2016 and comprised of five (5) Independent Directors and the MD & CEO as on March 31, 2017:

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

Meetings & Attendance

The Committee held three (3) Meetings during the year on October 20, 2016, January 12, 2017 and January 30, 2017:

Name	No. of Meetings	
	Held	Attended
Dr Ramakrishnan K, Chairman	3	3
Mr Arun Kumar Verma	3	3
Prof Balakrishnan N*	2	1
Ms Lalitha Lakshmanan	3	3
Mr Vinod Kumar Sharma	3	2
Mr Vasudevan P N, MD & CEO	3	3

*Inducted as Member of the Committee at the Meeting of the Board held on October 20, 2016.

Terms of Reference

The terms of reference of the Risk Management Committee include

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

REMUNERATION & NOMINATION COMMITTEE

Composition

The Remuneration and Nomination Committee, which was constituted on September 4, 2016 was re-constituted on October 20, 2016 and January 31, 2017 respectively and comprised of five (5) Independent Directors as on March 31, 2017:

1. Mr. Sridhar Ganesh, Chairman
2. Prof. Balakrishnan N
3. Dr. Parthasarathi Shome
4. Mr. Srinivasan N
5. Mr. Vinod Kumar Sharma

Meetings & Attendance

The Committee held three (3) Meetings during the year on September 21, 2016, October 20, 2016 and January 30, 2017:

Name	No. of Meetings	
	Held	Attended
Mr. Sridhar Ganesh, Chairman	3	3
Prof. Balakrishnan N*	1	0
Dr. Parthasarathi Shome**	1	0
Mr. Srinivasan N	3	2
Mr. Vinod Kumar Sharma	3	2
Mr. Vasudevan P N, MD & CEO***	3	2

* Inducted as Member of the Committee at the Meeting of the Board held on October 20, 2016

** Inducted as Member of the Committee at the Meeting of the Board held on October 20, 2016 subsequently resigned as a Director with effect from close of office hours on April 21, 2017

***Ceased to be a Member on January 31, 2017

Terms of reference

The terms of reference of the Remuneration and Nomination Committee include

- 1) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;
- 2) To undertake a process of due diligence to determine the suitability of any person for appointment/continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
- 3) Formulation of criteria for evaluation of Independent Directors and the Board;
- 4) Devising a policy of Board diversity;
- 5) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal and succession planning for Directors.
- 6) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Bank's corporate strategy;
- 7) To assess the independence of Independent Non- Executive Directors;
- 8) To review the results of the Board performance evaluation process that relate to the composition of the Board;
- 9) Annual appraisal of the performance of the Managing Director and fixing his/her terms of remuneration.
- 10) Annual appraisal of the Senior Management team reporting to the Managing Director.
- 11) Annual Performance Review of the staff
- 12) Framing guidelines for the Employee Stock Option Scheme (ESOS) and decide on the grant of stock options to the employees and Whole Time Directors of the Bank and its subsidiaries.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Composition

The Corporate Social Responsibility Committee which was constituted on September 4, 2016 was re-constituted on October 20, 2016 and comprised of four (4) Independent Directors and the MD & CEO as on March 31, 2017:

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

Meetings & Attendance

The Committee held one (1) Meeting during the year on October 20, 2016:

Name	No. of Meetings	
	Held	Attended
Dr. Parthasarathi Shome, Chairman*	-	-
Mr. Sridhar Ganesh	1	1
Mr. Srinivasan N	1	1
Ms. Tabassum Inamdar**	-	-
Mr. Vasudevan P N, MD & CEO	1	1

*Inducted into the Committee at the Meeting of the Board held on October 20, 2016; subsequently resigned as a Director with effect from close of office hours on April 21, 2017

** Inducted into the Committee at the Meeting of the Board held on October 20, 2016

Terms of reference

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

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

CUSTOMER SERVICE COMMITTEE

Composition

The Customer Service Committee which was constituted on September 4, 2016 was re-constituted on October 20, 2016 and comprised of five (5) Independent Directors and the MD & CEO as on March 31, 2017:

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

Meetings & Attendance

The Committee held two (2) Meetings during the year on October 20, 2016 and January 30, 2017:

Name	No. of Meetings	
	Held	Attended
Ms. Lalitha Lakshmanan, Chairperson	2	2
Prof. Balakrishnan N*	1	0
Dr. Ramakrishnan K	2	2
Mr. Sridhar Ganesh	2	1
Ms. Tabassum Inamdar*	1	1
Mr. Vasudevan P N, MD & CEO	2	2

*Inducted into the Committee in the Board Meeting held on October 20, 2016

Terms of reference

The terms of reference of the Customer Service Committee include:

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

SPECIAL COMMITTEE FOR MONITORING HIGH VALUE FRAUDS

Composition

The Special Committee for Monitoring High Value Frauds which was constituted on September 4, 2016 was re-constituted on October 20, 2016 and comprised of four (4) Independent Directors and the MD & CEO as on March 31, 2017:

1. Mr. Srinivasan N, Chairman
2. Mr. Arun Kumar Verma
3. Dr. Parthasarathi Shome
4. Dr. Ramakrishnan K
5. Mr. Vasudevan P N, MD & CEO

Meetings & Attendance

The Committee held one (1) Meeting during the year on January 12, 2017:

Name	No. of Meetings	
	Held	Attended
Mr. Srinivasan N, Chairman	1	0
Mr. Arun Kumar Verma	1	1
Dr. Parthasarathi Shome*	1	0
Dr. Ramakrishnan K	1	1
Mr. Vasudevan P N, MD & CEO	1	1

*Inducted as Member of the Committee at the Meeting of the Board held on October 20, 2016; subsequently, resigned as a Director with effect from close of office hours on April 21, 2017.

Terms of reference

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

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

BUSINESS COMMITTEE

Composition

The Business Committee which was constituted on September 4, 2016 was re-constituted on October 20, 2016 and is chaired by an Independent Director and comprises of five (5) Independent Directors and the MD & CEO:

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

Meetings & Attendance

The Committee held one (1) Meeting during the year on January 16, 2017:

Name	No. of Meetings	
	Held	Attended
Mr. Srinivasan N, Chairman	1	1
Ms. Lalitha Lakshmanan	1	1
Dr. Parthasarathi Shome**	1	0
Mr. Sridhar Ganesh	1	1
Ms. Tabassum Inamdar	1	1
Mr. Vasudevan P N, MD & CEO	1	1

***Inducted as Member of the Committee at the Meeting held on October 20, 2016; subsequently, Dr Shome resigned as a Director with effect from close of office hours on April 21, 2017.*

Terms of reference

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

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

REVIEW COMMITTEE FOR IDENTIFICATION OF WILFUL DEFAULTERS

Composition

The Review Committee for Identification of Wilful Defaulters which was constituted on September 4, 2016 was re-constituted on October 20, 2016 and comprised of three (3) Independent Directors and the MD & CEO as on March 31, 2017:

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

** Inducted as Member of the Committee at the Meeting of the Board held on October 20, 2016*

Meetings & Attendance

The Committee did not hold any Meetings during the year ended March 31, 2017.

Terms of reference

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

POLICY FORMULATION COMMITTEE

Composition

The Policy Formulation Committee was constituted on September 21, 2016 and comprised of four (4) Independent Directors as on March 31, 2017:

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

Meetings & Attendance

The Committee held two (2) Meetings during the year on November 19, 2016 and January 31, 2017:

Name	No. of Meetings	
	Held	Attended
Mr. Vinod Kumar Sharma, Chairman	2	0
Ms. Lalitha Lakshmanan	2	2
Dr. Ramakrishnan K	2	2
Mr. Srinivasan N	2	2

Terms of reference

The Committee shall review the drafts of Policies requiring Board approval and make suitable recommendations to the Board.

IT STRATEGY COMMITTEE

Composition

The IT Strategy Committee which was constituted on October 20, 2016 was re-constituted on January 31, 2017 and comprised of three (3) Independent Directors and the MD & CEO as on March 31, 2017:

1. Prof Balakrishnan N, Chairman
2. Ms Lalitha Lakshmanan
3. Dr Ramakrishnan K
4. Mr. Vasudevan P N, MD & CEO*

* Inducted as Member of the Committee at the Meeting of the Board held on January 31, 2017

Meetings & Attendance

The Committee did not hold any meetings during the year ended March 31, 2017.

Terms of reference

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

CREDIT COMMITTEE

Composition

The Credit Committee was constituted on September 4, 2016 and comprised of three (3) Independent Directors and the MD & CEO as on March 31, 2017:

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

Meetings & Attendance

The Committee did not hold any Meetings during the year ended March 31, 2017.

Terms of reference

The Committee was constituted to consider and approve loans exceeding ₹5 crore (which was increased to ₹50 crore in the Meeting of Board of Directors held on May 4, 2017).

REMUNERATION OF DIRECTORS

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

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

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

The Sitting Fees paid to Directors for the year ended March 31, 2017 along with their shareholding in the Bank are as under:

Name	Sitting Fees (₹)			No. of equity shares held as on March 31, 2017
	Board	Committee	Total	
Mr. Arun Ramanathan (Chairman)	1,25,000	Nil	1,25,000	Nil
Mr. Arun Kumar Verma	1,25,000	1,60,000	2,85,000	Nil
Prof. Balakrishnan N	50,000	15,000	65,000	Nil
Ms. Lalitha Lakshmanan	2,45,000	3,20,000	5,65,000	Nil
Dr. Parthasarathi Shome	Nil	Nil	Nil	Nil
Dr. Ramakrishnan K	1,25,000	2,20,000	3,45,000	Nil
Mr. Sridhar Ganesh	75,000	95,000	1,70,000	Nil
Mr. Srinivasan N	1,00,000	95,000	1,95,000	Nil
Ms. Tabassum Inamdar	50,000	75,000	1,25,000	Nil
Mr. Vinod Kumar Sharma	1,50,000	2,20,000	3,70,000	Nil
Mr. Kuppuswamy P T**	1,00,000	15,000	1,15,000	Nil
Mr. Jagannath R**	45,000	60,000	1,05,000	Nil
Mr. Parthasarathy P**	95,000	1,25,000	2,20,000	Nil
Mr. Balasubramaniam P S**	95,000	1,25,000	2,20,000	Nil
Mr. George V A**	95,000	85,000	1,80,000	Nil
Mr. Venkatesh Natarajan**	20,000	-	20,000	Nil
Mr. John Arunkumar Diaz**	25,000	15,000	40,000	Nil
Total	15,20,000	16,25,000	31,45,000	

** Represents Sitting Fees paid to Directors of Equitas Finance Limited (EFL) in respect of Board and Committee Meetings of EFL held prior to conversion to SFB

Details of remuneration payable to the Non-Executive Directors of the Bank (including directors of amalgamated entities viz., EMFL and EHFL for the period upto September 1, 2016) for the year ended March 31, 2017 are given below. There are no performance linked incentives, service contracts, notice period or severance fees. The Non-Executive Directors are not eligible for Stock Options.

