



SURYODAY

A BANK OF SMILES



Responding with Resilience.
Geared for the Future.

ANNUAL REPORT
2020-21

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Responding with resilience. Geared for the future.

Lighthouses do not get wobbly when the weather gets rough; they just stand there shining. At Suryoday, our belief in this not just helped us stand strong during the pandemic but brought us closer to our customers.

While the pandemic changed the dynamics of the business landscape dramatically and challenged every plan, the need of the hour was to be resilient and stay focused on the customer and gear for the future. Whether it meant a quick review of the strategies or finding effective means and ways to reach out to our 1.5 million customers who needed us team Suryoday rose to the occasion.

At Suryoday, we have not let the ground beneath our feet slip away. We rediscovered and built on our core strengths, quickly transformed the ways we functioned and responded with the kind of resilience demonstrated by seasoned iconic institutions. As bank that started four years go, this gives us the reassurance that nothing is impossible when we stand strong as a team.

The year saw us strengthen our balance sheet, touch base with our customers and deepened our relationship with them in trying times. The year also saw us get successfully listed on NSE and BSE making it a landmark year in the face of many challenges.

As we gear up for the future, we will always remember, “Life does not get easier or more forgiving; it is just that we will get stronger and more resilient and be ready for it.”





FY21 Highlights

₹4,206 Cr

Gross Loan Portfolio (GLP)

₹510 Cr

Net Total Income

₹12 Cr

Profit After Tax

₹3,256 Cr

Deposits

51.5%

Capital Adequacy Ratio

64.4%

Cost-to-Income Ratio

Who We Are

Ensuring a Solution is Never Far Away

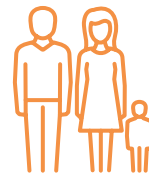
Suryoday Small Finance Bank (Suryoday) is among the leading small finance banks (SFBs) in India. For over a decade, we have been helping India's vast unbanked and underbanked segments to access financial solutions that enable them to realise their goals, stabilise their income and lead better lives. Having begun at the grassroots in 2009, we have rapidly scaled up across several states and Union Territories, where apart from our banking services, over 1,214 customer service points (CSPs) continue to keep us within the easy reach of the segments we serve.

We commenced as a microfinance institution in 2009, before receiving licence from the Reserve Bank of India to operate as an SFB in 2016. A significant portion of our portfolio continues to qualify as "priority sector lending", offering small ticket loans to low-income segments. We operate predominantly in urban and semi-urban locations, providing a range of offerings across both the asset and liability side. These include secured and unsecured loans, and deposits for both personal and business purposes. In addition, we partner with leading players in the life and general insurance sectors, to distribute their products through our banking outlets.

We continue to leverage technology across all aspects of our operations to not only increase our operational efficiency, but also widen our reach among our customers and assure them ease and convenience. Our digital banking facilities include internet/mobile banking, Aadhaar biometric Identification system, paperless loan processing and payment systems mandated by the National Payments Corporation of India (NPCI). We have tied up with three payment banks for garnering low-cost deposits with end-to-end technology integration, needing limited manual intervention. We have also collaborated with a payment bank for sourcing small ticket business loans.



5,131
Employees



14.9
lakhs
Customers



556
Banking Outlets
Across 13 States and
Union Territories

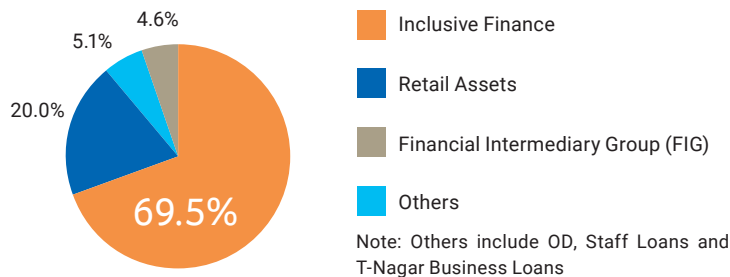




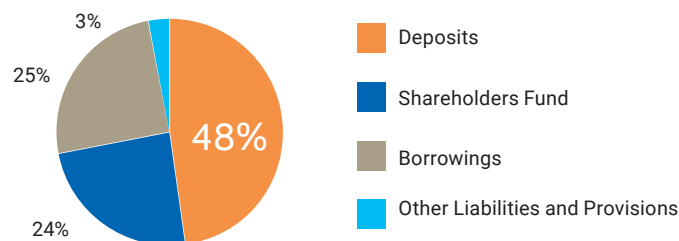
OUR CREDIT RATINGS

Agency	Category	Rating
CRISIL	Certificate of Deposit (CD)	A1+
ICRA	Certificate of Deposit (CD)	A1+
ICRA	Non-Convertible Debentures (NCDs)/Subordinated Debt	A (Stable)

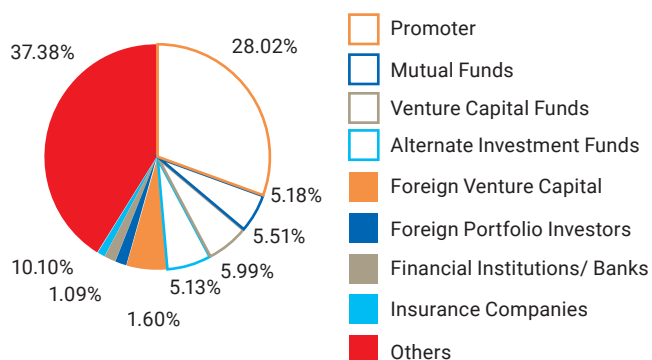
Loan Mix (%)



Balance Sheet Mix (%)



Shareholding Pattern (%)



Our Strengths

- 1 Customer-centric approach with a focus on financial inclusion
- 2 Diversified asset portfolio
- 3 Fast evolving granular deposit franchise
- 4 Leveraging emerging technologies to enhance our digital footprint
- 5 Strong credit processes and robust risk management framework
- 6 Multiple distribution channels
- 7 Experienced leadership team, professional management, and strong corporate governance



Milestones

Building on a Solid Foundation

2008
to
2013

- **Suryoday Micro Finance Private Limited incorporated**
- **Commenced Micro Finance operations**
- **Investment by Aavishkaar, Lok Capital, HDFC Holdings and HDFC Life Insurance**

2014
to
2016

- **Investment by IFC, DWM**
- **In-principal approval to establish an SFB from the RBI**
- **Received a rating of '[ICRA] A (-)' for NCDs**
- **RBI final approval to commence SFB operations**
- **Investment by IDFC First Bank, ASK Pravi, Kiran Vyapar Ltd.**

2018
to
2020

- Investment by DEG, Kotak Life Insurance and TIAA
- Long-term rating of '[ICRA] A' and short-term rating of 'A1+' from CRISIL and '[ICRA] A1+'

2016
to
2018

- Commenced SFB operations
- Investment by Evolvence India, responsAbility, Gaja Capital, TVS Shriram, amongst others
- Launched Commercial Vehicle, Affordable Housing, MSME Loans and Secured Business Loan products

2021

- Listed on NSE & BSE
- IPO size of ₹581 Crores
- Marquee investors like SBI Life Insurance, Axis MF, Aditya Birla Sun Life Insurance and ICICI Prudential Life Insurance invested in the Bank

Presence

Increasing our Reach Across India

We have expanded our footprint across the length and breadth of India and have a strong presence in the western and southern regions. We operate mainly through our banking outlets in urban and semi-urban areas and rural centres to cater to the unbanked rural segment. Through our business correspondent partners, we are able to reach deeper pockets in existing and new geographies and even service remote locations. Our multiple distribution and service channels comprise our banking outlets, ATMs, phone banking, mobile banking, tablet banking, CSPs and internet banking services.



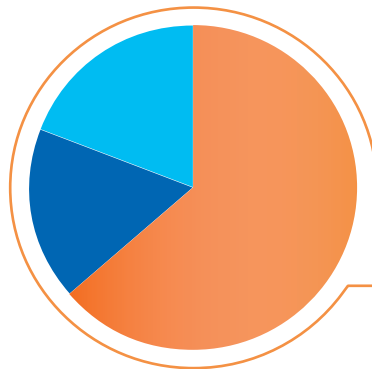
13

States and Union Territories



556

Banking Outlets



Branch Distribution

556

Total

354

Asset Focused Outlets

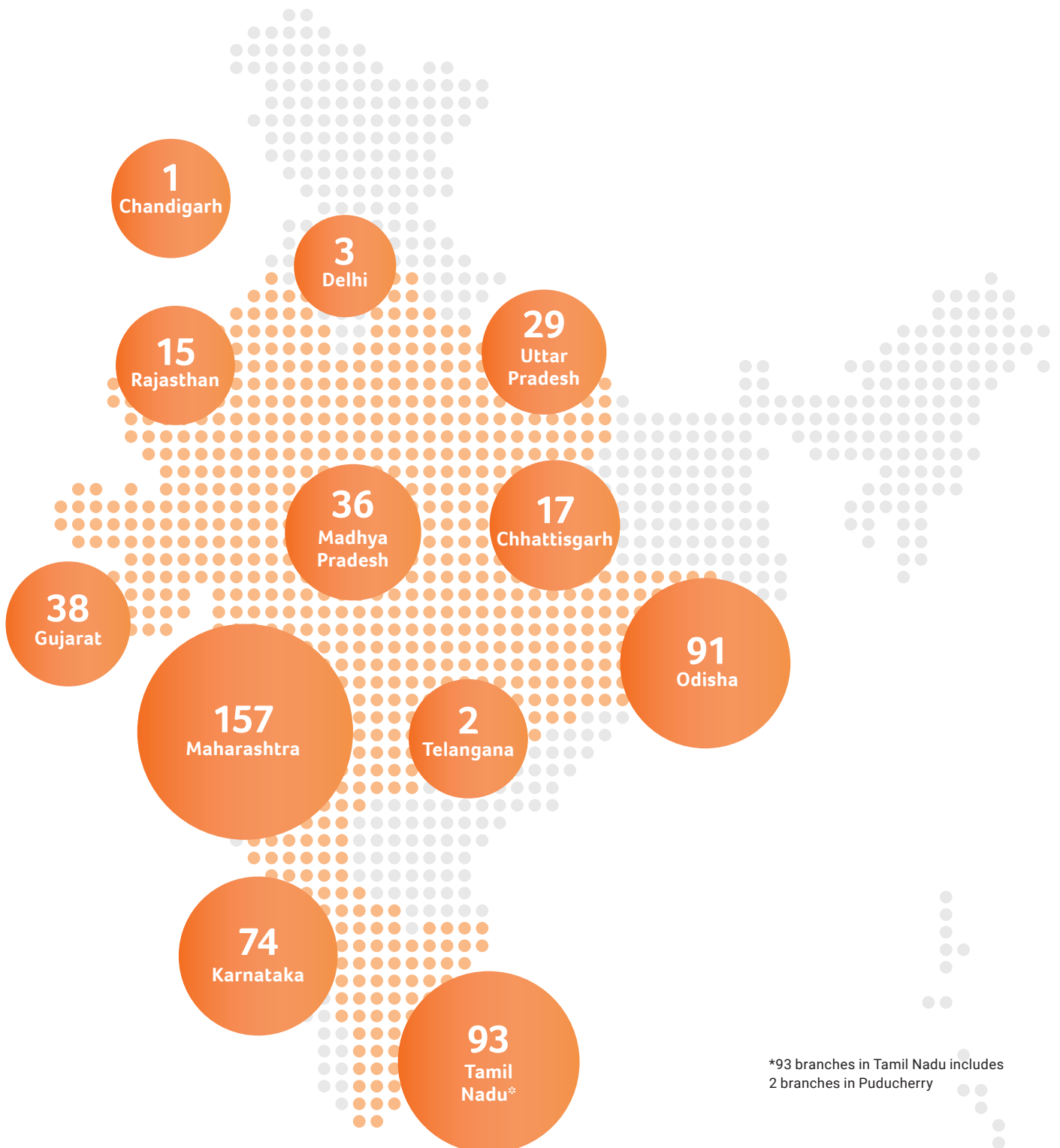
96*

Liability Focused Outlets

106

Rural Centres

* Includes 25 composite branches

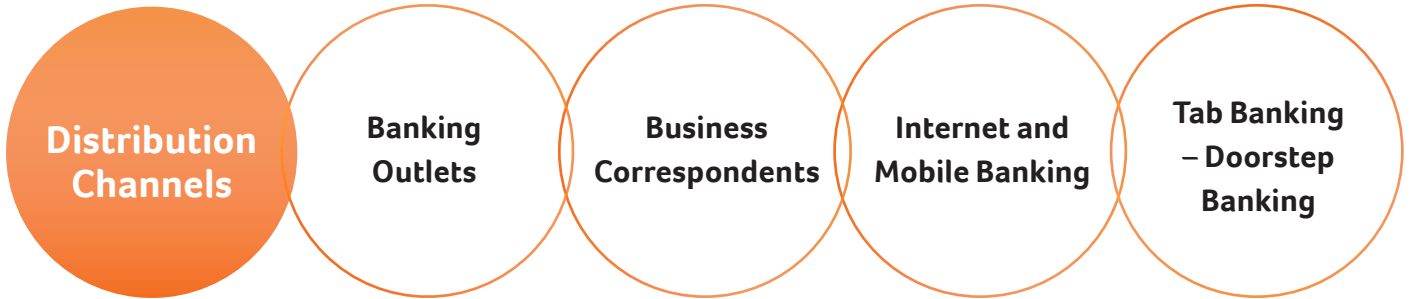


BC Branches have not been included in the map
Map not to scale. For illustrative purposes only

Product Portfolio

Catering to a variety of needs

From inclusive finance loans to liability products for self-employed individuals and enterprises, or various deposit products, we offer a diverse portfolio. We endeavour to customise the products keeping in mind the needs of our customers.