Name	EFL/ Bank (₹)	EMFL** (₹)	EHFL** (₹)	Total (₹)
Mr. Arun Ramanathan (Chairman)	6,87,200	5,06,300	NA	11,93,500
Mr. Arun Kumar Verma	5,15,400	2,53,200	NA	7,68,600
Prof Balakrishnan N	3,15,600	NA	NA	3,15,600
Ms. Lalitha Lakshmanan	6,00,000	NA	NA	6,00,000
Dr. Parthasarathi Shome	3,15,600	NA	NA	3,15,600
Dr. Ramakrishnan K	3,43,600	NA	NA	3,43,600
Mr. Sridhar Ganesh	3,43,600	NA	37,200	3,80,800
Mr. Srinivasan N	3,43,600	2,53,200	NA	5,96,800
Ms. Tabassum Inamdar	2,68,000	NA	NA	2,68,000
Mr. Vinod Kumar Sharma	6,00,000	NA	NA	6,00,000
Mr. Kuppuswamy P T##	5,12,800	NA	NA	5,12,800
Mr. Jagannath R##	2,56,400	NA	NA	2,56,400
Mr. Parthasarathy P##	3,84,600	NA	NA	3,84,600
Mr. Balasubramaniam P S##	2,56,400	NA	NA	2,56,400
Mr. George V A##	2,56,400	NA	NA	2,56,400
Mr. Venkatesh Natarajan##	34,600	NA	NA	34,600
Mr. John Arunkumar Diaz##	2,56,400	NA	NA	2,56,400
Ms. Chitra Chandramouliswaran	NA	2,53,200	NA	2,53,200
Mr. Nanda Y C	NA	2,53,200	NA	2,53,200
Mr. Sampath P B	NA	3,79,700	NA	3,79,700
Mr. Shankar V	NA	59,200	NA	59,200
Mr. Marco Boa	NA	34,500	NA	34,500
Mr. Janakiraman M	NA	83,800	NA	83,800
Mr. Ramakrishnan S	NA	2,53,200	NA	2,53,200
Mr. Rajaraman P V, Chairman	NA	NA	74,400	74,400
Ms. Meena Ganesh	NA	NA	37,200	37,200
Mr. Rajan D G	NA	NA	55,800	55,800
Mr. SarathNaru	NA	NA	37,200	37,200
Mr. Viswanatha Prasad Subbaraman	NA	NA	5,000	5,000
Mr. D K Vasal	NA	NA	37,200	37,200
Total	62,90,200	23,29,500	2,84,000	89,03,700

** Represents Remuneration payable to Directors of EMFL and EHFL based on profits of the said Companies for the period from April 1, 2016 to September 1, 2016 and provided for in the respective accounts prior to amalgamation.

Represents remuneration payable to Directors of EFL in respect of the period prior to conversion into SFB (April 1, 2016 to September 3, 2016)

REMUNERATION OF MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Details of remuneration paid to MD & CEO for the year ended March 31, 2017* are as follows:

S. No	Nature of Payment	Amount (in ₹)
1	Salary	31,50,323
2	Perquisite value of car	19,896
3	Others-Employer's contribution to Provident Fund	1,59,174
	TOTAL	33,29,393

*for the period July 23, 2016 to March 31, 2017

ANNUAL GENERAL MEETINGS

Details relating to last three Annual General Meetings:

Year	Date	Time	Location	No. of Special Resolution[s] passed
2016	June 21, 2016	04:00 PM	4 th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Two
2015	June 29, 2015	11:00 AM	4 th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Five
2014	June 17, 2014	11.30 A.M	4 th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002	Four

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

FAIR PRACTICES CODE

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

CEO/CFO CERTIFICATION

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

CODE OF CONDUCT

As per the Bank's policy on Code of Conduct for Directors and Senior Management, all Directors and Senior Management Personnel have affirmed compliance with the Code for the FY 2016-17. The Declaration to this effect signed by MD & CEO has been annexed with this Report.

REGULAR UPDATES

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

DISCLOSURES

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

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

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting: Date	:	Friday, June 23, 2017
Time	:	05.00 P.M.
Venue	:	4 th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002
Financial year	:	April 1 to March 31

Shareholding pattern as on March 31, 2017

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

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

Sl. No.	Nature of NCDs	Issue Size [₹]	Outstanding as on 31 st March 2017 [₹]	ISIN No	Scrip Code
1	12.70% - Secured	500,000,000	500,000,000	INE063P07015	949255
2	12.00% - Secured	580,000,000	386,666,860	INE063P07023	949649
3	12.50% - Secured	50,000,000	15,789,473	INE063P07064	950972
4	13.70% - Secured	100,000,000	100,000,000	INE063P07080	950976
5	12.13% - Secured	1,000,000,000	1,000,000,000	INE063P07122	951748
6	11.66% - Secured	750,000,000	750,000,000	INE063P07130	952464
7	11.66% - Secured	750,000,000	750,000,000	INE063P07148	952614
8	14.95% - Unsecured, Subordinated Debt	400,000,000	400,000,000	INE063P08013	951930
9	10.15% - Unsecured	2,000,000,000	2,000,000,000	INE063P08021	954775
10	10.15% - Unsecured	3,000,000,000	3,000,000,000	INE063P08096	954780
11	10.15% - Unsecured	2,500,000,000	2,500,000,000	INE063P08039	954784

Sl. No.	Nature of NCDs	Issue Size [₹]	Outstanding as on 31 st March 2017 [₹]	ISIN No	Scrip Code
12	10.15% - Unsecured	500,000,000	500,000,000	INE063P08047	954769
13	10.15% - Unsecured	1,500,000,000	1,500,000,000	INE063P08054	954788
14	10.15% - Unsecured	700,000,000	700,000,000	INE063P08088	954825
15	10.15% - Unsecured	1,300,000,000	1,300,000,000	INE063P08104	954802
16	10.15% - Unsecured	1,500,000,000	1,500,000,000	INE063P08062	954803
17	10.15% - Unsecured	1,000,000,000	1,000,000,000	INE063P08070	954804
18	16.00% - Unsecured, Subordinated Debt	300,000,000	300,000,000	INE186N08025	951924
19	12.50% - Secured	1,000,000,000	1,000,000,000	INE186N07084	952217
20	12.67% - Secured	600,000,000	600,000,000	INE186N07068	950723
21	14.04% - Unsecured	500,000,000	500,000,000	INE186N08017	947882
22	12.50% - Secured	750,000,000	750,000,000	INE186N07092	952266
23	12.13% Secured	750,000,000	750,000,000	INE186N07100	952700
24	13.80% - Unsecured, Subordinated Debt	300,000,000	300,000,000	INE186N08033	952815
25	14.05% - Unsecured, Subordinated Debt	1,200,000,000	1,200,000,000	INE186N08041	952812
26	13.00% - Secured	230,000,000	230,000,000	INE186N07019	947944
27	11.19% - Secured	500,000,000	500,000,000	INE247U07014	953456

The details of unlisted NCDs are as follows:

Sl. No.	Nature of NCDs	Issue Size [₹]	Outstanding as on 31 st March 2017 [₹]	ISIN No
NIL				

The details of unlisted Commercial Papers are as follows:

Sl. No.	Nature of NCDs	Issue Size [₹]	Outstanding as on 31 st March 2017 [₹]	ISIN No
1	HDFC Bank Ltd	500,000,000	500,000,000	INE063P14094
2	Reliance Nippon Life Insurance	250,000,000	250,000,000	INE063P14086
3	ICICI Prudential Savings Fund	1,000,000,000	1,000,000,000	INE063P14102
4	SBI DFHI Ltd	500,000,000	500,000,000	INE063P14110
5	HDFC Bank Ltd	650,000,000	650,000,000	INE063P14144
6	HDFC Bank Ltd	1,000,000,000	1,000,000,000	INE063P14078
7	Birla Sunlife Insurance Company Ltd	250,000,000	250,000,000	INE063P14151

Transfer Agents

:

Karvy Computershare Private Limited

Karvy Selenium Tower B, Plot No 31 & 32
Gachibowli, Financial District,
Nanakramguda, Serilingampally
Hyderabad – 500 032
Phone: +91 40 67161604

Debenture Trustees

:

<p>Ms. Anjalee Athalye IDBI Trusteeship Services Ltd Asian Building, Ground Floor, 17 R Kamani Marg, Ballard Estate, Fort, Mumbai - 400 001</p>	<p>Ms. Swati Borkar, Senior Manager, Axis Trustee Services Ltd, 2nd Floor 'E', Axis House, Bombay Dyeing Mills Compound, Pandurang Budhkar Marg, Worli, Mumbai - 400 025.</p>	<p>Ms. Deesha Trivedi Catalyst Trusteeship Limited 83-87, 8th Floor, Mittal Tower – 'B' Wing, Nariman Point, Mumbai – 400 021</p>
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Address for Correspondence

:

Company Secretary

Equitas Small Finance Bank Limited
4th Floor, Phase-II, Spencer Plaza,
No.769, Mount Road, Anna Salai,
Chennai – 600 002
Phone: +91 44 42995000; Fax: +9144 42995050
Email: secretarial@equitas.in

For and on behalf of the Board of Directors

Chennai
May 4, 2017

Vasudevan P N
MD & CEO

Arun Ramanathan
Chairman

MD &CEO / CFO Certificate

**The Board of Directors
Equitas Small Finance Bank Limited**

This is to certify that:

1. We have reviewed the Financial Statements and the Cash Flow Statement for the Financial Year ended March 31, 2017 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent or illegal or violative of Bank's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting and we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting.
4. We have indicated to the Auditors and the Audit Committee:
 - a. Significant changes in internal control over financial reporting during the year;
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.

Vasudevan P N
Managing Director &
Chief Executive Officer

Sridharan N
Chief Financial Officer

Chennai
May 4, 2017

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

This is to confirm that the Bank has adopted a Code of Conduct for the Members of its Board and its Senior Management Personnel. I confirm that the Bank has, in respect of the financial year ended March 31, 2017 received from the Members of the Board and Senior Management team of the Bank, a declaration of compliance to the Code of Conduct as applicable to them.

Chennai
May 4, 2017

Vasudevan P N
Managing Director and
Chief Executive Officer

Business Responsibility Report

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

Introduction

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

Section A: General Information about the Bank

1	Corporate Identity Number (CIN) of the Company	U65191TN1993PLC025280
2	Name of the Company	Equitas Small Finance Bank Limited
3	Registered address	4 th Floor, Phase II, Spencer Plaza No.769, Mount Road, Anna Salai, Chennai TN 600002
4	Website	www.equitasbank.com
5	Email id	secretarial@equitas.in
6	Financial year reported	2016-17
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	National Industrial Classification 2008 Section K: Financial and Insurance Activities Code:64191
8	Three key products/services of the Company (as in balance sheet)	Assets Products Micro Finance lending Used Commercial Vehicle Finance lending Micro Loan against Property Liabilities Products Demand Deposits Time Deposits Fee Based Products viz., distribution of insurance and mutual fund products, providing of locker facility, etc.
9	Number of international locations	Nil
10	Number of National locations	The Bank operates from more than 750 locations across 13 states and 2 Union Territories (including National Capital Territory) of the country.
11	Markets served by the Company – Local/State/National/International	National

Section B: Financial Details of the Company

S.No.	Particulars	Details
1.	Paid up capital (₹in lakh)	1,00,594.34
2	Total turnover (₹in lakh)	1,21,432.17
3	Total profit after taxes (₹in lakh)	10,413.40
4	Total spending on Corporate Social Responsibility (CSR) as a percentage of Profit After Tax (%)	8.80% (based on average net profits of last 3 financial years computed as per Section 198 of the Companies Act, 2013)
5	List of activities in which expenditure in 4 above has been incurred	<p>The Bank undertakes various CSR activities in accordance with its 'Policy on Corporate Social Responsibility', which includes:</p> <ul style="list-style-type: none"> i) Educational Initiatives – Running schools in 7 locations across Tamil Nadu ii) Rehabilitation of Pavement Dwellers through Equitas Birds Nest Program iii) Imparting of skill training to Joint Liability Group (JLG) women members to improve their income levels iv) Health care initiatives – Health care and medical camps, Equitas Sugam Clinics for the underprivileged. <p>Additional information on the Bank's CSR initiatives is given under MD & A Report which form part of the Annual Report.</p>

SECTION C – OTHER DETAILS

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

SECTION D: BR INFORMATION

1.Details of Director/Directors responsible for BR

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

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

(b)Details of the BR head

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

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

The following sections capture BR compliances at the Bank level.

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

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

P1 The Bank has a Code of Conduct for employees, Directors and senior management. The Bank also has a Whistle Blower Policy to ensure that the business is conducted with Ethics, Transparency and Accountability. This is in conformity with the requirements of Companies Act, 2013 and also the standards set by Reserve Bank of India.

P2 The Bank has a Fair Practices Code promoting responsible lending and guarding against over-leveraging to ensure sustainability throughout the life cycle of the loan.

P3 In line with general laws and regulations and sound ethical practices, the Bank has adopted Policy on Prevention of Sexual Harassment and Whistle Blower Policy, which endeavor to provide an environment of care, concern, nurturing and an opportunity to women employees to accomplish their professional aspirations. These Policies can be viewed online at www.equitasbank.com.

P4 The Bank adheres to the RBI guidelines on Priority Sector Lending and Financial Inclusion, which are aimed at marginalised and vulnerable stakeholders. The Bank has adopted Fair Practices Code which protects the interests of customers who are primarily from vulnerable sections of society. The Bank has also adopted Corporate Social Responsibility Policy under which the Bank seeks to engage with client communities through community development initiatives and improve their life and lifestyle on a holistic basis. This Policy can be viewed online at www.equitasbank.com.

P5 The Bank's Code of Conduct for employees and Fair Practices Code lays down acceptable employee behavior while dealing with clients on various aspects including human rights.

P6 The Bank has a Policy on Environmental and Social Safeguards framework for Micro Enterprises, integrating environmental and social safeguards into the appraisal process of loan applications for micro enterprises.

P7 While there is no specific policy outlined in respect of this principle, the Bank, through various trade bodies and associations, puts forth a number of suggestions with respect to the financial services sector.

P8 The very idea behind differentiated licensing of Small Finance Banks is to further the agenda of financial inclusion and bring about equitable development. Hence, the entire operations of the Bank are geared towards inclusive growth and equitable development. The Bank has also adopted a Corporate Social Responsibility Policy under which the Bank carries out various social initiatives to promote equitable development among client communities.

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

3. Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	The performance on aspects of BR is proposed to be reviewed by the Bank's Management Committee headed by its MD & CEO on a periodical basis i.e., at least once a year.
(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Business Responsibility Report is made part of the Annual Report from FY 2016-17 onwards.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

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

The Bank has put in place a Code of Conduct which covers all its employees. The Code articulates the ethical principles and acceptable behaviour that the Bank's employees are expected to demonstrate and also to uphold the values of the Bank. The Code covers aspects related but not limited to ethics, accountability, conflict of interest, bribery and corruption.

The Bank has also adopted Code of Conduct for Directors & Senior Management to provide a framework to the Board members and Senior Management in ensuring adoption of highest ethical standards in managing the affairs of the Bank. The Bank's commitment to ethics and accountability is emphasized upon in all interaction with the stakeholders, right from the time of association with the Bank.

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

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

	Complaints received during 2016-17	% of complaints resolved
Customer complaints	2,072	95.56%
Investor complaints	Nil	Nil

All complaints pending as on March 31, 2017 were resolved within the timelines prescribed for redressal of grievances.

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

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

The Bank believes that it has a significant role to play in furthering financial inclusion in the country to achieve inclusive growth and equitable development. Towards this end, the Small Finance Bank has begun operations in September 2016. In its earlier avatar as an NBFC, the 3 entities viz Equitas Micro Finance Limited, Equitas Finance Limited and Equitas Housing Finance Limited, were catering to those who do not have access to formal financial system by offering loan products in the form of Micro Finance, Used Commercial Vehicle Finance, Housing Finance, Loan against Property etc. As a bank, we continue to provide the same products and have also added new offerings such as Agri Loans, Gold Loans, Business Loans etc. This way, we intend to develop further on the financial inclusion agenda, which is one of the avowed objectives for which SFBs have been licensed by RBI to operate. The Bank primarily deals with financially vulnerable sections of the society and hence it is all the more important to be responsible in lending and to guard against over leveraging. The Bank carries out due diligence to ascertain the repayment capacity of the borrowers before lending.

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

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

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

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

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

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

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

The Bank consciously strives to reduce the usage of paper. Towards this end, tab-based loan processing has been successfully implemented in micro finance product. Similar initiatives are also being planned in other segments. The account holders of the Bank are encouraged to adopt paper-free banking practices like e-mail account statements, internet banking, mobile banking, e-Wallet, Electronic Toll Collection and other such initiatives.

We follow other sustainable practices to reduce our impact on the environment and promote efficient consumption of resources viz. Heating, Ventilation and Air Conditioning (HVAC) run time monitoring, installation of CFL & other low energy consuming office equipment, restricted printer and copier usage.

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

(a)If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

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

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

The business of the Bank is service oriented and not material resource intensive. The human resources and other services required for our operations are generally sourced from within the local area to the extent feasible. The financial products offered by the Bank are aimed at encouraging entrepreneurship, innovation and capacity building among the financially vulnerable sections of the society as well as to enable them to scale up their business operations.

The Bank is in the process of setting up Business Correspondents (BCs) channel of banking, which aims to empower local business owners, usually micro-businesses, to act as centers of banking. Such BCs will be provided technological infrastructure and technical training to carry out basic banking operations. Such measures will be beneficial to local businesses by increasing their business capability & network, improve their financial literacy and also providing additional and sustainable source of income. The local communities would also benefit from the presence of these BCs, who are drawn from the same community, which would help in improving financial literacy and well-being of the community at large.

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

Our operational practices are focused to continually reduce consumption of paper and progressive measures are being implemented across different processes (Refer to Principle 2: Question 2) to facilitate the same. Our digital banking and other related initiatives also strive to meet sustainability goals of waste reduction and more efficient resource utilisation.

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

1	Total Number of Employees	13,320
2	Total number of employees hired on temporary/contractual/casual basis	11
3	Number of permanent women employees	1,270
4	Number of permanent employees with disabilities	11

5	Is there an employee association that is recognized by management	The Bank engages with employees through various fora to obtain constructive feedback. Regular Audio bridges are conducted offering an opportunity for all employees to directly express their views, ideas and feedback to the top management. While there is a structured employee grievance redressal mechanism in place, employees are also encouraged to directly approach MD & CEO and Audit Committee in case of serious grievances, misgivings or unethical practices
6	Percentage of your permanent employees is members of this recognized employee association	

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

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

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

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

In respect of skill training, the Bank has institutionalized learning and development process to create right competencies across various levels and help in career progression of employees. The key focus during the year has been on development of People Managers and imparting functional and technical training to branch banking executives. The Equitas Way – PRO (Performance management, Recruitment and Onboarding) training has been imparted to managers across all divisions. A customized induction program to provide comprehensive training on functional aspects was developed for branch banking roles. An in-house lab is being set up for effective hands-on training in banking software.

The details of employees who underwent skill up-gradation training during the FY 2016-17 are as follows:

Permanent Employees	38.84%
Permanent Women Employees	35.00%
Contractual Employees	45.45%
Employees with Disabilities	Nil

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

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

The Bank engages with multiple stakeholders through formal and informal channels of communication.

The key stakeholder groups are identified as follows:

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

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

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

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

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

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

EDIT runs seven schools primarily for socially and economically weaker sections of society. EDIT has empowered around half a million women by imparting training in skills such as tailoring, embroidery, doll making, artificial jewelry making, agarbathi and candle making. EDIT also endeavors to rehabilitate pavement dwellers through Equitas Birds Nest (EBN) initiative and fulfil their dream of economic empowerment.

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

EDIT also provides access to affordable healthcare through its medical camps and Equitas Sugam Clinics.

Principle 5 Businesses should respect and promote human rights

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

The Bank is committed to upholding the dignity of every individual engaged or associated with the Bank. The Fair Practices Code as well as Employee Code of Conduct, lays down the acceptable employee behavior on various aspects including human rights. All employees with direct interface to customers including collection staff are trained to be polite and courteous to customers under all circumstances. This focus on human rights extends towards all its interactions with stakeholders with utmost importance placed on fairness and transparency.

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

Kindly refer to the response to Principle 1 – Question 2.

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

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

The Bank recognizes the need to respect, protect and make efforts to restore the environment in all its activities. Some of the initiatives taken in this regard have been outlined under Principle 2 – Question 2. The Bank also endeavors to promote sound environmental, social and governance standards (ESG). The Bank has a Policy on Environmental and Social Safeguards framework for Micro & Small Enterprises, integrating environmental and social safeguards into the appraisal process of loan applications for micro & small enterprises.

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

In respect of its operations, the Bank focuses on reducing the usage of paper to reduce the carbon footprint. Towards this end, the Bank emphasizes the use of alternate banking channels like internet banking, mobile banking, ATMs, Tab-based account opening, etc.

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

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

The Bank is aware of the potential environmental risks and has also integrated environmental and social safeguards into the loan appraisal for micro enterprises.

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

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

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

As explained above, the Bank focuses on reducing the usage of paper and provides alternate banking channels like internet banking, mobile banking, ATMs, Tab-based account opening, etc.

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

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

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

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

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

The Bank's operations do not result in any significant environmental or pollution related issues. There are no notices received by the Bank as on March 31, 2017.

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

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

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

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

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

The Bank was an active member of Micro Finance Institutions Network (MFIN) when it was operating as a Non-Banking Finance Company – Micro Finance Institution (NBFC – MFI), before transitioning into a bank. Through this and other trade & industry associations, the Bank has promoted various social and welfare initiatives like responsible lending, financial literacy, creation of a more transparent financial system, ease of credit access to the underbanked /unbanked, operational ease of providing loans to economically excluded sections of the economy, etc.