Loan Products



Inclusive Finance

Unsecured group loans built on joint liability group model given to microentrepreneurial women for use in their income-generating activities



Affordable Housing Loans

Aimed at self-employed/ salaried applicants for the purchase of apartments/ construction of property.



Commercial Vehicle (CV) Loans

Primarily new CV financing, which was later expanded to the used CV and OD facility for transport operators.



Secured Business Loans

Cash flow based secured lending to individuals with adequate documentation and adequate credit history



Financial Intermediary Group

Term loans to financial intermediaries i.e., NBFCs, MFIs and HFCs
Typically to entities rated BBB (+/-)



Partnerships

Collaboration with payment banks to leverage these partnerships to provide value-added products and services to our customers

Liability and Fee-based Products



Retail Products

Current Account | Savings Account | Salary Account | Term Deposit



Institutional Products

Current Account | Bulk Deposit



Fee-based Products

Insurance | NPS and Social Security schemes | Bill Pay and UPI

Chairperson's Message

Building resilience and core strength for the future



“

Despite the initial setbacks during this financial year, we concentrated on strengthening the core of our business. The focus on customers and employee wellbeing, true to our motto of being the ‘Bank of Smiles.’ This was reflected in a strong turnaround in Q4FY21, with the Bank recording the highest-ever disbursements.”



Dear Shareholders,

The financial year that went by has been the most challenging for all of us. The world experienced an unprecedented setback in the face of COVID-19, which resulted in the global economy witnessing one of the worst contractions since World War II. The Indian economy contracted in FY21, for the second time since Independence and for the first time since the economic liberalisation in 1991.

As expectations of a sharp recovery started gaining ground, India bore the brunt of the second wave of the pandemic from March 2021. With localised lockdowns and varying degrees of restrictions imposed by state and local government bodies, the recovery remained fragile, and prospects of a sharper uptick remain primarily reliant on the pace of vaccination. Vaccinating a population as vast as India's is undoubtedly a mammoth task, but it seems to be the only way to overcome the crisis.

As with all other business sectors, the banking and financial services industry was hit hard by the pandemic. However, the opening up of the economy in a phased manner and the tapering of the lockdown helped revive the business. We were firmly back on the recovery path in the second half of FY21, showcasing a strong performance in Q4FY21. Although the second wave of the virus has led to some uncertainty, we continue to work with confidence on all fronts, particularly in our engagement with stakeholders – our employees, customers, business partners, and others. Our collection efficiency, too, has returned close to pre-COVID levels in the last quarter.

Highlights of the Year

Despite the initial setbacks during this financial year, we concentrated on strengthening the core of our business. We continued to work on our expansion plans and increased our branch count, which stands at 556 as of 31 March 2021 compared to 477

branches last year. We launched various new initiatives, such as the overdraft facility for microfinance customers, increased our focus on the commercial vehicle segment with an overdraft facility, implemented the government scheme of Mudra subvention, extended loans under the Emergency Credit Line Guarantee Scheme (ECLGS), and undertook various digital initiatives to give our customers curated solutions. We achieved the milestone of getting listed on stock exchanges (NSE and BSE) as per regulatory requirements and raised close to ₹520 Crores in times of uncertainty during the financial year ended 31 March 2021, a testament of the confidence of investors in the strong fundamentals of our Bank.

Strengthening the business

With regard to our liability business, we have created a granular deposit franchise in the last four years. We shall continue to focus on building this base while investing in our CASA growth, which is likely to grow at a stable sustained pace. During the year, our cost of deposits fell 57 basis points YoY to 7.7% from 8.3% in the previous financial year. Our overall cost of funds declined by 59 basis points to 8% from 8.6% in FY20.

We have a product mix of ~70:30 share of the Inclusive Finance business on the assets side. Over the next few years, the other businesses, namely affordable home loans, secured business loans and commercial vehicle loans, will become more substantial, given our emphasis on diversifying the product mix.

Better process management

We have enhanced our digital capabilities and have implemented several credit management models that use the latest technology.

We are very well capitalised and ended the year with a capital adequacy ratio of ~51%, with Tier-1 comprising ~47%, Tier-2 comprising ~4%.

Bank with a conscience

Although one of the key highlights of the reporting year was being listed on both NSE and BSE on 26 March 2021, our role as a corporate citizen during one of the largest humanitarian crises of the century is equally important.

During the year, the Bank undertook activities focused on COVID relief, distributing masks, sanitisers, and food for migrants. Once the lockdown eased, we began focused CSR initiatives, keeping in mind the guidelines of social distancing.

For the well-being of our employees, we increased the health insurance cover through COVID Kavatch, a separate COVID health insurance policy. Also, we provided adequate health insurance to cover the family members of our employees. We continue to safeguard our employees through vaccination drives.

Our key focus continues to be on catering to the needs of our customers, ensuring ease of process and utilisation while extending banking services to the last mile population. We will continue to strengthen our governance practices, internal controls, and compliance. The efficiency of our internal audit, credit and underwriting, risk management and compliance will go a long way in supporting our growth ambitions.

I take this opportunity to express my gratitude to our employees, business partners, customers, and stakeholders for their continued support and trust in the Company. Let us hope and pray that this period of hardship and suffering ends soon and look forward to better times ahead.

Warm regards,

R. RAMACHANDRAN

Chairman

MD & CEO's Message

Looking Back on a Milestone Year

Dear Shareholders,

I pray for good health for all of us. Together we have passed through an extraordinary year battling unprecedented times, but that has also given us an opportunity and the thrust to look beyond the ordinary. We as a bank look at what we can do to become a meaningful institution to create value to all our stake holders.

Economically the countries across the globe suffered a setback in their plans due to the pandemic but we continue to remain optimistic about growth and expect the momentum that the economy had picked up in Q2-FY21 to make a comeback in Q2-FY22 and will continue in the upward trajectory despite the uncertainty. The major reason for the same would be the rapid pace of vaccination in the country,

strong growth in private investment and initiatives by the government. Above all the solid resilience we have displayed as a country will ensure that we pursue the path of inclusive prosperity.

The year that went by

It was a landmark year for Suryoday Small Finance Bank, despite the challenges in the environment. We raised Rs 581 crores through the Initial Public offering (IPO) of which Rs.151 crs was raised through Pre-IPO placement and the success of the issue was due to our proven record of growth, robust risk management system and strong governance structure. The bank strengthened the capital base by primary raise of ₹ 247 crores.

Our IPO was oversubscribed by 2.73 times, and it was a truly humbling experience for the entire family of 5000 employees and we are proud to see us being a part of a listed bank. We are motivated to build an institution that will mostly focus on economic enhancement of our customers specially in the Inclusive Finance segment. Post IPO, there have been share price fluctuations but we believe that the share price will reflect the true fundamentals over time and we are focused on delivering consistent good quality performance.

As a core principle we have always maintained high capital adequacy and we ended the year with a capital adequacy ratio of 51.5%. We had over 35% of the total balance sheet of the Bank deployed in liquid assets during the year.

With 556 branches and over 5100 employees we disbursed ₹2,217 Crores in FY21 and the collection efficiency on a one-EMI adjusted basis continued to improve and ended at 87% as of March 2021. Our Gross Loan Portfolio (GLP) grew 13% YoY to ₹ 4,206 Crores and we recorded the highest ever quarterly disbursement as on date amounting to ₹ 1,058 Crores in Q4FY21. The Bank ended the year with a total customer base of 14.7 Lakh customers.

We are committed to creating sustained and consistent value for all our stakeholders by striving to scale meaningfully and explore all opportunities for growth in the market. The major focus area for the year that went by and for the year to come is customer experience- the new battlefield in banking, but victorious would be the one who can find a way to substantially add value and reduce the pain points for the customer. We are now focussing greatly on creating sustainable pools of profit, as happy customers will be our natural and long-term brand mascots.

Additionally, highly engaged, and motivated employees are the ones who can truly deliver that experience to the customer, so we will focus equally on building upon the core culture and employee experience.

As an essential service entity our branch employees, were our very own COVID warriors who serviced customers throughout and we salute their valour and dedication to the nation.

For the support team which was working remotely to support our heroes on the field we ensured a continuous influx of positive energy and good chemistry within teams by facilitating cross





functional collaborations. We increased our health coverage and emergency loans to ensure that we made our employees, and their dear ones feel safe.

Business Performance & Strategic Initiatives

Focus is on scaling the assets book, the current split between the microfinance and non-microfinance portfolio is ~70% for the former and ~30% for the latter. We would like to focus with equal attention in growing both the areas. Post pandemic, a scale up in this segment may seem like a risky proposition, but we believe that the financial needs of microfinance customers are yet to be addressed meaningfully, and as an industry we have stereotyped their habits, behaviour, and requirements. There are approximately 24 crs households in India with an average size of 4 per family, and at our scale we are servicing nearly 1 in every 200 households. This presents a very large opportunity for us if we align ourselves in the right direction with a great execution engine to cater to their requirements for various financial services.

The reason for under penetration in the inclusive finance segment is because most product and service offerings targeted are similar off-the-shelf, clone products. This pandemic was a jolt and created opportunities for reinventing. So, we spent a lot of time connecting personally with customers to understand their need and found that most of the household do not turn to banks in case of emergencies. The reason being the processing time and documentation and lack of access to credit lines in a flexible manner. So, we designed a product which was an overdraft that can be set up immediately and digitally, which allows digital transactions at any time of the hour and as many times in a day. This initiative aided over 3.8 lakh of our customers, in restoring businesses post lockdown periods when there was a dire need for quick working capital and in sustaining it further through the uncertain times.

Last year we also piloted a housing product for this customer base to forge a long-term bond with them, as the first home is always a dream close to the heart. The pilot has received a very good response because of digital service and quick in-principle sanctions.

This year we will be looking at servicing these aspirations, improving digital and financial literacy, enabling savings, and ensuring adequate life cover for our microfinance customers and holistically help in their financial planning.

For the non-microfinance segment, Suryoday pioneered the fintech led - on tap lending and deposit facility for the merchants and individuals. The digital journey is completed on the app based on rule engines for real-time approvals thereby guaranteeing a superior customer experience. We are exploring more such fintech partnership opportunities to broaden the product options.

Our affordable home loan product saw a strong growth of 71.9% YOY, and Q4-FY21 witnessed the highest ever disbursements. Strategically the focus will be on scaling the product and clocking a centum in the growth figures.

While our Commercial Vehicles (CV) business model is the same as the industry, our USP is a new digital overdraft product which is a working capital limit and with this we aim at deepening our relationship with them once the business environment stabilizes.

The backbone of all initiatives- "Technology and Digitisation" is an ongoing priority but with a changed outlook. As an aftermath to this pandemic, we witnessed a massive behavioural change towards technology usage and adoption.

With ease in digital transactions, the volume of UPI transactions is continuously on an upward trend signifying an accelerated digitisation of financial transactions. The move

towards technology for all customer segments alike, was initially forced due to the low contact preference of the customer and lockdown guidelines but it has been continued by choice rather than by chance. This behavioural change has opened an opportunity to bring in more digital products, enhance experience using their digital footprint and provide customised and tailored solutions.

We are investing heavily to bring in more analytics platforms and tools so that we can deep dive into the nuances of customer behaviour, digital engagement, banking habits and prepare more accurate forecasting models. This should enable us to deliver best in class customer experience

The game changer for us this year will be to deliver safe and digital financial services, with best-in-class customer experience to reduce the cost of operations and yet reach the last mile.

Our core mission for the next 3 years will be to build financial robustness for our inclusive finance customers using digital channels, which is simple, easy to operate and gives them holistic product options for wealth creation and superior user experience. We are targeting to create atleast a million millionaires from our customer base and are pursuing this dream relentlessly.

For the retail finance segment, we are attempting to become a one-stop solution bank using strategic collaborations.

Our vision is to focus on creating sustainable long-term value with our inherent resilient nature, agility, and ability and always deliver the best for our employees, customers and shareholders.