Principle 8 Businesses should support inclusive growth and equitable development

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

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

The focus of the Bank is improving the quality of life by increasing the total household asset value of those who are not effectively serviced by the financial sector by providing transparent and trustworthy access to financial and other relevant products and services through deployment of cutting edge technology. The Bank has also developed a wide range of social initiatives towards improving the quality of life of its client communities. As a Bank, it has enhanced the association with the financially excluded section of the society not only by offering credit, which is typically of a short- term nature to liabilities offerings – deposits & insurance etc. – which are more long term oriented products and having the potential to engage with the customers for mutual benefits for long periods of time.

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

The Bank undertakes CSR programmes directly as well as through implementing agencies, viz., Equitas Development Initiatives Trust, a registered public charitable trust and Equitas Dhanyakosha India, not-for-profit Company registered under Section 25 of the Companies Act, 1956. Details of CSR activities carried out by the Bank forms part of Annual Report.

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

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

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

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

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

CSR Committee of the Bank reviews the CSR operations, from time to time. The Bank closely tracks not only the number of beneficiaries but also qualitative improvement in the lives of the beneficiaries. The educational initiatives undertaken through implementing agency, EDIT creates enduring value for the beneficiaries by empowering people to rise above their existing socio-economic constraints. The Schools run by EDIT cater predominantly to people from the lower income group. The children studying in the schools develop English speaking skills apart from their academic pursuits, where they are continuing to do well. This apart, they also develop life skills and get their personality shaped which would go a long way in changing the future outlook of their life. The Equitas Birds Nest (EBN) project has enabled pavement dwellers to attain self-sustenance status and fulfil their dream of economic empowerment.

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

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

4.44% of the customer complaints are pending as at the end of the financial year 2016-17. All the pending complaints have since been resolved within the prescribed timelines.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws?

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

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

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

Nil

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

The Bank has an active customer service department which ensures continuous steps are taken to ensure customer satisfaction in all their dealings with the Bank. Periodic customer surveys are conducted to understand the requirements, business needs, financial and socio-economic situation of the customers including potential customers. We also have a rigorous customer follow-up and survey mechanism to ensure customer satisfaction.

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

Vasudevan P N **Arun Ramanathan**
MD & CEO Chairman

Chennai,
May 4, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Equitas Small Finance Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Equitas Small Finance Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31, 2017, the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment rules, 2016, in so far as they apply to the Bank and the guidelines issued by the Reserve Bank of India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes give the information required by the Banking Regulation Act, 1949 as well as the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2017, its profit, and cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.
2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated October 25, 2016, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - (c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches.
3. Further, as required by section 143 (3) of the Companies Act, 2013, we further report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss account, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
 - (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in Annexure 1 to this report;
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 and Companies (Audit and Auditors) Amendment Rules, 2017, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12 and Note.21 in Schedule 18 to the financial statements;
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 11.1 in Schedule 18 to the financial statements;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
 - iv. As per books of accounts of the Bank and represented by the management, the disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Bank.

We report that during the course of our audit we have performed relevant procedures at 15 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches, to submit any financial returns. Accordingly our audit is carried out centrally at the Head Office and Central Processing Units based on the necessary records and data required for the purposes of the audit and made available to us.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per Subramanian Suresh

Partner

Membership Number: 083673

Place of Signature: Chennai

Date: May 04, 2017

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

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

To the Members of Equitas Small Finance Bank Limited

We have audited the internal financial controls over financial reporting of Equitas Small Finance Bank Limited (the "Bank") as of March 31, 2017 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per Subramanian Suresh

Partner

Membership Number: 083673

Place of Signature: Chennai

Date: May 04, 2017

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

Balance Sheet as at March 31, 2017

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

Particulars	Schedule	As at	As at
		March 31, 2017	March 31, 2016
CAPITAL AND LIABILITIES			
Capital	1	10,059,434	4,230,000
Reserves and Surplus	2	10,059,776	2,879,189
Deposits	3	19,212,890	-
Borrowings	4	47,788,962	16,377,304
Other Liabilities and Provisions	5	5,332,969	654,454
TOTAL		92,454,031	24,140,947
ASSETS			
Cash and Balances With Reserve Bank of India	6	2,479,305	48,833
Balances With Banks and Money At Call and Short Notice	7	8,661,430	958,015
Investments	8	18,864,983	-
Advances	9	57,018,340	22,268,235
Fixed Assets	10	2,883,499	111,652
Other Assets	11	2,546,474	754,212
TOTAL		92,454,031	24,140,947
Contingent Liabilities	12		

Summary of significant accounting policies

17

Notes forming part of financial statements

18

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of Board of Directors

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

Equitas Small Finance Bank Limited

Chartered Accountants

Firm Registration No.:101049W/E300004

per **Subramanian Suresh**

Arun Ramanathan
Chairman

Vasudevan PN
Managing
and Chief Executive
Officer

Arun Kumar Verma
Director

Partner

Membership No. 083673

DIN: 00308848

DIN: 01550885

DIN: 03220124

Place: Chennai

Date: May 04, 2017

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary

Place: Chennai
Date: May 04, 2017

M.No: A27466

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

Profit and Loss Account for the year ended March 31, 2017

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

	Particulars	Schedule	Year ended	Year ended
			March 31, 2017	March 31, 2016
I	INCOME			
	Interest earned	13	9,810,534	4,081,639
	Other income	14	2,332,683	711,977
	TOTAL		12,143,217	4,793,616
II	EXPENDITURE			
	Interest expended	15	4,471,578	1,552,342
	Operating expenses	16	5,430,420	1,835,109
	Provisions and contingencies		1,199,879	554,963
	TOTAL		11,101,877	3,942,414
III	PROFIT			
	Net Profit for the year		1,041,340	851,202
	TOTAL		1,041,340	851,202
IV	APPROPRIATIONS			
	Transfer to Statutory reserves		260,335	170,300
	Transfer to Special reserve account		14,180	-
	Balance carried over to Balance Sheet		766,825	680,902
	TOTAL		1,041,340	851,202
	Summary of significant accounting policies	17		
	Notes forming part of financial statements	18		
	Earning per share (Basic) (in ₹)	18.10.4	1.30	2.01
	Earning per share (Diluted) (in ₹)	18.10.4	1.30	2.01
	Face Value per share (in ₹)		10	10

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

For and on behalf of Board of Directors

Equitas Small Finance Bank Limited

per **Subramanian Suresh**

Arun Ramanathan
Chairman

Vasudevan PN
Managing
and Chief Executive
Officer

Arun Kumar Verma
Director

Partner
Membership No. 083673

DIN: 00308848

DIN: 01550885

DIN: 03220124

Place: Chennai
Date: May 04, 2017

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary

Place: Chennai
Date: May 04, 2017

M.No: A27466

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

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

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

	Particulars	For the year ended	For the year ended
		March 31, 2017	March 31, 2016
A.	Cash Flow from Operating activities		
	Profit Before Tax	1,614,472	1,308,246
	Adjustments for:		
	Depreciation on fixed assets	317,087	47,355
	Depreciation on investments	46,588	-
	Amortiation on HTM securities	10,544	-
	Provision for standard assets	(254,941)	24,480
	Provision on managed assets	(120,204)	7,846
	Floating provision on advances	190,000	-
	Bad debts written off	337,572	338,640
	Provision for Non performing assets	736,914	64,673
	Provision for loss on seized assets	15,020	(32,835)
	Provision on overcollateral	12,939	
	Provision for doubtful assets	430	920
	Loss on sale of fixed assets	409	72
	Interest expenses on borrowings	4,109,308	1,552,342
		7,016,138	3,311,739
	Adjustments for:		
	(Increase)/Decrease in investments	(6,390,116)	-
	(Increase)/Decrease in advance	(6,263,746)	(6,103,788)
	Increase/(Decrease) in deposit	19,212,890	-
	(Increase)/Decrease in other assets	(87,072)	(330,128)
	Increase/(Decrease) in other liabilities and provision	836,064	264,085
	Direct taxes paid	(986,715)	(502,566)
	Net cash flow from operating activities (A)	13,337,443	(3,360,658)
	Cash flow from investing activities		
	Purchase of fixed assets	(2,937,772)	(84,297)
	Proceeds from sale of fixed assets	6,403	3,082
	(Increase)/Decrease in bank balances not considered as cash and cash equivalents	(1,118,335)	(5,956)
	Net cash used in investing activities (B)	(4,049,704)	(87,171)
	Cash flow from financing activities		
	Increase/(decrease) in borrowings	(5,529,842)	3,214,022
	Proceeds from issue of share capital	2,880,000	-
	Interest paid on borrowings	(2,975,699)	(1,533,448)
	Net cash from financing activities (C)	(5,625,541)	1,680,574
	Net increase in cash and cash equivalents (A)+(B)+(C)	3,662,198	(1,767,255)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017
(All amounts in '000 of ₹, unless otherwise specified)

Particulars	For the year ended	For the year ended
	March 31, 2017	March 31, 2016
Cash and Cash equivalents at beginning of the year (Refer Notes below)	942,538	2,709,793
Add: Pursuant to scheme of amalgamation(Refer 17.1(b))	5,353,354	-
Cash and Cash equivalents at end of the year (Refer Notes below)	9,958,090	942,538
Notes to cash flow statement :		
Cash and Cash equivalents include the following		
Cash and Balances With Reserve Bank of India (As per Schedule 6)	2,479,305	48,833
Balances With Banks And Money At Call And Short Notice (As per Schedule 7)	8,661,430	958,015
Balances not considered as part of cash and cash equivalents:		
Bank deposits with an original maturity of more than three months or Bank deposits under lien	(1,182,645)	(64,310)
Cash and Cash equivalents at end of the year	9,958,090	942,538

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
Firm Registration No.:101049W/E300004

For and on behalf of Board of Directors

Equitas Small Finance Bank Limited

per **Subramanian Suresh**

Partner
Membership No. 083673

Place: Chennai
Date: May 04, 2017

Arun Ramanathan
Chairman

DIN: 00308848

N Sridharan
Chief Financial Officer

Place: Chennai
Date: May 04, 2017

Vasudevan PN
Managing
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, 2017

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

SCHEDULE 1 - CAPITAL	As at	As at
	March 31, 2017	March 31, 2016
Authorised capital 1,155,000,000 (Previous Year: 750,000,000) Equity Shares of ₹ 10 each	11,550,000	7,500,000
Issued, subscribed and paid-up capital 1,005,943,363 (Previous year: 423,000,000) Equity Shares of ₹ 10 each	10,059,434	4,230,000
TOTAL	10,059,434	4,230,000

(a) The Company had issued and allotted on a Rights basis, 119,205,300 equity shares (Previous year: Nil) of ₹ 10/- each at a price of ₹ 24.16 per share on April 21, 2016 to Equitas Holdings Limited, resulting in an increase in Paid-up Share capital by ₹ 1,192,053 (Previous year: Nil).

(b) The Bank had issued 420,344,289 and 43,393,774 equity shares during the 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.