Warm Regards

Baskar Babu Ramachandran
MD & CEO

Key Performance Indicators

Striking the Right Balance

In a landmark year that saw us list on the bourses, we were able to manage our assets and liabilities and remain highly capitalised.

BALANCE SHEET METRICS

Gross Loan Portfolio (₹ in Crores)



Deposits (₹ in Crores)



Disbursements (₹ in Crores)



KEY RATIOS

CRAR (%)



Operating Expense Ratio (%)



RoA (%)



RoE (%)



GNPA (%)



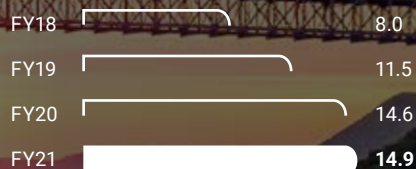
NNPA (%)



NON-FINANCIAL METRICS

Customer base

(lakhs)



Branches

(numbers)



PROFIT & LOSS METRICS

Net Total Income

(₹ in Crores)



Net Interest Income

(₹ in Crores)



Pre-Provisioning Operating Profit

(₹ in Crores)



Profit After Tax

(₹ in Crores)



Yield on Advances

(%)



Cost of Funds

(%)



Net Interest Margins

(%)



Cost to Income Ratio

(%)



Business Review

A Calibrated Response to Market Challenges

At Suryoday, each of our business verticals worked cohesively throughout the year to make the most of the available opportunities. While we grew our retail deposit base and promoted inclusive financing, we also worked on partnerships, technology adaption and our that would sustain our growth while creating maximum value for our stakeholders.





Liability Business (Deposits)

On the liability side, our products comprise current accounts, savings accounts, salary savings accounts, and various deposit accounts, including recurring deposits and fixed deposits. We have strengthened our liability franchise while focusing on growing our retail deposit base in a gradual but sustainable manner thereby providing a stable, low-cost source of funding. Although growth of the deposit book is part of our strategy, the government's increase of the Deposit Insurance and Credit Guarantee Corporation (DICGC) cover from ₹1 Lakh to ₹5 Lakh per deposit account, incentivised retail depositors to create bank deposits.

AIM

Healthy balance sheet with a focus on the growth of granular deposit franchise

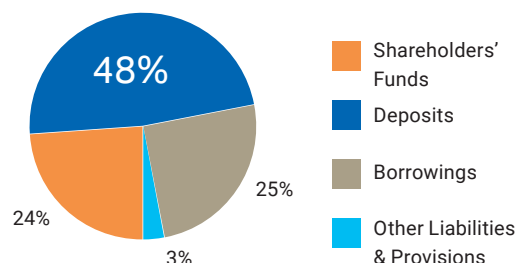
Highlights FY21

- Deposits grew 14% YoY to ₹3,256 Crores as of 31 March 2021, and the cost of deposits fell steadily over the year to 7.7%
- Geographical diversification of the deposit book with a total of 96 liability focused branches
- As of 31 March 2021, the retail deposits made up 80% of the total deposits as compared to 54% as of 31 March 2020
- 36.8% of the balance sheet liquid; excess liquidity will be utilised gradually in line with disbursement
- Collaboration with payment banks for sweep in account facilities. Tie-up with PayTM Payment Bank for sourcing FD. Total deposits through partnership for a sweep in stood at ₹59.9 Crores
- Sustainable and steady increase in the CASA ratio with strong growth of 54.2% to 15.4%

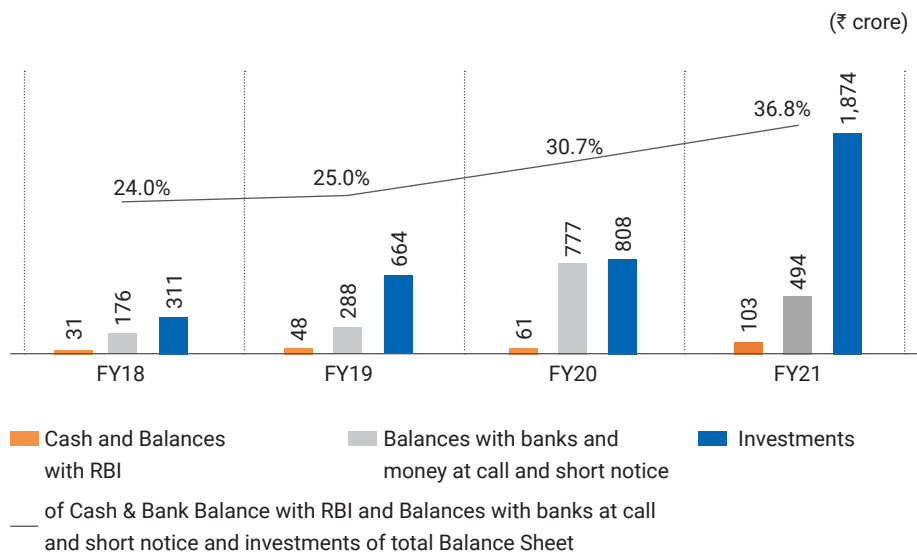
80%

Of total deposits were retail deposits in FY21 against 54% in FY20

Balance Sheet Mix (%)



LIQUIDITY AS A % OF THE BALANCE SHEET



Business Review



Asset Business (Diversification)

Suryoday has a diversified asset portfolio, which broadly includes inclusive finance portfolio (comprising loans to joint liability group customers), commercial vehicle loans, affordable housing loans, micro business loans, secured and unsecured business loans to MSME/SME and corporates and financial intermediary group loans.

AIM

Diversified asset portfolio with a focus on retail operations and steady asset quality

Highlights FY21

The pandemic severely impacted the entire sector. Our collection efficiency (1 EMI basis) fell significantly in the first quarter of FY21, recovering to 82% in December 2020, and further improved to 87% in March 2021. Overall collection efficiency for the month of March 2021 was 121%. Customers who paid at least one EMI over the last two months (payment of 1EMI in February and March 2021) improved to 93% in March 2021 as compared to 89% in December 2020.





MFI Lending (Inclusive Finance)

We have an over 13 lakh strong Joint Liability Group (JLG) customer base and we facilitate EKYC onboarding of JLG customers. A Quality Assurance team is present in every branch to verify the quality of sourcing and ensure the process is intact.

During the moratorium period upto August 2020, incremental disbursements were made in a very cautious manner due to the uncertain business environment. However, business gained momentum meaningfully in H2FY21 after easing restrictions and lifting lockdown.

During the year, we expanded into newer geographies by adding 66 banking outlets. Collection efficiency improved significantly in the segment during the last quarter and increased to 85% in the month of March 2021. GNPA in the Inclusive Finance business was 10.1% as of 31 March 2021.

AIM

Build a strong JLG customer base, which is to serve as potential customers for the cross-sell of various other products

Highlights FY21

- GLP grew 3.9% YoY to ₹2,923.4 Crores in FY21 compared to FY20
- Launched overdraft product called SMILE for inclusive finance customers to meet working capital need wherein customers were onboarded digitally, making real-time setting of bank accounts possible. We offered overdraft (OD) products to 3.83 lakh customers

3.83 lakh

Customers were offered Smile OD product



Commercial Vehicles

For this segment, the Bank has remained cautious in advancing loans since September 2019 due to the slowdown in the industry. GLP fell 4.2% to ₹355.1. The Bank started OD for CV customers providing small working capital limits. Collection efficiency continued to improve and was 93% in March 2021 compared to 89% in December 2020.

AIM

To deepen its relationship with customers and capitalise on it once the business environment stabilises

Highlights FY21

- Introduced Transport Saathi, an unsecured working capital product, for retail transporters
- Acquired around 800 customers

600+

Customers exclusively banking with us

Business Review



Affordable Housing Finance

Despite a slowdown in the real estate segment, the affordable home loan segment was more resilient, especially after the first wave of the pandemic subsided. We also expanded in states like Gujarat and Odisha. Collection efficiency continued to improve and was 96% in March 2021 compared to 94% in December 2020.

AIM

Deepening reach in existing regions and markets to drive future growth

Highlights FY21

- GLP achieved strong growth of 71.9% YoY to ₹311.4 Crores in FY21 compared to FY20
- We achieved the highest quarterly disbursement of ₹72.8 Crores in Q4FY21

₹143 Cr

Highest Disbursement in Affordable Housing Loans in FY21



Secured Business Loans

This segment was impacted by the pandemic. Significant effort was invested in maintaining portfolio quality and collections. We expanded our footprint and continued to grow the book, offering a comprehensive solution of OD, Dropline Overdraft (DLOD) and Term Loan and solutions structured to suit customer requirement. Collection efficiency improved for the month of March 2021 to 89%.

AIM

Grow secured business loans and offer more customised solutions

Highlights FY21

- We extended the Government and RBI guided support solutions like ECLGS to select customers
- Realigned some of the underwriting norms for a pandemic-like scenario in the future
- GLP grew strongly by 49.3% YoY to ₹158.7 Crores in FY21 compared to FY20



Financial Intermediary Group

The Bank provides term loans to financial intermediaries i.e. NBFCs, MFIs and HFCs that further lend to retail customers in the form of housing finance, loans against property, supply chain finance, microfinance, vehicle finance and similar sectors and pre-dominantly rated portfolio by recognised credit rating agencies. Collection Efficiency in the business remained at 100% for the month of March 2021.

AIM

Caliberated lending to NBFCs having strong balance sheet and business moat

Highlights FY21

- GLP grew 113.2% to ₹214.2 Crores in FY21 compared to FY20. The Bank remained cautious on advancing loans in this segment
- Collection efficiency in the business remained at 100% with 'nil' NPA



Key Investors

Retaining a Strong Shareholder Base

Since inception, we have been backed by a mix of development funds, institutional investors, private equity investors, and family offices. New institutional and retail investors have joined us in our exciting journey this year.





Successful listing of equity shares in FY21

Suryoday Small Finance Bank was listed on NSE and BSE on 26 March 2021. The public issue size of the Bank was ~₹581 Crores of which the primary capital raised was ~₹248 Crores. We also did private placement of shares of ~₹274 Crores during FY21 including pre-IPO of ~₹152 Crores.

Under the RBI norms, SFBs are required to list within three years of reaching networth of ₹500 Crores.

In March 2019, we raised ~₹248 Crores from various institutional investors and onboarded two new investors viz. a development finance institution, 'DEG',

which is a subsidiary of Germany's KfW Group, and Kotak Mahindra Life Insurance Company Ltd. This year we onboarded several other marquee investors, such as SBI Life Insurance, Axis MF, Aditya Birla Sun Life Insurance and ICICI Prudential Life Insurance among others.

Key institutional investors



WHAT DID NOT CHANGE FOR US

Irrespective of the external environment and the challenges of navigating business cycles, what remains constant for us is our focus on the customer and our commitment to further digitalise financial inclusion in India. While we were steadfastly anchored in our mission to drive productivity this year despite adversity, we also pushed the envelope on bettering customer experience and improving our efficiency via adopting digital initiatives.





Our Continued Focus On Customer Experience

From designing products that enhance customer satisfaction, providing our customers seamless experience through digital, to moving the needle on inclusive banking and spreading financial literacy, we ensured that our Customers remained our raison d'être.



Customised Products

- ▶ Launched Smile OD – a facility for inclusive finance customers to meet their working capital needs. This is a one-click product, wherein customers were onboarded completely digitally with real-time opening of bank accounts
- ▶ ECLGS to inclusive finance customers – disbursed 1,00,504 ECLGS loan amounting to ₹74.6 Crores in FY21
- ▶ NatCal Insurance for inclusive finance customers to cover losses and damages on account of natural calamities
- ▶ Recurring deposit product for inclusive finance customers to make them a part of the formal banking channel



Ease of Onboarding

- ▶ Conversion to completely digital onboarding in Inclusive Finance, which reduced turnaround time and improved productivity.
- ▶ Customer onboarding made easy and paperless through the use of 'e-KYC' and 'Video-KYC'. The facility supports three languages, i.e. English, Hindi, and Marathi. Plans are afoot to extend the facility to other languages based on the area of our operations



Customer-friendly Services

- ▶ Acceptance of Form 15G/H via email to help customers make their submissions electronically during the pandemic and open FDs for non-residents by accepting documents through email



Focus on Economic and Social Impact

- ▶ Enhanced financial capabilities of low-income households through localised approach to banking and wide variety of financial solutions that cater to growing needs in urban, semi-urban as well as rural areas
- ▶ Conducted 16,823 training sessions in Q4FY21



Focus on Unbanked and the Underbanked

- ▶ Inclusive Finance formed 69.5% of GLP as of 31 March 2021
- ▶ Over 13.5 Lakh borrowers as of 31 March 2021

Spreading the Smile

Our novel offering of Smile OD for existing customer in the Inclusive Finance segment fills the latent gap in customer need vs term loan offer. While majority of the microfinance customers have access to term loans, historically, we have seen that they have access only when the entire group is ready to take the loan or when such loan is granted. Again, the customer requirement may be small, say for ₹5,000, while the term loan offers ₹20,000 to ₹30,000. So, the customer ends up taking the money while he/she may not intend to use the entire amount. For this OD product, we have set up a limit of ₹365 Crores for over 3.8 Lakh customers.

Customer relation deepening with OD product	Unit
Total potential customer base for building up on the JLG relation	13.5 Lakhs
Customers with Smile OD relation	3.83 Lakhs
% of the potential base	28.4%
Limit set up for the customers	365 Crores
Customers who have drawn on OD facility	2.6 Lakhs
% Activated from those with Smile OD relation	68.1%
Total overdraft drawn position	135 Crores
Average balance per drawn account	₹5,172

Apart from this, through the use of advanced analytics, we have been able to identify nearly one lakh customers who have shown resilience by making a continued payment on their EMIs without taking any financial assistance post moratorium. By further profiling these customers, we intend to cross-sell products customised to their requirements.

Enhancing digital footprint

At Suryoday, we extensively use digital technologies through the entire customer lifecycle and endeavour to provide a differentiated customer experience. The pandemic added impetus to speed up digital adoption in order to provide greater customer convenience and make way for enhanced operational efficiency.

DIGITAL INITIATIVES FY21

- ▶ Introduced tech-enabled and real-time opening of bank account, OD account, ECLGS account through the launch of Smile OD for JLG customers
- ▶ Popularised e-KYC biometric-based and Video-KYC based account opening process for new savings account customers
- ▶ Promoted WhatsApp banking, through which customers can now securely receive their Fixed Deposit (FD) advice
- ▶ We have gone live with sweep-in partnerships for savings accounts, current accounts, and FD with payment banks such as Fino Payments Bank, Airtel Payments Bank and Paytm Payments Bank

Digital Tie-Ups

We are the only SFB to have a partnership with three payment banks for sweep-in facility for our customer deposits. We have been actively pursuing multiple opportunities with fintech in all areas across assets, liabilities. Total deposits through partnership as of 31 March 2021 was ₹59.9 Crores.

₹59.9 Cr

Total deposits through partnerships as of 31 March 2021





ROBUST DATA ANALYTICS

We have a dedicated team for Data Analytics which provides us:

- ▶ Analytical insights for business and risk management to track customer behaviour by estimating customer repayment capacity based on monthly obligation payable to various lenders
- ▶ Pin code-based analysis of market to identify growing market
- ▶ Static pool and delinquency analytics
- ▶ Cohort analysis and other insights



Customer Engagement

Meeting expectations... and beyond

Our customer focus makes it essential for us to be attentive listeners. Our customer-facing teams not only resolve customer queries, help them have a proper understanding of our products and processes, but also encourage them to give their feedback on our services through digital channels so that we can address the gaps in our services.

As part of our Annual Customer Service Survey to measure customer satisfaction, we received 876 responses from customers. Nearly 70% of the customers expressed a fairly high level of satisfaction in their experience with the Bank, with an average score of 3.88 on a scale of 5.

This survey was hosted on the Bank website, and a link was shared as an SMS message to all customers. Customers could complete the survey and authenticate themselves with an OTP before submission of the form.

Savitri

Kalaburagi, Karnataka
Inclusive Finance Customer

Until 2014 Mrs. Savitri was a homemaker. Basis a suggestion from a relative, Savitri and her mother started a savoury snack business in Kalaburagi. With growing demand, it was time to expand the business, and this required more investment in raw material. And that is when Suryoday became a part of her dreams. Savitri took a loan of ₹15,000 from Suryoday in the year 2016. Savitri's monthly income grew from ₹12,000 to ₹20,000. She availed another loan of ₹40,000 in 2019, which helped her grow the business even further. Today Savitri earns ₹50,000 a month and employs 5 other women. Her son is now going to a good school. She has now rented a plot near her house to expand her business. From catering to a 3 km radius near her house, she plans to serve the whole of Kalaburagi with an investment of about ₹2 Lakh. At Suryoday, we continue to enable and empower Savitri and others to achieve their dreams.





Sachin Baban Mule

Prop: Adesh Transport - Chakan, Pune
Commercial Vehicle Customer

I have taken a loan from Suryoday to purchase 2 used vehicles in Feb 2021, and I have also opened a Zero balance Transport Saathi Account.

I have a total of 10 vehicles in my fleet, and my major financier is ICICI bank. I came to know about Suryoday Small Finance Bank when the employees of the bank approached me. The way the employees patiently explained the process and benefits is commendable, and one important thing I have observed is that all the meetings we took place in my office while most other banks conduct business over the phone. Suryoday bank has extended me a loan for 2 used vehicles in a very short period. I intend to take a loan from Suryoday in future too.



Suresh

Trichy
Branch Banking – NR customer

The Bank being under RBI regulations gives more confidence and stability to an investor. The fixed deposits are as safe as deposits in SBI. A higher interest rate than any other bank in India is desirable, and our money grows faster and in safe and secure hands.



I expect the Bank to gain prominence with an all India presence in the future, and it is a good time to accumulate the shares of Suryoday SFB. Important to mention that the service offered is second to none and the branch manager is available at all times. One thing I am eagerly waiting for is the launch of an NRI savings account.

Dhanaji Mahadeo Patil

Kolhapur
HL Customer

Suryoday helped me realise my dream of owning a house. The process was simple and hassle free and the loan was sanctioned in a very short period. And this happening during the pandemic is even more commendable.

My sincere appreciation to the team that was fully involved at every stage of my loan approval process.



People

Spreading Cheer among our Workforce

We nurture a work culture and adopt initiatives that lead to employee satisfaction, wellbeing and unflagging motivation. We ensure that our employees have a sense of belonging and feel empowered in driving business profitability.





At Suryoday, we value our human capital and provide ample opportunities for their personal and professional growth. We provide our people a safe, conducive and productive work environment across our branches and outlets. We also undertake regular skill and personnel development training to enhance productivity and effectiveness.

Initiatives undertaken in FY21

- ▶ Virtual training and employee engagement sessions were introduced during the pandemic. A total of 62 new training modules were developed last year for business and support functions to keep the employees abreast of functional know-how and compliance requirements
- ▶ Human Resources Management System (HRMS) automation, travel reports monitoring, and introduction of timesheets for productivity monitoring for employees working from home
- ▶ Introduction of health and wellness sessions, SOS monitoring for COVID-19 cases for employees and their families
- ▶ Connect Programmes for new joiners and employee families during the pandemic
- ▶ Publishing 'Extra Miler Stories' and campaign to encourage employees to come up with ideas on process improvements and innovations
- ▶ Enrolling employees for Government Security Schemes – Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Women Employees at Suryoday

3.9%

Of field force

24.2%

Of corporate and controlling offices

24.8%

Middle and senior management roles

18.2%

Management Committee



CSR Initiatives

Caring for our Communities

At Suryoday, it is our constant endeavour to serve the underprivileged and marginalised communities. Apart from undertaking regular CSR activities, this year we extended all our support to communities in need during the trying phases of the pandemic.

During the year, major CSR initiatives were implemented primarily through the Suryoday Foundation. We focused on serving low-income communities whose livelihoods were impacted significantly.

Community Engagement – COVID-19 Prevention, Protection and Relief

- ▶ Mask and sanitiser distribution to 20,000 plus policemen and public administration employees
- ▶ 600 plus personal protection equipments provided to hospitals in Chennai
- ▶ Food packet distribution to over 12,000 migrants in Chennai
- ▶ Awareness sessions in the slum and low-income communities on COVID prevention





Health Camps

- ▶ Preventive healthcare is a critical need among low-income communities. We have been organising health camps regularly for our communities. This year, we held health camps in partnership with local hospitals to monitor general health and for eye check-up.

26,539

Total number of women trained

2,189

Number of training programmes

4,698

People accessed different social security products

Recalibrating CSR

- ▶ Our CSR activities were revised and restructured based on an external agency's impact assessment considering the COVID-19 situation during the year.

5,499

Beneficiaries of community engagement programmes

4,844

Health Camp Beneficiaries

26,539

Beneficiaries of financial literacy programmes

Case study 1

Mamina Malik
Jajpur, Odisha

PARTICIPANT IN FINANCIAL LITERACY PROGRAMME

"I was hesitant to attend the training initially but joined the training out of curiosity. I found it very useful, and I understand the importance of saving and also different social security schemes. I got to know about Atal Pension Yojna and felt that this will help us in our old age. We are farmers and may not be able to do hard work when we get old. These government schemes will help us. My husband and I, with help of a Suryoday Foundation executive, enrolled for Atal Pension Yojana in Gramya Bank, Haripur Haat branch."

Case study 2

Tapa Guchhet,
Bhatra Mathapali
Sambalpur, Odisha

"I always wanted to do something for my daughter's future. After attending financial education training, I got to know about Sukanya Samruddhi Yojana. I immediately sought to make use of this scheme to save for my 3-year-old daughter. With the help of Suryoday Foundation, I enrolled for this scheme at Post Office Dhanupali. I will save for the education and marriage of my daughter."

Board of Directors



Mr. R Ramachandran
Non-Executive Chairperson and
Independent Director
Former CMD Andhra Bank



Mr. Mrutunjay Sahoo
Independent Director
Former CS to the Government of
Andhra Pradesh



Mr. Jyotin Mehta
Independent Director
Banking and Finance Professional



Mrs. Meena Hemchandra
Independent Director
Former Executive Director,
Reserve Bank of India



Mr. John Arunkumar Diaz
Independent Director
Banking Professional and Consultant/
Entrepreneur



Mr. Krishna Prasad Nair
Additional Director (Independent)
(with effect from July 22, 2021)
Former Deputy MD, IDBI Bank

**Mr. Ranjit Shah**

Investor Director

Co-Founder and Managing Partner
at Gaja Capital**Mr. Aleem Remtula**

Investor Director

Managing Director at Developing
World Markets**Mr. Venkatesh Natarajan**Investment Director
(upto May 31, 2021)

Co-Founder and Partner at LOK Capital

**Mr. Baskar Babu Ramachandran**

Promoter, MD and CEO

Co-Founder of Suryoday Small Finance
Bank

Committees

Ⓒ Chairman / Chairperson

Ⓜ Member

Audit Committee

Credit Committee

 Committee for Review
of Wilful defaulters
and Monitoring
High Value Frauds Corporate Social
Responsibility Committee Customer Service
Committee

IPO Committee

 IT Strategy
Committee Nomination and
Remuneration Committee Risk Management
Committee Stakeholders'
Relationship Committee Board
Strategy Committee

Leadership Team



Baskar Babu Ramachandran
MD & CEO



Narayan Rao
Chief Services Officer



Bhavin Damania
Chief Financial Officer



Geeta Krishnan
Company Secretary



Dhara Vyas
Chief People Officer & Head – CSR



Sominder Singh
Chief Business Officer – Retail Assets



Bharath Sondur
Chief Business Officer – Retail Banking



Sudhakar Mogera
Head – FIG



Vipr Bhardwaj
Chief Distribution Officer



Vaman Kamat
Chief Credit Officer



Yogesh Dixit
Chief Risk Officer



Vibha Gawde
Chief Audit Officer



R. Mohan
Head – Legal



Viswanathan Krishnamoorthy
Chief Compliance Officer

Listing Day Pictures





Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report of the Bank together with the Audited Financial Statements for the year ended 31st March, 2021.

FINANCIAL HIGHLIGHTS

The Bank's performance during the year ended 31st March, 2021 as compared to the previous financial year, is summarized below:

Particulars	(₹ in crores)	
	FY 2020-2021	FY 2019-2020
Advances	3,982.77	3,531.94
Deposits and borrowings	4,922.30	4,113.33
Total Income	875.63	854.14
Interest Expended	365.65	276.18
Operating Expenses	328.64	272.12
Operating Profit	181.34	305.84
Provisions and Contingencies (including tax)	169.48	194.89
Profit for the year	11.86	110.94
Add: Surplus brought forward from previous year	204.88	126.10
Amount available for appropriation	216.68	237.04
Statutory Reserve under section 17 of the Banking Regulation Act, 1949	2.96	27.73
Investment Fluctuation Reserve	7.86	7.10
Capital Reserve	1.03	0.15
Surplus carried to Balance Sheet	204.88	202.04
EPS (Basic)	1.32	13.38
EPS (Diluted)	1.31	13.27

OVERVIEW OF OPERATIONS

The net interest income for the year was ₹ 410.50 crores as compared to ₹ 490.50 crores in the previous year. The Profit for the year ended March 31, 2021 was ₹ 11.86 crores which was considerably low as compared to the previous year largely due to the impact of the Covid-19 situation on business and the additional provisions made during the year.

The Gross Loan Portfolio and the total deposits at ₹ 4,206.04 crores and ₹ 3,255.68 crores grew by 13% and 14% respectively as compared to the previous year. As at March 31, 2021, retail deposits constituted 80 percent of the overall deposits of the Bank.