SCHEDULE 2 - RESERVES AND SURPLUS		As at	As at
		March 31, 2017	March 31, 2016
I	Statutory reserve		
	Opening Balance	278,300	108,000
	Additions on account of amalgamation (Refer Schedule 17.1(b))	622,949	-
	Add: Transfer from Profit and Loss account	260,335	170,300
	Deductions during the year	-	-
	Total - (A)	1,161,584	278,300
II	Capital reserve		
	Opening Balance	-	-
	Additions on account of amalgamation (Refer Schedule 17.1(b))	132,798	-
	Additions during the year	-	-
	Deductions during the year	-	-
	Total - (B)	132,798	-
III	Share premium account		
	Opening Balance	1,623,705	1,623,705
	Additions on account of amalgamation (Refer Schedule 17.1(b))	2,170,964	-
	Received during the year	1,687,947	-
	Deductions during the year	-	-
	Total - (C)	5,482,616	1,623,705
IV	Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961		
	Opening Balance	-	-
	Additions on account of amalgamation (Refer Schedule 17.1(b))	11,764	-
	Add: Transfer from Profit and Loss account	14,180	-
	Deductions during the year	-	-
	Total - (D)	25,944	-
V	Revenue and Other reserves		
	Opening Balance	140	140
	Additions on account of amalgamation (Refer Schedule 17.1(b))	39,186	-
	Additions during the year*	215,074	-
	Deductions during the year	-	-
	Total - (E)	254,400	140
VI	Balance in Surplus in profit and loss account		
	Opening Balance	977,044	296,142
	Additions on account of amalgamation (Refer Schedule 17.1(b)) **	1,258,565	-
	Profits for the year	766,825	680,902
	Closing balance in Surplus in profit and loss account (F)	3,002,434	977,044
	TOTAL (A)+(B)+(C)+(D)+(E)+(F)	10,059,776	2,879,189

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017
(All amounts in '000 of ₹, unless otherwise specified)

* 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 and disbursed. Consequent to the Scheme of Merger that is more fully described in Schedule 17.1(b) to the financial statements, the fee income is since 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 Revenue and Others Reserves.

** 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, netted off with the excess of net assets and reserves over consideration paid on amalgamation of EMFL amounting to ₹ 1,208,915.

SCHEDULE 3 - DEPOSITS		As at	As at
		March 31, 2017	March 31, 2016
A	I Demand deposits		
	(i) From banks	44,777	-
	(ii) From others	609,572	-
	II Savings bank deposits	2,662,590	-
	III Term deposits		
	(i) From banks	11,402,279	-
	(ii) From others	4,493,672	-
	TOTAL	19,212,890	-
B	I Deposits of branches in India	19,212,890	-
	II Deposits of branches outside India	-	-
	TOTAL	19,212,890	-

SCHEDULE 4 - BORROWINGS		As at	As at
		March 31, 2017	March 31, 2016
I	Borrowings in India		
	(i) Reserve Bank of India	-	-
	(ii) Other banks	8,396,429	8,835,809
	(iii) Other institutions and agencies	39,392,533	7,541,495
	TOTAL	47,788,962	16,377,304
II	Borrowings outside India	-	-
	TOTAL	-	-
TOTAL		47,788,962	16,377,304

Secured borrowings included in above
12,718,463
15,977,305

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		As at	As at
		March 31, 2017	March 31, 2016
I	Bills payable	8,706	-
II	Interest accrued	1,422,279	133,196
III	Others (including provisions)*	3,901,984	521,258
TOTAL		5,332,969	654,454

*Includes :-

Provision for standard assets ₹ 157,107 (Previous year: ₹ 65,012)

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

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017

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

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		As at	As at
		March 31, 2017	March 31, 2016
I	Cash in hand	666,990	48,833
II	Balances with Reserve Bank of India :		
	(a) In current accounts	1,812,315	-
	(b) In other accounts	-	-
	TOTAL	2,479,305	48,833

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		As at	As at
		March 31, 2017	March 31, 2016
I	In India		
	(i) Balances with banks :		
	(a) In current accounts	3,228,785	893,705
	(b) In other deposit accounts	1,182,645	64,310
	(ii) Money at call and short notice :		
	(a) With banks	3,500,000	-
	(b) With other institutions	750,000	-
II	Outside India		
	(i) In current accounts	-	-
	(ii) In deposit accounts	-	-
	(iii) Money at call and short notice	-	-
	TOTAL	8,661,430	958,015

SCHEDULE 8 - INVESTMENTS		As at	As at
		March 31, 2017	March 31, 2016
I	Investments in India in (Net of provision)		
	(i) Government securities	18,172,859	-
	(ii) Shares	2,000	-
	(iii) Others	690,124	-
		18,864,983	-
	Gross Investments	18,911,571	-
	Less: Depreciation	(46,588)	-
	Net Investments	18,864,983	-
II	Investments outside India	-	-
	TOTAL	18,864,983	-

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017
(All amounts in '000 of ₹, unless otherwise specified)

SCHEDULE 9 - ADVANCES (Net of provision)		As at	As at
		March 31, 2017	March 31, 2016
A	(i) Bills purchased and discounted	-	-
	(ii) Cash credits, overdrafts and loans repayable on demand	617,411	-
	(iii) Term loans	56,400,929	22,268,235
	TOTAL	57,018,340	22,268,235
B	(i) Secured by tangible assets	29,765,589	22,202,836
	(ii) Covered by bank / government guarantees	-	-
	(iii) Unsecured	27,252,751	65,399
	TOTAL	57,018,340	22,268,235
C	I Advances in India		
	(i) Priority sector	50,130,859	-
	(ii) Public sector	-	-
	(iii) Banks	-	-
	(iv) Others	6,887,481	22,268,235
	Total Advances in India	57,018,340	22,268,235
	II Advances outside India		
	(i) Due from banks	-	-
	(ii) Due from others	-	-
	(a) Bills purchased and discounted	-	-
	(b) Syndicated loans	-	-
	(c) Others	-	-
	Total Advances Outside India	-	-
	TOTAL	57,018,340	22,268,235

SCHEDULE 10 - FIXED ASSETS		As at	As at
		March 31, 2017	March 31, 2016
A	Premises (including leasehold improvements)		
	Cost		
	As at beginning of the year	16,233	12,198
	Additions on account of amalgamation (Refer Schedule 17.1(b))	52,475	-
	Additions during the year	676,480	4,035
	Deductions during the year	-	-
		745,188	16,233
	Depreciation		
	As at beginning of the year	9,021	4,823
	Additions on account of amalgamation (Refer Schedule 17.1(b))	36,667	-
	Additions during the year	37,663	4,198
	Deductions during the year	-	-
	Depreciation to date	83,351	9,021
	Net block	661,837	7,212

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017
(All amounts in '000 of ₹, unless otherwise specified)

B	Other fixed assets (including furniture and fixtures)		
	Cost		
	As at beginning of the year	225,055	147,078
	Additions on account of amalgamation (Refer Schedule 17.1(b))	460,815	-
	Additions during the year	2,113,787	82,283
	Deductions during the year	(18,639)	(4,306)
		2,781,018	225,055
	Depreciation		
	As at beginning of the year	120,615	78,610
	Additions on account of amalgamation (Refer Schedule 17.1(b))	318,578	-
	Additions during the year	279,424	43,157
	Deductions during the year	(11,827)	(1,152)
	Depreciation to date	706,790	120,615
	Net block	2,074,228	104,440
C	Capital work-in-progress	147,434	-
	TOTAL	2,883,499	111,652

SCHEDULE 11 - OTHER ASSETS		As at	As at
		March 31, 2017	March 31, 2016
I	Interest accrued	1,043,042	305,478
II	Tax paid in advance (Net of provision for tax)	29,105	23,821
III	Deferred tax asset	436,916	122,215
IV	Others	1,037,411	302,698
	TOTAL	2,546,474	754,212

SCHEDULE 12 - CONTINGENT LIABILITIES		As at	As at
		March 31, 2017	March 31, 2016
I	Claims against the bank not acknowledged as debts		
	(a) Service tax	36,395	-
	(b) Provident Fund	18,754	-
	(c) Income tax	1,372	-
	(d) Value added tax	-	53
	(e) Others	3,974	-
II	Guarantees given on behalf of constituents		
	In India	432,578	99,460
	TOTAL	493,073	99,513

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2017

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

SCHEDULE 13 - INTEREST EARNED		As at	As at
		March 31, 2017	March 31, 2016
I	Interest on advances	9,097,338	4,076,633
II	Income from investments	556,401	-
III	Interest on balance with RBI and other inter-bank funds	156,795	5,006
IV	Others	-	-
TOTAL		9,810,534	4,081,639

SCHEDULE 14 - OTHER INCOME		As at	As at
		March 31, 2017	March 31, 2016
I	Commission, exchange and brokerage	8,982	-
II	Profit / (loss) on sale of investments (net)	166,752	128
III	Miscellaneous income*	2,156,949	711,849
TOTAL		2,332,683	711,977

*Bank was not required to comply with priority sector lending targets during the year and has accordingly recognised income of ₹ 347,691 (Previous year: Nil) on sale of PSL certificates, included in Miscellaneous Income above.

SCHEDULE 15 - INTEREST EXPENDED		As at	As at
		March 31, 2017	March 31, 2016
I	Interest on deposits	362,270	-
II	Interest on RBI / inter-bank borrowings	892,684	590,815
III	Other interest	3,216,624	961,527
TOTAL		4,471,578	1,552,342

SCHEDULE 16 - OPERATING EXPENSES		As at	As at
		March 31, 2017	March 31, 2016
I	Payments to and provisions for employees	3,180,389	934,603
II	Rent, taxes and lighting	375,272	76,492
III	Printing and stationery	63,267	15,989
IV	Advertisement and publicity	40,876	5,373
V	Depreciation	317,087	47,355
VI	Directors' fees, allowances and expenses	9,998	7,110
VII	Auditors' fees and expenses	6,079	1,584
VIII	Legal and Professional Fees	86,312	50,536
IX	Postage, telegram, telephone etc.	166,579	35,672
X	Repairs and maintenance	60,750	13,779
XI	Insurance	3,658	613
XII	Write-off of advances	337,572	338,640
XIII	Commission and Brokerage	97,081	112,973
XIV	Information Technology Expenses	116,395	15,504
XV	Travel & Conveyance	279,567	112,922
XVI	Bank and Other finance charges*	127,152	38,789
XVII	Cash handling charges	24,798	2,236
XVIII	CSR contributions	61,800	24,100
XIX	Other expenditure	75,788	839
TOTAL		5,430,420	1,835,109

* Includes pre-closure and other incidental costs of ₹ 110,732 (Previous year: Nil) incurred by the Bank on foreclosure of certain term loans taken in the capacity as NBFC.