The Capital Adequacy Ratio (CRAR) was 51.5% as at March 31, 2021 as compared to the statutory minimum required 15%.

Cost to income ratio for the year ended March 31, 2021 was 64.4% as compared to 47.1% for the previous year. Return on assets (RoA) declined from 2.5% in FY20 to 0.2% in FY21 primarily on account of higher provisioning on account of COVID related impact on the business of the Bank.

The number of banking outlets increased from 477 in March 2020 to 556 in March 2021 including 155 Unbanked Rural Centres.

The details of impact of COVID-19 situation on the business has been covered extensively in the report on Management Discussion and Analysis.

Customer- related initiatives

The Bank offers a suite of deposit and loan products catering to various customer segments. During the year under review, the Bank introduced the following products and collaborations:

Digital Tie-Ups

- Partnerships with three Payment Banks to offer their customers sweep account facilities and fixed deposits.
- Total deposits through partnership as at March 31, 2021 was ₹ 59.9 crore.
- Collaboration with Fintechs for MSME lending program on a completely digital platform.



SMILE Overdraft

- Launched overdraft product (SMILE-OD) for inclusive finance customers in FY21 to meet working capital needs.

Digitisation of Inclusive Finance Operations

- Tech enabled and real time opening of bank accounts, OD accounts, ECLGS accounts.
- Paperless Overdraft Credit limit of ~₹ 5,000 - 20,000 set up. As on March 31, 2021 limits set up for ~₹ 365 crore (~3.8 lakh customers as on 31 March 2021) of which the utilisation was at ₹ 135 crore, a utilization of over 68% in terms of number of accounts.

DIVIDEND

The Reserve Bank of India, vide Circular No. RBI/ 2021-22/ 23/ DOR.ACC.REC.7/ 21.02.067/ 2021-22 dated April 22, 2021, has inter alia advised banks to remain resilient and pro-actively raise and conserve capital as a bulwark against unexpected losses. The said Circular also requires the Board of Directors of the Bank to consider projected capital position and requirements, adequacy of provisions, etc. before deciding upon payment of dividend. Accordingly, the Board has not proposed any dividend for the year ended March 31, 2021.

CHANGE IN NATURE OF BUSINESS

There has been no change in the nature of business of the Bank during the year under review.

SHARE CAPITAL

Authorised capital:

During the year under review, the Authorised Share Capital of the Bank was increased from ₹ 100 crores (Rupees One Hundred crores) divided into 10,00,00,000 (ten crore) equity shares of ₹ 10 (Rupees Ten) each to ₹ 125 crores (Rupees One hundred and twenty five crores) divided into 12,50,00,000 (Twelve crore fifty lakh) equity shares of ₹ 10 (Rupees Ten) each in view of the public issue of the Bank.

Paid up Capital:

During the year, the Bank issued and allotted 463,449 Equity shares under the ESOP Scheme-2016 and ESOP Scheme -2019, 10,923,246 Equity shares by way of preferential issue on private placement basis and 8,150,000 Equity shares pursuant to its IPO increasing the paid-up capital of the Bank from ₹ 86.59 crores to ₹ 106.13 crores.

INITIAL PUBLIC OFFER OF THE BANK

In accordance with RBI's terms and conditions for grant of licence as a Small Finance Bank, the Bank was required to list its Equity Shares within three years of achieving the net worth of ₹ 500 crores.

Subsequent to the members' approval for fresh issue of 11,595,000 shares as mentioned in the Draft Red Herring Prospectus (DRHP), 5,208,226 were placed in the pre-IPO round leaving 6,386,774 shares for the IPO round. The Board approved issue of additional quantity of 1,763,226 shares in terms of the SEBI-ICDR Regulations to the public after providing for 20 percent minimum promoter contribution, which resulted in a fresh issue size of 8,150,000 equity shares. Additionally, the Bank received interest from existing shareholders Offering for Sale 10,943,070 equity shares. Out of the fresh issue of 8,150,000 shares @ ₹ 305 per share (Issue Price), 500,000 shares were reserved for subscription by employees at a discount of ₹ 30 per share.

The subscription to the IPO was kept open from March 17, 2021 to March 19, 2021. The IPO was over-subscribed by 2.3 times. The Equity shares of the Bank were successfully listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE") on March 26, 2021.

CREDIT RATINGS

The ratings assigned by ICRA/ CARE for various instruments are:

Instrument	Rating	Rating agency
Long term issuances/ Long Term issuances (NCD/Sub Debt)	A (Stable)	ICRA
Certificate of Deposits	A 1 + (A One Plus)	ICRA
Certificate of Deposits	A 1 + (A One Plus)	CRISIL

CAPITAL ADEQUACY

As per operating guidelines for Small Finance Bank, the Bank is required to maintain a minimum Capital Adequacy Ratio (CRAR) of 15% with minimum Common Equity Tier I (CET I) of 6%.

As at March 31, 2021, the CRAR stood at 51.5%, well above the regulatory minimum requirement of 15%. Tier I ratio of the Bank stood at 47.2% well above regulatory requirement of 6% and Tier II capital was at 4.3%.

SUBSIDIARY, ASSOCIATE AND JOINT VENTURE COMPANIES

The Bank does not have any Subsidiary, Associate or Joint Venture Company.

ANNUAL RETURN

The Annual Return as mandated under Section 92 (3) read with Section 134 (3) of the Companies Act, 2013 will be uploaded on the website of the Bank and the same can be accessed at [<https://www.suryodaybank.com/shareholders-meeting-agm-view-21-22>].

BOARD OF DIRECTORS

The Board is comprised of majority of Independent Directors as per RBI guidelines.

The certificate pursuant to paragraph number C.10(i) of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the financial year ended March 31, 2021 from Mr. Tushar Shridharani, Practicing Company Secretary, confirming that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of the Bank, is attached as **Annexure 1** to this Report.

During the year under review:

- (i) Mr. Baskar Babu Ramachandran [DIN 02303132] was re-appointed as Managing Director and Chief Executive Officer (MD & CEO) for a period of three years wef January 23, 2020 pursuant to RBI approval of January 14, 2020 and vide Special Resolution passed by the members of the Bank at the Extra Ordinary General Meeting (EGM) held on July 27, 2020.

On the recommendation of the Nomination & Remuneration Committee, the Board at its meeting held on July 22, 2021 approved increase in his remuneration for FY 2021-22 subject to the approval of the Reserve Bank of India and the members of the Bank. The resolution in respect of the same has been included in the Notice convening the Thirteenth Annual General Meeting of the Bank.

- (ii) Mr. R. Ramachandran [DIN 01953653], Part time Chairperson of the Board, was re-appointed as Independent Director for a period of three years with effect from September 24, 2020 vide Special Resolution passed by the members of the Bank at the Extra Ordinary General Meeting (EGM) held on July 27, 2020.
- (iii) Mr John Arunkumar Diaz [DIN 00493304] was appointed as Independent Director for period of five years with effect from December 16, 2019 vide Special Resolution passed by the members of the Bank at the Extra Ordinary General Meeting (EGM) held on July 27, 2020.

Mr. Aleem Remtula [DIN 02872107], being the Investor Director longest in office, retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Mr. Venkatesh Natarajan [DIN 02453219], Investor Director, resigned as Director with effect from close of business hours on May 31, 2021 in accordance with the requirements of the amended Articles of Association which will be placed again for approval of the shareholders at the ensuing Annual General Meeting. The Board places on record its appreciation of his contribution to the Board since 2010 as also guiding the Board and the management through its journey of transformation from a micro finance entity to a small finance bank.

Pursuant to the recommendation of the Nomination & Remuneration Committee, the Board at its meeting held on July 22, 2021 approved the proposal relating to the re-appointment of Mr. Mrutunjay Sahoo [DIN 00015715] as Independent Director of the Bank for a further period of three years with effect from September 22, 2021.

Pursuant to the recommendation of the Nomination & Remuneration Committee, the Board at its meeting held on July 22, 2021 approved the appointment of Mr. Krishna Prasad Nair [DIN 02611496] as Additional Director (Independent category). In terms of section 161 of the Companies Act, 2013, he holds office until the conclusion of the ensuing Annual General Meeting (AGM) of the Bank. His appointment as Independent Director of the Bank for a period of five years wef July 22, 2021 is being put up for shareholders approval at the ensuing AGM.

Resolutions in respect of the appointment/ re-appointment of the Directors as aforesaid have been included in the Notice convening the Thirteenth AGM of the Bank. Brief profiles of the said Directors have been annexed to the said Notice.

MEETINGS OF THE BOARD OF DIRECTORS/ COMMITTEES OF THE BOARD

During the year under review, twenty-eight Board Meetings were held and the gap between any two meetings were well within the statutorily permissible limits. The details of meetings of the Board and Board Committees together with the attendance are detailed in the Corporate Governance Report.

DECLARATION BY INDEPENDENT DIRECTORS

All the Independent Directors of the Board have submitted the required declarations that they meet the criteria of Independence as laid down under Section 149 (6) of the Companies Act, 2013.

POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

As per the provisions of sub-section (3) of Section 178 of the Companies Act, 2013 the Bank has a Policy on appointment of Directors and Senior Management employees which includes formulating criteria for determining qualifications, attributes and independence of a Director. This Policy has been disclosed on the Bank's website [<https://www.suryodaybank.com/Corporate-Governance-Policies>] The Board has, in accordance with the RBI guidelines on compensation, formulated the Compensation Policy which became effective in FY 2020-21. The Compensation Policy institutes a mechanism for alignment of compensation of Whole-time Directors, Chief Executive Officer, Material Risk Takers, Control Function Staff and other senior managerial personnel with the extent of risks taken. The Policy also establishes standards on compensation including fixed and variable, which are in alignment with the applicable rules and regulations including the RBI guidelines in this regard and which is based on the trends and practices of remuneration



prevailing in the banking industry. The remuneration of Whole Time Directors, Material Risk Takers, Key Managerial Personnel and senior management is governed by the Compensation Policy of the Bank. This Policy has been disclosed on the Bank's website [<https://www.suryodaybank.com/Corporate-Governance-Policies>]

The Non-Executive Directors including Independent Directors are paid remuneration by way of sitting fees for attending meetings of the Board and its Committees, which is determined by the Board based on applicable regulatory provisions. Further, expenses incurred by them for attending meetings of the Board and Committees, if any, are reimbursed at actuals.

BOARD EVALUATION

Pursuant to the provisions of section 178(2) read with Schedule IV of the Companies Act, 2013 and Regulation 19 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the annual evaluation of Board/Committee performance and that of individual directors was carried out. The criteria for evaluation was based on the Policy for Performance Evaluation of the Bank.

All Directors provided their responses on the questionnaires based on the said criteria. Each of the Committees evaluated its own performance. At a separate meeting of the Independent Directors, the performance of non-independent Directors and the performance of the Board as a whole were reviewed. The feedback from individual Directors and Committees relating to performance evaluation were shared with, and deliberated by, the Board.

KEY MANAGERIAL PERSONNEL

As of March 31, 2021, Mr. Baskar Babu Ramachandran, Managing Director and CEO, Mr Bhavin Damania, Chief Financial Officer and Ms. Geeta Krishnan, Company Secretary were the Key Managerial Personnel of the Bank in terms of section 203(1) of the Companies Act, 2013 and Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

EMPLOYEES STOCK OPTION SCHEME

The applicable disclosure with regard to Employee Stock Option Scheme is provided in **Annexure 2** to this report. The ESOP Scheme - 2019 was amended to bring the same in line with the SEBI (Share Based Employee Benefits) Regulations, 2014 vide Special Resolution passed by the shareholders at the Extra Ordinary General Meeting (EGM) held on July 27, 2020. The said Scheme will be placed before the members of the Bank for ratification at the ensuing Annual General Meeting as per the provisions of the said Regulations.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given, securities provided or acquisition of securities by a banking company in the ordinary course of its business are exempted from the disclosure requirement under Section 134(3)(g) of the said Act. Details of Investments are given in Schedule 8 to the Financial Statements forming part of the Annual Report.

RELATED PARTY TRANSACTIONS

During the year under review, there were no contracts or arrangements with related parties as referred to under section 188(1) of the Companies Act, 2013.

RISK MANAGEMENT FRAMEWORK

The Bank is exposed to various risks which broadly fall under one or more of the categories of Credit Risk, Market Risk, Liquidity Risk, Operational Risk and Information Security Risk. The Chief Risk Officer of the Bank is in charge of the risk management functions under the oversight of the Risk Management Committee of the Board (RMCB). The Bank has a robust framework for risk management in the form of regular review of products and processes by the Compliance team, periodic internal audit of processes and operations, regular review of risk policies and periodic reporting to the RMCB and the Board. The RMCB overviews the nature of the relevant risks, impact thereof on the business of the Bank, implementation of the risk management policies and processes and reviewing of these Policies.