SCHEDULE 17 – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

1(a) Background

Equitas Small Finance Bank Limited (“ESFBL” or the “Bank” or the “Company”) was incorporated as V.A.P Finance Private Limited (later renamed as Equitas Finance Private Limited), in the year 1993. V.A.P. Finance Private Limited was acquired by Equitas Holdings Limited (“EHL” or the “Holding Company”) in the year 2011 and it became the wholly owned subsidiary of EHL. The name of V.A.P. Finance Private Limited was changed to Equitas Finance Private Limited on August 12, 2011. The Company operated as a Systematically Important Non Deposit Taking Non-Banking Finance Company (NBFC-ND-SI) registered with the Reserve Bank of India (“RBI”) under the category of Asset Finance Company, and commenced the business of used commercial vehicle financing in 2011. In the financial year 2013-14, the Company commenced Small and Micro Enterprises finance and Loan against property finance. The Company was converted into a public limited company in September 2015, consequent to which its name was changed to Equitas Finance Limited (“EFL”).

Equitas Micro Finance Limited (“EMFL”) and Equitas Housing Finance Limited (“EHFL”), two other wholly-owned subsidiaries of EHL, were engaged primarily in micro-finance and home-finance businesses, respectively. Further to an application made by EHL, the RBI issued Licence No. MUM: 119 dated June 30, 2016 to EHL to carry on the business of Small Finance Bank (“SFB”) in India with certain terms and conditions. Pursuant to such conditions, under a Scheme of Amalgamation approved by the Hon’ble High Court of Judicature at Madras (refer Note 1(b) below for details on the amalgamation and its accounting effects), EMFL and EHFL were amalgamated into EFL, effective September 2, 2016.

The Bank’s SFB licence is issued under section 22 of the Banking Regulation Act, 1949, and consequently the Bank and its operations are governed by the relevant provisions of that Act. The Bank continues to be a wholly-owned subsidiary of EHL, and currently is engaged in retail banking business with focus on micro-finance, vehicle finance, home finance and loan-against-property finance, and providing financing solutions for individuals and micro and small enterprises (MSEs) that are underserved by formal financing channels while providing a comprehensive banking and digital platform for all. The Bank operates in India and does not have presence in any foreign country.

1(b) Amalgamation of EMFL and EHFL with EFL

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 crores of EMFL and EHFL, and total reserves of ₹531.24 crores 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 crores 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
Sub-total	4,510.22	305.52	4,815.74
Less: Borrowings	3,475.12	219.03	3,694.15
Other Liabilities and Provisions	230.97	3.25	234.22
Net assets	804.13	83.24	887.37
Reserves	EMFL	EHFL	Total
Share premium	193.77	23.33	217.10
Statutory reserve	61.41	0.89	62.30
Special reserve	-	1.18	1.18
Revenue and other reserves	3.91	-	3.91
Surplus in Profit and Loss account	245.58	1.17	246.75
Total reserves	504.67	26.57	531.24

In accordance with the accounting treatment provided for in the Scheme,

- 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.
- 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.
- the excess/(deficit) of net assets and reserves over face value of new equity shares allotted, of (₹120.88 crores) and ₹ 13.28 crores, has been debited/credited to Surplus in Profit and Loss account and Capital reserve respectively:

As a result of the Scheme, the businesses of EMFL and EHFL (primarily being Micro Finance and Housing Finance, respectively) have been merged into, and continue to be carried on by, ESFBL.

2(a) 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, except for the change in accounting policy explained below.

2(b) Accounting for Proposed dividend

The Bank was accruing dividend proposed / declared after the balance sheet date if dividend related to period covered by the financial statements in accordance with the requirements of pre-revised Accounting Standard 4. Consequent to the amendment in Accounting Standard 4(R), dividend proposed/ declared after the balance sheet is accrued in the books of the Bank in the year in which the dividend is declared.

2(c) Comparatives

The financial statements of ESFBL for the previous year ended March 31, 2016 were prepared under the relevant requirements of Schedule III to the Companies Act, 2013, since at that time, the entity was not covered by the provisions applicable to banks. As discussed in Note 1(a), the Company was converted from a NBFC to a Bank on the effective date of merger, i.e., September 2, 2016 and upon receipt of banking license from RBI, the Bank commenced operations on September 5, 2016. Accordingly, the current year financial statements have been prepared and presented in accordance with the requirements prescribed under Section 29 and Third Schedule of the Banking Regulation Act, 1949. On account of the foregoing, since banking operations were not carried out during the previous year, and as a result of the Scheme of Amalgamation more fully discussed in Note 1(b), 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. Further, the RBI guidelines on “Disclosure in financial statements – Notes to accounts” is not applicable for the year ended March 31, 2016 and accordingly, comparative disclosures are not provided to that extent.

2(d) Changes in estimates / certain unusual items

Consequent to changes in the business portfolio of the bank on account of amalgamation (referred to note 1(b)), commencement of Small Finance Bank operations and other external factors during the year, the Bank has re-assessed its estimates of provision for non-performing and standard advances, in order to comply with the Guidelines issued by the Reserve Bank of India. The changes include the change on account of criteria for identification of non-performing assets and also the percentages for provision for impairment of loan assets. Considering the various changes in the estimates and also the changes in the business on account of amalgamation of EHFL and EMFL, commencement of banking operations and other external factors, certain items of unusual nature/revision in estimate, to the extent identified have been disclosed separately in the notes to the financial statements (Refer Schedule 16 and Schedule 18.11.1).

3. Significant accounting policies

1. Use of estimates

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

2. Investments

Classification:

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

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

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

Basis of classification:

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

Acquisition cost:

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

Transfer between Categories

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

Valuation:

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

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

Quoted Investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices periodically declared by Primary Dealers Association of India (‘PDAI’) jointly with Fixed Income Money Market and Derivatives Association (‘FIMMDA’).

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 FIMMDA.

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 FIMMDA.

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 Fixed Income Money Market and Derivatives Association of India (FIMMDA)/Primary Dealers Association of India (PDAI) 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 FIMMDA is adopted for this purpose.

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

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

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

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

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

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. 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.

Provisioning:

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines.

In respect of Micro Finance Non-performing Advances, higher provisioning is made by the Bank as follows: 91 -120 days: 50% and above 120 days: 100%. In addition, specific loan loss provisions in respect of other non-performing assets are made based on management's assessment of the degree of impairment of advances, based on past experience, evaluation of security and other related factors. The specific provision levels for non-performing assets are also based on the nature of product and delinquency levels. Specific 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.

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%.

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

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

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

Recording and Presentation

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

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

4. Securitisation transactions and direct assignments

The Bank transfers its loan receivables both through Direct Assignment route as well as transfer 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.

5. Property, Plant and Equipment

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

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

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

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

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

Property, plant and equipment 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.

6. 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.

7. Impairment of Assets

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

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

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

8. Transactions involving foreign exchange

Initial recognition

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

Measurement at the Balance Sheet date

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

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

Treatment of Exchange differences

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

9. Revenue Recognition

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

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

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 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.

10. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

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

Defined Benefits Plan

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

Short term Employee benefits

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

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

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

Long term Employee benefits

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

11. Leases

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

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.

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.

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.

14. 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.

15. 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.

16. Cash and Cash Equivalents

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(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 and Basic Indicator approach for Market Risk under Basel II regulation is set out below. Operational Risk is not considered for computation of Risk Weighted Assets.

S.No	Particulars	As at	As at
		March 31, 2017	March 31, 2016
1	Common Equity Tier 1 capital ratio	32.30%	28.46%
2	Tier 1 capital ratio	32.30%	28.46%
3	Tier 2 capital ratio	3.21%	1.17%
4	Total Capital Ratio (CRAR)	35.51%	29.63%
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)]"	-	-

Disclosure for the previous year ended March 31, 2016 is prepared in accordance with guidelines applicable for NBFC and hence, are not comparable. (Refer Schedule 17.2(c))

* Includes equity shares issued during the 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, 2017**
(i)	Interest Income as a percentage to Working Funds \$ *	15.39%
(ii)	Non interest income as a percentage to Working Funds \$ *	3.51%
(iii)	Operating Profit as a percentage to Working Funds \$ *	2.98%
(iv)	Return on Assets @ \$	1.28%
(v)	Business (deposits plus advances) per employee # & (₹ in crore)	0.57
(vi)	Profit per employee \$ & (₹ in crore)	0.01

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

* Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949, during the financial year (i.e. after commencement of banking operations from September 05, 2016).

@ 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.

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(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, 2017		
		HTM	AFS	HFT
(i)	Government securities	602.23	754.46	460.60
(ii)	Other approved securities	-	-	-
(iii)	Shares	-	0.20	-
(iv)	Debentures and bonds	-	-	-
(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.,	-	69.01	-
	Total	602.23	823.67	460.60

3.2 Details of investments

S.No	Particulars	As at	As at
		March 31, 2017	March 31, 2016
1	(1) Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	1,891.16	-
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	4.66	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	1,886.50	-
	(b) Outside India	-	-
2	(2) Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add: Provisions made during the year	4.66	-
	(iii) Less: Write off / write back of excess provisions during the year	-	-
	(iv) Closing balance	4.66	-

3.3 Details of Repo / Reverse Repo transactions (in face value terms)

(i) Done during the year ended March 31, 2017

The Bank did not have purchase/sell any securities under repo/reverse repo during the year.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

3.4 a) 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	69.01	69.01	-	-	69.01
3	Banks	-	-	-	-	-
4	Private Corporates	0.20	0.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	69.21	69.21	-	0.20	69.21

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 investments during the year 2016-17.

3.6 Sale and transfer of securities to / from HTM category

During the year, the Bank has not sold or transferred any security to/from HTM category.

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. Bank does not have any Forward Rate Agreement or Interest rate swaps.

5 Asset Quality

5.1 Non- Performing Assets

S.No	Particulars	As at	As at
		March 31, 2017	March 31, 2016
(i)	Net NPAs to Net Advances (%)	1.84%	1.80%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	55.25	33.21
	(b) Additions during the year	274.54	75.87
	(c) Reductions during the year	123.31	53.83
	(h) Closing balance	206.48	55.25
(iii)	Movement of Net NPAs		
	(a) Opening balance	40.55	24.98
	(b) Additions during the year	153.19	61.66
	(c) Reductions during the year	88.79	46.09
	(h) Closing balance	104.95	40.55
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	14.70	8.23
	(b) Additions during the year	121.35	14.21
	(c) Reductions during the year	34.52	7.74
	(d) Closing balance	101.53	14.70

Disclosure for the previous year ended March 31, 2016 is prepared in accordance with guidelines applicable for NBFC and hence, are not comparable. (Refer Schedule 17.2(c)).

Movement of NPA disclosed includes movement on account of amalgamation (Refer Schedule 17.1(b)).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

5.2 Divergence in the asset classification and provisioning

The Bank has not been subject to any assessment by the RBI during the 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 Details of accounts restructured

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

5.4 (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.

5.5 Details of Non-performing assets purchased/sold

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

5.6 Provision on Standard Assets

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Provision towards standard assets	15.71	6.50

Provision for the year ended March 31, 2017 is made in accordance with RBI guidelines for Banking Companies as described in Accounting policy of the Bank. The provision towards standard assets in the previous year ended March 31, 2016 is made at the rate of 0.30%, in accordance with the RBI guidelines then applicable to NBFCs (Refer Schedule 17.2(c)).

6 Asset Liability Management

6.1 Maturity pattern of certain items of assets and liabilities

a) 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	-	-	123.32	-	-	122.91	-	329.51	220.35	535.67	554.73	1,886.49
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	-	-	-	-	-	-	-	-	-	-	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

a) As at March 31, 2017

Particulars	Upto 1 month	Over 1 month & up to 2 months	Over 2 months & up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Liabilities									
Borrowing from Banks	1.96	6.51	18.71	41.74	322.77	320.36	162.53	9.00	883.58
Borrowings from Other Parties	4.57	3.96	14.47	23.08	56.45	146.40	24.00	-	272.93
Market Borrowings	4.76	9.76	4.76	39.29	132.41	250.25	-	40.00	481.24
Liabilities - Total	11.29	20.23	37.94	104.11	511.63	717.01	186.53	49.00	1,637.75
Assets									
Advances	71.75	64.12	64.45	189.51	376.26	945.38	293.60	180.48	2,185.55

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

Disclosure for the previous year ended March 31, 2016 is prepared in accordance with guidelines applicable for NBFCs and hence, are not comparable. (Refer Schedule 17.2(c)).

7 Exposures

7.1 Exposures to Real Estate Sector

Particulars		As at	As at
		March 31, 2017	March 31, 2016
(a)	Direct Exposures		
	(i) Residential Mortgages	453.91	248.63
	- of which housing loans eligible for inclusion in priority sector advances is	427.44	-
	(ii) Commercial Real Estate	42.69	-
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	-	-
	a. Residential	-	-
	b. Commercial Real Estate	-	-
(b)	Indirect Exposures		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
	Total exposure to Real Estate Sector	496.60	248.63

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

7.2 Exposures to Capital Market:

Particulars		As at	As at
		March 31, 2017	March 31, 2016
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	-
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;	0.75	0.39
iii	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds ₹ does not fully cover the advances;	-	-
v	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii	Bridge loans to companies against expected equity flows / issues	-	-
viii	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix	Financing to stockbrokers for margin trading;	-	-
x	Venture Capital Funds (both registered and unregistered)	-	-
Total exposure to Capital market		0.95	0.39

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.

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 ₹ 2,725.28 crores (Previous year: ₹ 6.54 crores) as disclosed in Schedule 9 are without any collateral security.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

8 Disclosures relating to Penalties imposed by RBI

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

9 Disclosure on remuneration

Qualitative disclosures

The Remuneration and Nomination Committee which was constituted on September 4, 2016 and re-constituted again on October 20, 2016 and January 31, 2017, is chaired by an Independent Director and comprises of five (5) Independent Directors.

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

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

“Objective of Bank’s compensation policy is:

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

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

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

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

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

“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”.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

““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 as may be 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, 2017
(All amounts in crore of ₹, unless otherwise specified)

Quantitative disclosures

Particulars	For the year ended
	March 31, 2017
Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members	3 meetings held during the year Remuneration paid to members - ₹0.01 crores
(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.	-
Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred:	
(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 risk and returns, and the guidelines prescribed by RBI.

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Particulars	March 31, 2017				
Segment Revenue	122.76	1,089.18	0.24	2.14	1,214.32
Segment Results	11.51	201.30	(3.65)	(8.37)	200.79
Unallocated income/(expenses)					(39.35)
Operating profit					161.44
Income taxes					(57.31)
Net Profit					104.13

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

Other information					
Segment assets	2,134.43	6,984.37	80.00	-	9,198.80
Unallocated assets					46.60
Total assets					9,245.40
Segment liabilities	1,678.41	5,492.16	62.91	-	7,233.48
Unallocated liabilities					-
Total liabilities					7,233.48
Net assets	456.02	1,492.21	17.09	-	1,965.32
Additional information					
Capital expenditure	-	293.77	-	-	293.77

Geographic segments

The business of the Bank is in India. Accordingly, geographical segment is not applicable.

Segmental information is provided as per the MIS/reports available 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 (Also refer Schedule 17.2(c)).

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 Equitas Micro Finance Limited (upto September 1, 2016) Equitas Housing Finance Limited (upto September 1, 2016)
Key Management Personnel	Mr. 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) P. N. Vasudevan (Managing Director) (wef July 23, 2016) N Sridharan, Chief Financial Officer (wef September 4, 2016) Sampathkumar KR, Company Secretary (wef September 4, 2016)
Entities under the same Management	Equitas Development Initiatives Trust Equitas Dhanyakosha India

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

ii. Transactions with the Related Parties

Transaction	Name of the Related Party	For the year ended	For the year ended
		March 31, 2017	March 31, 2016
Income			
Recovery of expenses	Equitas Micro Finance Limited	-	0.11
	Equitas Housing Finance Limited	-	0.23
Expenses			
Reimbursement of Expenses Paid	Equitas Micro Finance Limited	-	1.21
	Equitas Holdings Limited	-	0.03
Other expenses	Equitas Dhanyakosha India	0.01	0.00
Portfolio Fee on retail Loans	Equitas Micro Finance Limited	-	6.95
CSR Contribution	Equitas Development Initiatives Trust	3.05	2.41
	Equitas Dhanyakosha India	3.13	-
Deposits			
Term deposits received	Equitas Holdings Limited	35.60	-
	Key Managerial Personnel	1.35	-
Term deposits closed	Equitas Holdings Limited	0.60	-
	Key Managerial Personnel	0.79	-
Interest on Term Deposits	Equitas Holdings Limited	1.29	-
Savings Deposits and interest	Equitas Development Initiatives Trust	0.00	-
	Key Managerial Personnel	1.55	-
Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	0.00	-
	Key Managerial Personnel	1.26	-
Demand Deposits	Equitas Technologies Private Limited	0.01	-
	Equitas Holdings Limited	9.89	-
	Equitas Dhanyakosha India	0.25	-
Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	9.13	-
	Equitas Dhanyakosha India	0.23	-
Borrowings			
Borrowings Availed	Equitas Holdings Limited	161.70	20.00
Borrowings Repaid	Equitas Holdings Limited	40.00	20.00
Interest on Borrowings	Equitas Holdings Limited	7.75	0.07
Other Transactions			
Issue of Equity Shares	Equitas Holdings Limited	582.94	-
Share Premium	Equitas Holdings Limited	168.79	-
Purchase of Fixed Assets	Equitas Technologies Private Limited	0.65	-
	Equitas Holdings Limited	0.15	-
Sale of Fixed Assets	Equitas Housing Finance Limited	-	0.05
	Equitas Micro Finance Limited	-	0.08
Staff Loan transferred in	Equitas Technologies Private Limited	0.03	-
	Equitas Micro Finance Limited	-	0.08

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

Staff Loan transferred out	Equitas Housing Finance Limited	-	0.00
	Equitas Technologies Private Limited	-	0.01
	Equitas Micro Finance Limited	-	0.02
Guarantees issued / (released) during the Year (net)	Equitas Holdings Limited	(838.00)	(127.00)
Remuneration paid to Key Management Personnel (Excludes Employee Share of Contributions to various funds)	Mr. V.S. Murthy, Chief Executive Officer	0.32	0.65
	S Vasudevan, Chief Financial Officer	0.17	0.33
	Sridevi Surender, Company Secretary	0.05	0.09
	P. N. Vasudevan, MD & CEO	0.32	-
	N Sridharan, Chief Financial Officer	0.34	-
	Sampathkumar KR, Company Secretary	0.08	-

iii. Balances outstanding at the end of the year

Particulars	Name of the Related Party	As at	As at
		March 31, 2017	March 31, 2016
Payables			
Borrowings outstanding	Equitas Holdings Limited	121.70	-
Term Deposit outstanding	Equitas Holdings Limited	35.00	-
	Key Managerial Personnel	0.58	-
Interest Payable on term deposits	Equitas Holdings Limited	0.08	-
	Key Managerial Personnel	0.00	-
Demand Deposits	Equitas Holdings Limited	0.76	-
	Equitas Dhanyakosha India	0.02	-
	Equitas Technologies Private Limited	0.01	-
Savings Deposit	Equitas Development Initiatives Trust	0.00	-
	Key Managerial Personnel	0.29	-
Others			
Corporate Guarantees issued	Equitas Holdings Limited	425.00	1,263.00

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

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	For the year ended
	March 31, 2017	March 31, 2016
Future lease rentals payable at the end of the year		
- Not later than one year	36.02	3.77
- Later than one year but not later than five years	129.36	4.28
- Later than five years	122.12	-
Total minimum lease payments recognised in the Profit and loss account	26.09	3.64
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	For the year ended
	March 31, 2017	March 31, 2016
Net profit after tax	104.13	85.12
Basic weighted average number of equity shares	803,752,218	423,000,000
Diluted weighted average number of equity shares	803,752,218	423,000,000
Nominal value of Equity shares (₹)	10	10
Basic Earnings per share (₹)	1.30	2.01
Diluted Earnings per share (₹)	1.30	2.01

10.5 Deferred Taxes (AS 22)

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

Particulars	March 31, 2017		March 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Timing difference on account of:				
Impact of difference between tax depreciation and depreciation/amortization for financial reporting	-	12.00	0.65	-
Expenditure charged to the profit and loss account in the current year but allowed for tax purposes on payment basis	19.21	-	2.87	
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (vii) of Income Tax Act, 1961	20.65	-	6.15	-
Provision for advances	12.01	-	2.25	-
Others	4.72	-	0.30	
Provision for special reserve u/s 36(i)(viii)	-	0.90		
Net closing balance carried to the Balance Sheet (included in Schedule 11- Others)	56.59	12.90	12.22	-

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 ₹ 16.09 crores (Previous Year:

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

₹ 4.29 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, 2017	March 31, 2016
Change in defined benefit obligations during the Year		
Present value of defined benefit obligation at beginning of the year	2.19	1.17
Current service cost	4.72	0.97
Interest cost	0.45	0.14
Benefits paid	(0.47)	(0.05)
Actuarial (gains)	6.64	(0.04)
Present value of Defined Benefit Obligation at End of the Year	13.53	2.19
Change in Fair Value of Assets during the Year		
Plan Assets at beginning of the year	2.99	1.63
Add: Adjustments to the opening balance	0.24	0.00
Expected return on plan assets	0.57	0.20
Actual company contributions	7.73	1.41
Benefits paid out of the asset	0.00	0.00
Actuarial gain / (loss)	(1.04)	(0.25)
Plan Assets at End of the Year	10.49	2.99
Liability Recognised in the Balance Sheet		
Present value of defined benefit obligation	13.53	2.19
Fair value of plan assets	10.49	2.99
Unrecognized actuarial (gain) / loss	0.00	0.00
Net Liability Recognised in the Balance Sheet	3.04	(0.80)
Cost of Defined Benefit Plan for the Year		
Current service cost	4.72	0.97
Interest cost	0.45	0.14
Expected return on plan assets	(0.57)	(0.20)
Net actuarial gains	7.68	0.21
Net Cost Recognized in the Profit and Loss account*	12.28	1.12
Return on Plan Assets	0.57	0.20
Assumptions		
Discount rate (Refer Note (b))	6.77%	7.80%
Interest rate (Estimated rate of return on assets)	8.05%	8.50%
Future salary increase (Refer Note (a))	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

*Net cost recognised in the profit and loss account as per the table above includes ₹ 2.67 crores 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.
- Experience Adjustments:

Particulars	For the Year Ended	For the Year Ended	For the Year Ended	For the Year Ended
	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Projected benefit obligation	13.53	2.19	1.17	0.50
Fair value of plan assets	10.49	2.99	1.63	0.70
Surplus/ (Deficit)	(3.04)	0.80	0.46	0.20
Experience adjustments on plan liabilities - gains	6.64	(0.04)	(0.01)	(0.05)
Experience adjustments on plan assets - gains / (losses)	(1.04)	(0.25)	-	0.02

The details of experience adjustments for the financial years prior to FY 2013-14 have not been disclosed in the absence of necessary information.