Details of identification, assessment, mitigations, monitoring and the management of these risks are given in the Management Discussion and Analysis Report which forms part of this Annual Report.

INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Board has reviewed the adequacy and effectiveness of the Bank's internal financial controls with reference to its financial statements. During the year under review, no material or serious observation has been observed for inefficiency or inadequacy of such controls.

MATERIAL CHANGES AND COMMITMENTS, AFFECTING THE FINANCIAL POSITION OF THE BANK.

There are no material changes affecting the financial position of the Bank subsequent to the close of the financial year 2020-21 except the impact of COVID-19 pandemic and the lockdown on the business of the Bank, details of which are covered under Management Discussion & Analysis, forming part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 (the Act), the Board of Directors of the Bank hereby confirms that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. it has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2021 and of the profit of the Bank for the year ended on that date;
- c. it has taken sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- d. the annual accounts are prepared on a going-concern basis;
- e. the requisite internal financial controls followed by the Bank are adequate and were operating effectively;
- f. proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

MANAGEMENT DISCUSSION & ANALYSIS

The Report on Management Discussion & Analysis for FY 2020-21 forms part of this Annual Report.

CORPORATE GOVERNANCE

The Report on Corporate Governance along with the Certificate issued by the Secretarial Auditors of the Bank confirming compliance with the Corporate Governance requirements under Regulation 34 and other applicable provisions of the SEBI Listing Regulations forms part of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

During the year under review, the Bank undertook a major part of its CSR initiatives through an implementing agency viz. Suryoday Foundation. The CSR activities undertaken during the year were Financial Literacy programs and community engagement programs and programs related to managing the COVID-19 crisis. The details of CSR activities in FY 2020-21 are mentioned in the prescribed format and attached as **Annexure 3** to this Report.

BUSINESS RESPONSIBILITY REPORT

In terms of Regulation 34(2)(f) of the SEBI Listing Regulations, top 1000 listed companies based on their market capitalisation

as at March 31, 2021 are required to submit a Business Responsibility Report (BRR) as part of their Annual Report. The said Report has been uploaded on the website of the Bank and the same can be accessed at <https://www.suryodaybank.com/investor-relations>.

Any member interested in obtaining a copy of the BRR may write to the Company Secretary of the Bank at company.secretary@suryodaybank.com or submit a written request to the Registered Office of the Bank.

STATUTORY AUDITORS

M/s. MSKC & Associates, Chartered Accountants, Mumbai were appointed as Statutory Auditors of the Bank with the approval of the Reserve Bank of India at the Annual General Meeting held on September 29, 2020 up to the conclusion of the ensuing Annual General Meeting. Pursuant to the Guidelines for Appointment of Statutory Auditors (SAs) of Commercial Banks dated April 27, 2021 issued by the Reserve Bank of India ('RBI Guidelines'), M/s. MSKC & Associates vide their letter dated July 21, 2021, informed that they had reached the maximum limit for the number of audits to be undertaken and therefore would not be able to continue as the Statutory Auditors of the Bank for the financial year 2021-22.

In terms of the RBI Guidelines, the Audit Committee and the Board recommended the appointment of M/s Walker Chandiok & Co LLP as Statutory Auditors of the Bank for a period of three years from FY 2021-22 to FY 23-24 subject to the approval of the RBI. The RBI has, on August 13, 2021, approved the appointment of M/s Walker Chandiok & Co LLP, Chartered Accountants (FRN 001076N/ N500013) as the Statutory Auditors of the Bank for the year 2021-22 for their first year.

The resolution for appointment of M/s Walker Chandiok & Co LLP, Chartered Accountants (FRN 001076N/ N500013) as the Statutory Auditors of the Bank for a period of three years from the conclusion of this Annual General Meeting until the conclusion of the Sixteenth Annual General Meeting of the Bank is being put up for members' approval at the ensuing Annual General Meeting.

SECRETARIAL AUDITORS

The report of the Secretarial Auditors, Tushar Shridharani, Practicing Company Secretary, Mumbai [CP No.2190] for FY 2020-21 is attached as **Annexure 4** to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

The Bank has complied with the prescribed Secretarial Standards on meetings issued by the Institute of Company Secretaries of India for the financial year ended March 31, 2021.



INFORMATION UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Bank has adopted a Policy for Prevention of Sexual Harassment (POSH Policy) at the workplace under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been constituted in compliance with the provisions of the Act and the POSH Policy to review, investigate and take suitable actions on complaints. An Appellate Committee has also been constituted under the Policy before whom a complainant who is not satisfied with the decision of the ICC can prefer an appeal. Details of complaints received and resolved by the ICC during the FY 2020-21 are as follows:

Number of complaints pending at the beginning of the year	0
Number of complaints received during the year	3
Number of complaints disposed during the year	3
Number of complaints pending at the end of the of the year	0

During the year, there were no appeals filed under the said Policy.

VIGIL MECHANISM

The Bank has in place a Whistle Blower Policy which has been formulated as part of corporate governance norms and transparency where employees, customers and other stakeholders of the Bank including Non-Governmental Organizations (NGOs) are encouraged to voice genuine concerns of grievances about unprofessional conduct without the fear of reprisal to the person raising the concern.

The Policy provides a framework to promote responsible and secure whistle blowing with respect to any breach or violation of the Bank's Code of Conduct on any matter. Please refer <https://www.suryodaybank.com/Corporate-Governance-Policies>. The functioning of the Whistle Blower mechanism is subject to review by the Audit Committee.

During the year under review, no complaint was received under this Policy.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Bank did not undertake any activity relating to conservation of energy or technology absorption. Further, there were no earnings or outgo in foreign exchange.

DEPOSITS

Being a banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Section 73 to 76 of the Companies Act, 2013 are not applicable.

MAINTENANCE OF COST RECORDS

The cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013, are not applicable to the Bank.

DETAILS IN RESPECT OF FRAUDS, IF ANY, REPORTED BY AUDITORS

During the year under review, no frauds have been reported by the Statutory Auditors or the Secretarial Auditors under section 143(12) of the Companies Act, 2013.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL

There are no significant or material orders passed by the Regulators or Courts or Tribunal which would impact the going concern status of the Bank or its future operations.

PARTICULARS OF EMPLOYEES

The employee strength of your Bank is growing and as of March 31, 2021, the Bank had over 5,100 employees on its payroll. The disclosures pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as **Annexure 5** to this Report.

In terms of Section 136(1) of the Companies Act, 2013, the disclosure under Section 197 of the Companies Act, 2013 read with Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is excluded from the Annexures to this Report. The Annexure is available for inspection at the Registered Office of the Bank upto the date of the ensuing AGM. Any member interested in obtaining a copy of the Annexure may write to the Company Secretary of the Bank

ACKNOWLEDGEMENTS

The Board of Directors would like to place on record their gratitude for the guidance and co-operation received from the Reserve Bank of India, SEBI, Stock Exchanges, Depositories and other statutory and regulatory authorities and thank all the stakeholders of the Bank including its investors, customers, bankers, shareholders, debenture holders, trustees, Registrars and others for their continued support. The Board also wishes to express their appreciation for the sincere and dedicated efforts put in by all the employees of the Bank at all levels during the challenging situation faced during the year and look forward to their continued contribution in building this 'Bank of Smiles' into a world class organization.

For and on behalf of the Board

Ramachandran Rajaraman
Part-time Chairperson &
Independent Director
[DIN 01953653]

Baskar Babu Ramachandran
Managing Director & CEO
[DIN 02303132]

Date: August 23, 2021

**Directors' Report
ANNEXURE 1**

CERTIFICATE IN PURSUANCE OF PARAGRAPH NUMBER C. 10(I) OF SCHEDULE V TO THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 FOR THE FINANCIAL YEAR ENDING ON 31ST MARCH, 2021.

To The Board of Directors,
Suryoday Small Finance Bank Limited
Navi Mumbai - 400614

Dear Sirs/Madam,

- Paragraph number C. 10(i) of Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires a listed entity to disclose in its annual report information about its procuring a certificate from a Company Secretary in practice that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority.
- As on date of issue of this certificate; the Board of Directors of Suryoday Small Finance Bank Limited ("the Company"), a listed entity, is comprised of following Directors.

Sr No.	Employee Name	Designation	Appointment Date
1.	Baskar Babu Ramachandran	Managing Director	10-11-2008
2.	Ramachandran Rajaraman	Director	07-06-2014
3.	Mrutunjay Sahoo	Director	01-12-2015
4.	Jyotin Kantilal Mehta	Director	13-02-2017
5.	Venkatesh Natarajan	Nominee Director	29-03-2017
6.	Ranjit Jayant Shah	Nominee Director	02-11-2018
7.	Aleem Remtula	Nominee Director	15-12-2018
8.	Meena Hemchandra	Director	15-12-2018
9.	John Arunkumar Diaz	Director	16-12-2019

- I have been deputed to provide a certificate to the Company as referred in paragraph -1- above.
- For the purpose; I have considered and examined annual submissions made by each Director of the Company in pursuance of provisions of section to section 164(2) read with rule 14(1) of Companies (Appointment and Qualification of Directors) Rules, 2014, relevant information as displayed on the website of the Securities and Exchange Board of India as well on the website of the Ministry of Corporate Affairs and information generally available on public domain.
- And based on above; I state that none of the Directors on the board of the Company has been debarred or disqualified from being appointed or continuing as director of companies for the financial year ending on 31st March, 2021, by the Securities and Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority.

Tushar Shridharani
Practicing Company Secretary
FCS 2690 / COP 2190
UDIN – F002690C000382025

27th May, 2021

Note: In absence of specific direction; the procedure that I opted is based on my judgement, which might have some risk of any material information not being reviewed.



Directors' Report ANNEXURE 2

EMPLOYEES STOCK OPTIONS AS ON MARCH 31, 2021.

ESOP Scheme	Opening balance of options (1.4.2020)	Options granted during the year	Options vested during the year	Options forfeited/ lapsed during the year	Options exercised and shares allotted during the year	Amount Received* (₹ in lakhs, inclusive of premium)	No. of options outstanding at the end of the year	No. of outstanding options at the end of the year (vested)	No. of outstanding options at the end of the year (yet to be vested)
ESOP Scheme 2016	14,27,981	nil	4,24,518	2,71,227	3,06,734	394.51	8,49,930	3,23,223	5,26,707
ESOP Scheme 2019	20,67,100	3,15,000	4,60,150	3,10,750	1,56,715	307.16	19,14,635	3,00,935	16,13,700
Total	34,95,081	3,15,000	8,84,668	5,81,977	4,63,449	701.67	27,64,565	6,24,158	21,40,407

*Exercise Price under ESOP Scheme, 2016 was as per tranche-wise grant price viz. ₹ 108/-, ₹ 125/-, ₹ 127/-, ₹ 140/- and ₹ 173/- per share. Exercise Price under ESOP Scheme, 2019 was ₹ 196 per share which was the grant price for the first tranche.

Employee-wise details of options granted during the year under ESOP Scheme -2019 :

1. Key Managerial Personnel:

Employee Name	Designation	Number of options
Mr. Bhavin Damania	Chief Financial Officer	nil
Ms. Geeta Krishnan	Company Secretary	nil

2. Any other employee who received grant of option amounting to 5% or more of options granted during that year:

Employee Name	Designation	Number of options
Badrinarayan V	SVP - Process Excellence & Transformation	40,000
Vipr Bhardwaj	Chief Distribution Officer	75,000
Sudhakar Mogera	Head - FIG & Agri Loan	75,000
Sasidhar Vavilala	Executive Vice President - Retail	75,000

3. Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the bank at the time of grant : Nil

Directors' Report ANNEXURE 3

The Annual Report on CSR Activities for financial year 2020-21

1. Brief outline on CSR Policy of the Company:

The Corporate Social Responsibility Policy (CSR Policy) of the Bank sets out the broad framework guiding the Bank's CSR activities. The Policy also sets out the principles and the rules that need to be adhered to while taking up and implementing CSR activities to be undertaken as specified in Schedule VII of the Companies' Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorshi	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. R. Ramachandran	Independent Director-Chairperson	2	2
2	Mr. Mrutunjay Sahoo	Independent Director	2	2
3	Mr. Aleem Remtula	Investor Director	2	2
4	Mr. Venkatesh Natarajan	Investor Director	2	2
5	Mr. Baskar Babu Ramachandran	Executive Director	2	2

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.

- web-link for Composition of CSR committee: <https://www.suryodaybank.com/Board-Committee>
- web-link for CSR Policy : <https://www.suryodaybank.com/assets/pdf/policies/Corporate-Governance-Policies-CSR-Policy.pdf>
- web-link for CSR projects : <https://www.suryodaybank.com/about-us#NaN>

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

Not Applicable

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

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
1	2018-19	NIL	NIL
2	2019-20	NIL	NIL
3	2020-21	NIL	NIL
	Total	NIL	NIL

6. Average net profit of the company as per section 135(5) : ₹ 102,69,53,284

- Two percent of average net profit of the company as per section 135(5): ₹ 2,05,39,066
- Surplus arising out of the CSR projects or programmes or activities of the previous financial years: **NIL**
- Amount required to be set off for the financial year, if any : **NIL**
- Total CSR obligation for the financial year (7a+7b-7c) : ₹ 2,05,39,066



8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
2,21,62,783	NIL	Not Applicable	Not Applicable	NIL	Not Applicable

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

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project.		Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
NIL												

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
				State	District			Name	CSR registration number
1.	Distribution of Masks and Sanitizers for employees of Public Administration	(i)	Yes	Chattisgarh - Bastar, Bilaspur, Korba, Raipur, Suguja Gujarat -Ahmedabad, Vadodara, Sabarkatha, Surat Karnataka - Belgavi, Bidar, Bijapur, Davanagere, Dharwad, Gulbarga, Hassan, Mandya, Mysore, Tumkur Madhya Pradesh : Hoshangabad, Raisen, Shujalpur, Mandsaur, Neemuch, Ratlam, Jabalpur, Dhar, Indore Maharashtra - Pune , Amravati, Nagpur, Kolhapur, Sangli, Solapur, Beed , Latur, Yavatmal, Ahmednagar, Aurangabad, Dhule, Jalgaon, Nashik, Mumbai , Palghar, Raigad, Thane Odisha - Angul, Balangir, Balasore, Baripada, Bhadrak, Cuttack, Dhenkanal, Ganjam, Jajpur, Koraput, Mayurbanj , Nabarangpur, Nayagarh, Rourkela, Sambalpur Tamilnadu - Chennai, Cuddalore, Kanchipuram, Pudukotai, Saivagnaga, Thanjavur, Thiruvapur, Vellore, Villupuram, Coimbatore, Salem, Thoothukodi, Tirunelveli, Virudhunagar, Trichy Uttar Pradesh - Allahabad, Chandouli, Kaushambi, Varanasi		5,96,830	YES	NA	NA
2	Financial Education	(ii)	Yes	Maharashtra - Mumbai, Odissa - Bhubaneshwar, Tamilnadu - Chennai, Pondicherry and Cuddalore		2,05,39,066	NO	Suryoday Foundation	CSR00002727
Total						2,11,35,896			

- (d) Amount spent in Administrative Overheads : ₹ **10,26,953**
- (e) Amount spent on Impact Assessment, if applicable: **Not Applicable**
Amount spent on Impact Assessment, if applicable: **Not Applicable**
- (f) Total amount spent for the Financial Year (8b+8c+8d+8e) : ₹ **2,21,62,783**
- (g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	2,05,39,066
(ii)	Total amount spent for the Financial Year	2,21,62,783
(iii)	Excess amount spent for the financial year [(ii)-(i)]	16,23,783
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NIL
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	16,23,783

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

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1.	2018-19	NIL		N.A.	NIL	N.A.	-
2.	2019-20	NIL		N.A.	NIL	N.A.	-
3.	2020-21	NIL		N.A.	NIL	N.A.	

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration.	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed / Ongoing
					NIL			

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

- (a) Date of creation or acquisition of the capital asset(s): Not Applicable
- (b) Amount of CSR spent for creation or acquisition of capital asset: Not Applicable
- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc: Not Applicable
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): Not Applicable

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):
Not Applicable

Sd/-

Baskar Babu Ramachandran
(Managing Director & CEO)

Sd/-

R. Ramachandran
(Chairman, CSR Committee)

Date: August 12, 2021



Directors' Report ANNEXURE 4

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2021

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members
Suryoday Small Finance Bank Limited
1101 Sharda Terraces, Plot No. 65
Sector 11, CBD Belapur
Navi Mumbai – 400 614

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Suryoday Small Finance Bank Limited (“the Bank”). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Bank’s books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Bank has, during the period covering the financial year ended on 31st March, 2021 (“**Audit Period**”) complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on 31st March, 2021 according to the provisions of:

- (i) The Companies Act, 2013 (“the Act”) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
- (iii) The Securities and Exchange board of India (Depositories and Participants) Regulations, 2018;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992:

- a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.

(Note: Equity shares of the Bank were listed with The Bombay Stock Exchange and the National Stock Exchange of India Limited on 26 March, 2021.)

I have also examined compliance with the applicable regulations of the following:

- (a) Secretarial Standards issued by The Institute of Company Secretaries of India;
- (b) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the Audit Period; the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above to the extent applicable.

Having regard to the compliance system prevailing in the Bank and on examination of the relevant documents and records in pursuance thereof, to the extent applicable, on test check basis, the Bank has complied with the following regulations/laws applicable specifically to the Bank.

- (i) The Banking Regulation Act, 1949;
- (ii) RBI Guidelines / Directions applicable to Small Finance Banks.

I further report that:

The Board of Directors of the Bank is duly constituted with proper balance of Executive, Non-Executive and Independent Directors. The changes in the composition of the Board of Directors that took place during the Audit Period under review were carried out in compliance with the provisions of the Act and applicable guidelines of the Reserve Bank of India.

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

on the agenda items before the meeting and for meaningful participation at the meeting.

During the Audit Period, all decisions at Board Meetings and Committee Meetings were carried out unanimously.

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

I further report that during the Audit period; effective from 26th March, 2021, the securities of the Company were listed on stock exchange.

(Tushar Shridharani)

Practicing Company Secretary
FCS: 2690 / COP: 2190
UDIN: F002690C000365448

Place: Mumbai
Date: May 25, 2021

Note: This report is to be read with my letter of even date which is annexed herein next as Annexure A and forms an integral part of this report.



ANNEXURE A

To,
The Members
Suryoday Small Finance Bank Limited
1101 Sharda Terraces, Plot No. 65
Sector 11, CBD Belapur
Navi Mumbai – 400 614

This letter is an integral part of the Secretarial Audit Report of even date for F.Y. 2020-21 submitted to the Suryoday Small Finance Bank Limited (“the Bank”) in pursuance of provisions of section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Members of the Bank are informed as follow.

1. The compliance of provisions of all laws, rules, regulations, standards applicable to the Bank is the responsibility of the management of the Bank. My examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the present Secretarial Audit Report.
2. Maintenance of the secretarial and other records of applicable laws is the responsibility of the management of the Bank. My responsibility is to issue Secretarial Audit Report, based on the examination of the relevant records maintained and furnished to us by the Bank, along with explanations where so required.
3. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. The verification was done on test check basis to ensure that correct facts as reflected in secretarial and other records produced to us. I believe that the processes and practices that I followed provide a reasonable basis for my opinion for the purpose of issue of the Secretarial Audit Report.
4. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
5. Wherever required, I have obtained the management representation about list of applicable laws, compliance of laws, rules and regulations and major events during the audit period.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

Place: Mumbai;
Date: May 25, 2021

(Tushar Shridharani)
Practicing Company Secretary
FCS: 2690 / COP: 2190

Directors' Report
ANNEXURE 5

Information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sr No.	Particulars	
1	The ratio of the remuneration of the Managing Director and Chief Executive Officer (Executive Director) to the median remuneration of the employees of the Bank for FY 2020-2021	55.65
2	The percentage increase in remuneration of MD & CEO (Executive Director), Chief Financial Officer and Company Secretary in FY 2020-2021:	
	MD & CEO	Nil
	Chief Financial Officer	15.03
	Company Secretary	9.35
3	The percentage increase in the median remuneration of employees in FY 2020-2021	2.73%
4	The number of permanent employees on the rolls of Bank as at March 31, 2021	5131
5	Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentage increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average Percentage increase in salaries of employees other than managerial personnel: 8.25 Avg. Percentage increase in salaries of managerial personnel: 0.00
6	Affirmation that the remuneration is as per the Compensation Policy of the Bank	Yes



Management Discussion and Analysis

ECONOMIC OVERVIEW

Fiscal 2020 was volatile for the global economy. The first three quarters were marked by trade protectionist policies and disputes among major trading partners, volatile commodity and energy prices, and economic uncertainties arising from Brexit. Various estimates suggest that the Indian economy will shrink near to 10% in FY 2021 on account of the COVID-19 pandemic and rebound in FY 2022 on weak base.

The year started with the country being under a strict lockdown and businesses coming to a complete halt. Within a matter of few days the quantum of severity came to the forefront. As per a World Bank Report, COVID-19 has caused a global recession whose depth has been surpassed only by the two World Wars and the Great Depression over the past century and a half. As per the report by The Economist, by December 2020, COVID-19 had officially infected 81 million people across the world and possible 500 million were never diagnosed.

Fall in global investment has been pronounced. Even though financial conditions remain accommodative, reflecting exceptional monetary policies by Central Banks across the world, the underlying financial fragilities are mounting. As per the World Bank Report, global economy is estimated to have contracted 4.3 percent in 2020—a 0.9 percentage point lesser than was expected in June forecasts. In India, the gross domestic product (GDP) shrugged off the contractions of preceding quarters and moved into expansion zone in Q3FY21 (+0.4 per cent, year-on-year). High frequency indicators pointed to the growth momentum gaining strength in Q4 although the surge in COVID-19 infections in a few states in March 2021 led to uncertainty to the assessment. Going forward, rural demand remains the key, with the second wave likely to have a deeper impact on the rural economy as well. Urban demand and demand for contact-intensive services is also expected to recover faster as the recovery from COVID-19 is likely to be led by urban regions coming out of the second wave sooner.

In contrast to the previous year, the hope generated by vaccination drives in several countries at the start of the year 2021 has been somehow offset by rising infections and new mutant strains worldwide. Yet, the speed and collective endeavour with which the world mobilised scientific energies to develop vaccines, and pandemic-related protocols have now become a way of life, giving us hope and confidence that we will sail through this renewed second/third surge. Localised spurts in rates of infections will hopefully ebb with the COVID-19 vaccination drives.

BANKING SECTOR OVERVIEW

The Indian economy was heavily impacted in the first half of FY 2021. It finally started recovering after two consecutive quarters of contraction in H2FY21. The economy grew by 0.4% YoY in Q3, reflecting a sustained improvement from a contraction in Q1 of 24.4% and a contraction in Q2 of 7.3%.

As per Fitch Ratings, India's second wave of Covid-19 infections poses increased risks for India's fragile economic recovery and for its banks. India's active Covid-19 infections have been increasing at a rapid pace; new infections exceeded 300,000 a day in early May 2021, against 9,300 in mid-February 2021. Over 80% of the new infections are in six prominent states, which combined account for roughly 45% of total banking sector loans. Any further disruption in economic activity in these states would pose a setback for fragile business sentiment, even though a stringent pan-India lockdown like the one in 2020 is unlikely.

The operating environment for banks will most likely remain challenging against this backdrop. This second wave could dent the sluggish recovery in consumer and corporate confidence, and further suppress banks' prospects for new business. There are also asset quality concerns since banks' financial results are yet to fully factor in the first wave's impact. The government's more accommodative fiscal stance may also mitigate some short-term growth pressures. However, inoculating India's large population in a fast and effective way will be important to avoid repeated disruptions.

RBI in conjunction with the Government of India took various steps to ensure the flow of credit in the system in FY21.

Key measures taken by the Government of India

1. On 26 March 2021, the Finance Minister announced ₹1.7 Billion relief package
2. On 15 May 2020, Prime Minister declared a COVID relief package of ₹20 trillion
3. ~Two thirds of the country's population was covered under the Pradhan Mantri Garib Kalyan Anna Yojna guaranteeing 5 Kg of wheat and rice free during the lock-down
4. Production Linked Incentive (PLI) scheme worth up to ₹1.46 Lakh Crore for 10 key sectors in a bid to boost India's manufacturing capabilities and enhancing exports

Management Discussion and Analysis

5. New employees under the Employees' Provident Fund Organization (EPFO)-registered organisations to benefit from subsidy support by way of EPF contributions
6. Emergency Credit Line Guarantee Scheme (ECLGS) till 31 March 2021, to provide liquidity support to the 26 stressed sectors of the economy, including healthcare, identified by the Kamath Committee by providing collateral free and 100% guaranteed loans
7. Relief for MSME's –
 - ₹3 Lakh Crore collateral free loan with 100% credit guarantee
 - ₹20k Crore subordinate debt for stressed MSMEs
 - ₹50k Crore equity infusion for MSMEs with growth potential and viability through Fund of Funds

Key measures taken by RBI

1. Moratorium of three months (further extended by another 3 months) on the payment of term loans falling due between 1 March 2020 and 31 August 2020 for all accounts that were standard accounts as of 29 February 2020
2. Deferment of interest on working capital facility
3. Easing of working capital financing requirements by reducing margins or reassessment of working capital cycle
4. Exemption from being classified as 'defaulter' in supervisory reporting and reporting to credit information companies
5. Extension of resolution timelines for stressed assets
6. Asset classification standstill by excluding the moratorium period of 3 months by lending institutions
7. Permit lending institutions to convert the accumulated interest on working capital facilities over the total deferment period of 6 months (i.e. 1 March 2020 up to 31 August 2020) into a funded interest term loan which shall be fully repaid during the course of the current financial year, ending 31 March 2021.
8. Restructuring guidelines issued in April 2021 including for MSMEs

To soften the impact of Covid-19 on consumers, on 23 October 2020, the Central Government announced a scheme for the grant of ex-gratia payments to borrowers of certain categories of loans (MSME loans, education loan, housing loans, consumer durable loans, credit card dues, automobile loans, personal loans and consumption loans) where the sanctioned limit and outstanding amount does not exceed ₹2 Crore irrespective of whether the borrower opted for the moratorium or not (aggregate of all facilities with the lender). The ex-gratia payment is equivalent to the difference between compound interest and simple interest charged on those loans for the period 1 March

2020 to 31 August 2020. The scheme involved the lenders crediting the difference between simple interest and compound interest for the period to such borrowers and the Government paying such credited amounts to the lenders. These payments were credited to the borrower accounts in November 2020.