- Category of Plan Assets

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

Long-term Compensated Absences and Leave Encashment

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

Particulars	For the Year Ended	For the Year Ended
	31 March 2017	31 March 2016
Assumptions:		
Discount Rate	6.77%	7.80%
Future Salary Increase	10.00%	10.00%
Attrition rate	20.00%	20.00%

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

11 Additional disclosures

11.1 Provisions and Contingencies

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

Particulars	For the Year Ended	For the Year Ended
	31 March 2017	31 March 2016
Provisions for depreciation on Investment	4.66	-
Provision towards NPA (Refer Note below)	39.35	7.34
Provision on additional NPA identified by the Bank *	35.84	-
Net Provision / (reversal) towards Standard assets**	(37.51)	2.45
Floating provision	19.00	-
Current tax	59.80	49.85
Deferred tax	(2.48)	(4.15)
Other Provision and Contingencies	1.33	-
Total	119.99	55.49

“Note: In respect of instalments due during the period between November 1, 2016 and December 31, 2016 on advances made, the Bank has availed of the 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.”

“*Bank has identified specific advances in respect of micro finance portfolio with inherent weaknesses and has made a provision of ₹ 35.84 crores on such non performing advances.

**Includes reversal of Standard Asset Provision of ₹ 38.74 crores (previous year: Nil) on amalgamation (referred to Schedule 17.1(b)) consequent to alignment of Standard Asset Provisions to RBI Guidelines applicable for Banks.”

11.2 Floating provision

Particulars	March 31, 2017	March 31, 2016
Opening Balance at the beginning of the year	-	-
Provisions made during the year	19.00	-
Draw Down made during the year	-	-
Closing Balance at the end of the year	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 ₹ 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 ₹ 1.42 crores to Special Reserve.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

11.4 Disclosure relating to Complaints

A

a) Customer complaints [Nos.]

Particulars	March 31, 2017	March 31, 2016
No. of complaints pending at the beginning of the year	NIL	NA
No. of complaints received during the year (Sep 5, 2016 to March 31, 2017)	2017	NA
No. of complaints redressed during the year (Sep 5, 2016 to March 31, 2017)	1954	NA
No. of complaints pending at the end of the year (As of March 31, 2017)	66	NA

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

Particulars	March 31, 2017	March 31, 2016
No. of complaints pending at the beginning of the year	NIL	NA
No. of complaints received during the year (Sep 5, 2016 to March 31, 2017)	8	NA
No. of complaints redressed during the year (Sep 5, 2016 to March 31, 2017)	8	NA
No. of complaints pending at the end of the year (As of March 31, 2017)	-	NA

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

Particulars	March 31, 2017	March 31, 2016
No. of complaints pending at the beginning of the year	NIL	NA
No. of complaints received during the year (Sep 5, 2016 to March 31, 2017)	20	NA
No. of complaints redressed during the year (Sep 5, 2016 to March 31, 2017)	20	NA
No. of complaints pending at the end of the year (As of March 31, 2017)	NIL	NA

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

Particulars	March 31, 2017	March 31, 2016
No. of complaints pending at the beginning of the year	NIL	NA
No. of complaints received during the year (Sep 5, 2016 to March 31, 2017)	2045	NA
No. of complaints redressed during the year (Sep 5, 2016 to March 31, 2017)	1982	NA
No. of complaints pending at the end of the year (As of March 31, 2017)	66	NA

B Awards Passed by the Banking Ombudsman [Nos.]

Particulars	March 31, 2017	March 31, 2016
No. of unimplemented Awards at the beginning of the year	NIL	NA
No. of Awards passed by the Banking Ombudsmen during the year	NIL	NA
No. of Awards implemented during the year	NIL	NA
No. of unimplemented Awards at the end of the year	NIL	NA

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
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11.5 Letters of Comfort

The Bank has not issued any letters of comfort.

11.6 Provision Coverage ratio

Provision coverage ratio as at March 31, 2017 is 58.37%.

11.7 Bancassurance Business

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

Particulars	March 31, 2017	March 31, 2016
On Insurance products	0.81	-
On Mutual Fund products	0.08	-
Total	0.89	-

11.8 Concentration of Deposits, Advances, Exposures and NPAs

11.8.1 Concentration of Deposits

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Total Deposits of twenty largest depositors	1,095.99	-
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	57.04%	-

11.8.2 Concentration of Advances*

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Total advances of twenty largest borrowers	101.34	10.15
Percentage of advances of twenty largest borrowers to Total advances of the bank	1.75%	0.53%

11.8.3 Concentration of Exposures *

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Total Exposure of twenty largest borrowers/customers	111.08	15.38
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	1.46%	0.68%

*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	As at
	March 31, 2017	March 31, 2016
Total exposure of top four NPA accounts	2.89	2.20

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

12 Sector-wise advances

Sector	As at March 31, 2017		
	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	5,113.76	204.27	3.99%
Agriculture and allied activities	1,310.69	17.34	1.32%
Advances to industries sector eligible as priority sector lending of which:	46.25	0.28	0.61%
Services	3,560.88	176.02	4.94%
Personal loans	195.94	10.63	5.43%
B. Non-priority sector	689.59	2.21	0.32%
Agriculture and allied activities	2.70	-	0.00%
Advances to industries sector eligible as priority sector lending of which:	5.04	-	0.00%
Services	669.98	1.65	0.25%
Personal loans	11.87	0.56	4.72%
Total	5,803.35	206.48	3.56%

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system/reports and has been furnished by the Management) 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" dated May 7, 2012 is given below.

Particulars	March 31, 2017	March 31, 2016
No of SPVs sponsored by the bank for securitisation transactions	16	4
Total amount of securitised assets as per books of the SPVs sponsored by the Bank	1,827.06	286.91
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR) --	-	-
a) Off-balance sheet exposures	-	-
First loss (Corporate Guarantee)	41.01	9.95
Others (Corporate Guarantee)	2.25	-
b) On-balance sheet exposures	-	-
First loss (Cash Collateral)	144.96	29.78
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	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
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Particulars	March 31, 2017	March 31, 2016
First loss	7.46	3.51
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.

15 Intra-Group Exposure

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

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.

17 Unhedged foreign currency exposure

As of March 31, 2017, there is no unhedged foreign currency exposure.

18 Liquidity Coverage Ratio (LCR)

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

S.No.	Particulars	March 31, 2017	March 31, 2016
		Total unweighted value (average)*	Total weighted value (average)*
	High Quality Liquid Assets		
1	Total High Quality Liquid Assets (HQLA)	1,374.85	1,374.85
	Cash Outflows		
2	Retail deposits and deposits from small business customers, of which:	-	-
(i)	Stable deposits	127.40	6.37
(ii)	Less stable deposits	475.72	47.57
3	Unsecured wholesale funding, of which:	219.91	203.49
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	-	-
4	Secured wholesale funding	-	-
5	Additional requirements, of which	-	-
(i)	Outflows related to derivative exposures and other collateral requirement	-	-
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligation	-	-
7	Other contingent funding obligations	187.20	8.36
8	Total cash outflows	1,010.23	265.79
	Cash Inflows		
9	Secured lending (e.g. reverse repo)	-	-
10	Inflows from fully performing exposures	-	-
11	Other cash inflows	986.61	700.75
12	Total cash inflows	986.61	700.75
13	Total HQLA	1,374.85	1,374.85
14	Total Net Cash Outflows	252.56	66.45
15	Liquidity Coverage Ratio (%)	2070.29%	

Data presented above is based on year end observation, compiled by the management which has been relied upon by the auditors.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

Qualitative disclosure around LCR

“The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days. “

“Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

The mandated regulatory threshold as per the transition plan is embedded in 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 on 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

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.”

19 Movement of NPAs

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Gross NPAs as at April 1	55.25	33.21
Additions during the year - upto the date of conversion to Bank	274.54	75.87
Subtotal - (A)	329.79	109.08
Less:		
(i) Upgradations	37.33	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	58.81	53.83
(iii) Technical or Prudential write offs	-	-
(iv) Write offs other than those under (iii) above	27.17	-
Subtotal - (B)	123.31	53.83
Gross NPAs as at March 31	206.48	55.25

Disclosure for the previous year ended March 31, 2016 is prepared in accordance with guidelines applicable for NBFC and hence, are not comparable. (Refer Schedule 17.2(c)).

Movement of NPA disclosed includes movement on account of amalgamation (Refer Schedule 17.1(b)).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

20 Fixed Assets - details of software

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Opening cost	5.44	3.75
Additions on amalgamation (Refer Schedule 17.1b)	8.84	-
Additions during the year	80.60	1.69
Less: Deletions	-	-
Less: Amortization to date	21.44	3.57
Closing balance	73.44	1.87

21 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.

22 Corporate Social responsibility

Operating expenses include ₹6.42 crore for the year ended March 31, 2017 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. The Bank has spent 13.38% of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2017.

Particulars	March 31, 2017	March 31, 2016
Gross amount required to be spent by the Bank during the year	0.96	0.42
Amount actually spent	6.42	2.41

23 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 Company has not paid any interest to any Micro and Small Enterprises during the current and previous year.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017
(All amounts in crore of ₹, unless otherwise specified)

24 Employees Stock Option Scheme

Under the Employee Stock Option Scheme (ESOS) - 2015 of the Holding Company, Equitas Holdings Limited, 26,728,741 options (As at 31 March 2016 - 55,86,878 options) of the Holding Company granted to some of the employees of the Company are outstanding as at March 31, 2017. As the administrator of the Employee Stock Option Scheme, the Holding Company has informed the Company that there are no costs to be transferred to the Company with respect to the options granted and outstanding as at March 31, 2017.

As per our report of even date

For S.R.Batliboi & Associates LLP

Chartered Accountants

Firm Registration No.:101049W/E300004

For and on behalf of Board of Directors

Equitas Small Finance Bank Limited

per **Subramanian Suresh**

Arun Ramanathan
Chairman

Vasudevan PN
Managing
and Chief Executive
Officer

Arun Kumar Verma
Director

Partner
Membership No. 083673

DIN: 00308848

DIN: 01550885

DIN: 03220124

Place: Chennai
Date: May 04, 2017

N Sridharan
Chief Financial Officer

Place: Chennai
Date: May 04, 2017

Sampathkumar KR
Company Secretary

M.No: A27466



Equitas Small Finance Bank Ltd

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