Supreme Court decision on litigations related to loan repayment during moratorium period

Supreme Court ("SC") heard litigations challenging the accrual of interest during the moratorium period on principal repayments and interest payments. In response to hearing on a case filed against the central government, the SC in an interim order dated 3 September 2020 directed lending institutions that accounts that were not declared as NPAs as of 31 August 2020 could not be declared as NPAs until further orders, pending disposal of the case by the Supreme Court. As a result, lending institutions did not classify any borrower account that had not been declared as an NPA as of 31 August 2020 as NPA subsequently, notwithstanding accounts' overdue status.

On 23 March 2021, the SC in its final order, lifted the standstill on classification of loan accounts and also refused to direct the government to increase the moratorium period or offer additional relief to impacted sectors over and above the packages already offered. As a result, banks and NBFCs will now be able to classify an account on the basis of its overdue status. The apex court also directed to refund interest on interest charged during moratorium period to all borrowers.

OUTLOOK

Post the onset of the second phase, the pick-up in economic activity has slowed significantly. Q1FY21 is likely to be crippled with the effects of this wave. Mass inoculation drive by the GOI continues to remain the strongest hope in recovering from this abyss. India is amongst the worst hit countries with the daily active reported infections going above 3,50,000 cases by end of April 2021. Considering the uncertainties with regard to the impact of the global health crisis and the slowdown in economic activity there has been a significant rise in risks in the operating environment along with the lack of clarity on the timeline for conditions to normalise achieve nation-wide vaccination.

In January 2021, World Bank forecasted India's GDP growth in CY 2021 at 5.4%. But in the light of the severe effects of the second wave of COVID-19 in India, these projections are likely to be revised downwards. While RBI along with the GOI have assured that systemic liquidity remains adequate the economic weakness caused by the pandemic and uncertainty regarding normalisation may impact banking sector loan growth, margins, asset quality and credit costs in the year to come.



Management Discussion and Analysis

BUSINESS SEGMENTS

Inclusive Finance:

As per Micrometer, as on 31 March 2021 (for loans originated after February 2017), microfinance industry had a total loan portfolio of ₹2,59,377 Cr, including DPD 180+ portfolio of ₹11,439 Cr. Total number of active loans accounts were 10.83 Cr with 5.93 Cr unique borrowers as on 31 March 2021.

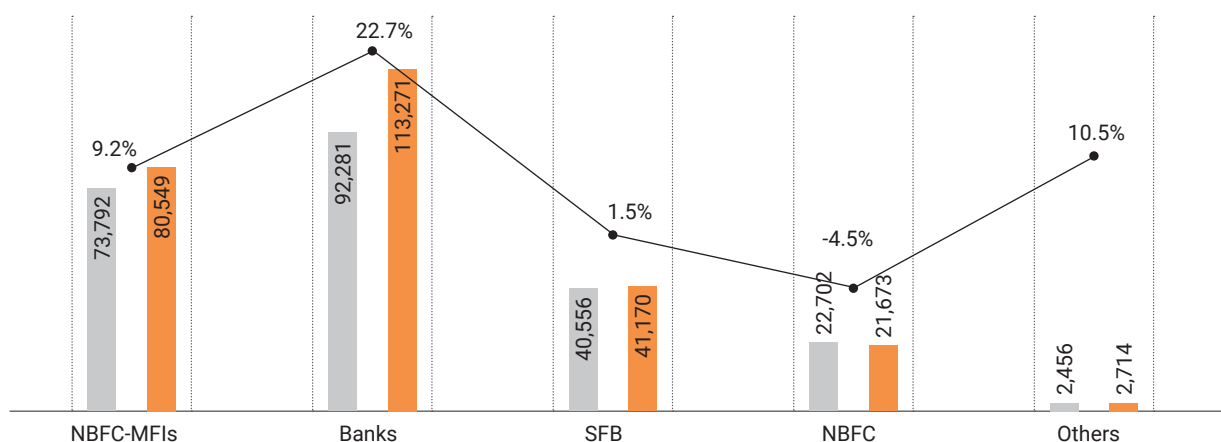
Micro-finance portfolio grew by ~12% YoY in March 2021.

Overall status of portfolio, Unique borrowers and loan accounts

Type of entity	31-Mar-21				31-Mar-20			
	No of Entities	Unique Borrowers (Cr)	Active Loan accounts (Cr)	Portfolio O/s (₹ Cr)	No of Entities	Unique Borrowers (Cr)	Active Loan accounts (Cr)	Portfolio O/s (₹ Cr)
NBFC-MFIs	85	2.59	3.69	80,549	84	2.64	3.84	73,792
Banks	13	2.86	4.27	1,13,271	12	2.67	3.68	92,281
SFB	8	1.47	1.80	41,170	8	1.51	1.85	40,556
NBFC	53	0.84	0.92	21,673	45	0.91	1.04	22,702
Others	28	0.13	0.15	2,713	21	0.12	0.14	2,456
Total	188	5.93	10.83	2,59,377	170	5.89	10.54	2,31,787
DPD 0-179	188		10.24	2,47,938	170		10.33	2,28,406
Ever MFI	193	6.10	11.21	2,65,100	176	6.10	10.94	2,60,570

Note: The total of entity-wise unique borrowers will not equal to overall total due to overlaps

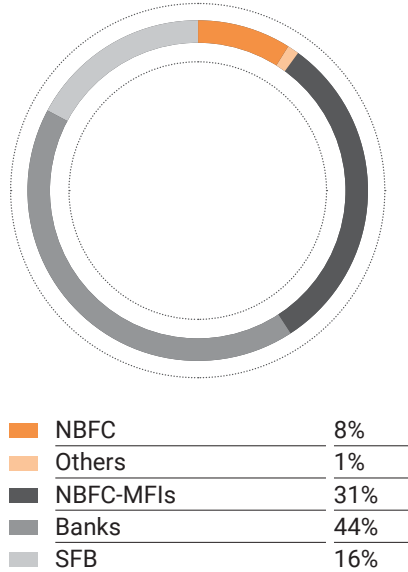
Micro-finance portfolio grew by ~11.9% YOY in March-21.



Legend: 31-Mar-20 (Grey bar), 31-Mar-21 (Orange bar), Growth (YOY) (Line with dot)

Management Discussion and Analysis

Micro-finance portfolio grew by ~11.9% YoY in March-21.



Distribution of the microcredit loans outstanding

The industry has witnessed multiple headwinds in the past decade, including national farm loan waivers (2008), the Andhra Pradesh crisis (2010), Andhra Pradesh farm loan waiver (2014), demonetisation (2016), and farm loan waiver across some more states (2017 and 2018).

At the core of the problem is the extended lockdown to contain the spread of COVID-19 last year, which affected the income-generation ability and the savings of micro-finance borrowers, typically having a weaker credit profile compared with other borrowers. About 50-60% of microloans were under moratorium as of August 2020. This was further accentuated by several state-imposed lockdowns affecting normalisation of business operations of MFIs.

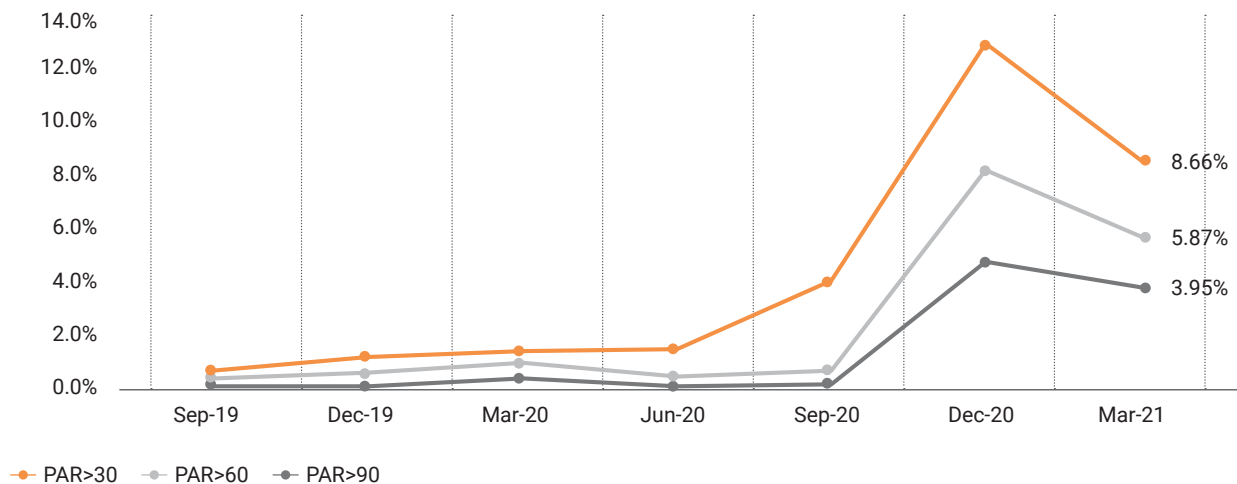
Disbursements were completely stopped due to the uncertainty led by COVID-19 in H1FY20. Although disbursements slowly resumed in Q3-Q4 FY21, the second wave which started post March 2021 has again put partial brakes on the growth in disbursements.

In the current scenario of the COVID-19 pandemic, financial services companies face a twin blow of asset quality and liquidity stress. Nevertheless, the regulator has ensured that all market participants would get adequate liquidity in these testing times. Although the moratorium was necessary given the severity of loss of business during March-August 2020, it has led to alteration in the payment cycle discipline amongst micro finance customers that has led to elevation of delinquencies in the short term.



Management Discussion and Analysis

PAR trend



While overall collection efficiencies have improved on a quarter-on-quarter basis, the repayment behavior at the bottom-of-pyramid segment continues to be high. Credit costs are likely to be elevated as the industry battles increased delinquencies in the near term.

Improving the functioning of the housing market and addressing affordability are key challenges. Access to affordable housing is crucial for achieving a number of other policy objectives, including poverty reduction, equality of opportunity and more inclusive and sustainable growth.

HOUSING

Over the last couple of decades, a rapid rise in population and incomes resulted in an increase in demand for housing. However, despite several public housing programs that boosted supply, the housing shortage remains. In 2015, according to government estimates, about 40 million households faced housing shortages, including the homeless and households in sub-standard or congested dwellings, or without basic amenities. The housing shortage is larger in rural areas (almost 30 million people live in poor quality housing), where the large majority of the population lives, and among low income groups.

India is projected to have the fastest growing urban population in the coming decades among the BRIICS. Average real housing prices have increased much more than GDP per capita over the period 2012-2019, undermining housing affordability in particular for low-income households. The various regulations and costly land in urban areas have pushed up the ratio of house prices to annual income, reducing affordability, especially for low-income households.

Affordable Housing:

Real housing prices increased significantly between 2010 and 2015. As per a Report from RBI in 2019, house prices were high relative to incomes for most people. Overall affordability measured by the "house price to income" ratio or the "loan to income" ratio worsened between 2015-19. Government of India has taken multiple steps in improving housing access to the poor. Implementation of Real Estate (Regulation and Development) Act (RERA) in 2017 was a big positive.

Amid conditions of business de-growth for the housing finance companies (HFC)s, the affordable housing finance companies (AHFC)s have continued to grow albeit at a slower pace. As per the latest ICRA report, the total portfolio of the new AHFCs in the affordable housing space stood at ₹55,061 Crore as on 30 September 2020 and registered a moderate year-on-year (YoY) growth of 9% compared to sector's overall negative growth primarily due to COVID-19 related issues in FY21.

Management Discussion and Analysis

Given the target borrower profile (largely self-employed and middle-to-low-income borrowers), the impact of the pandemic on earnings and savings could be high in near term. However, the long-term growth outlook for the sector remains positive given the large underserved market, favourable demographic profile, housing shortage and Government support in the form of tax sops and subsidies.

COMMERCIAL VEHICLE LOANS

The pandemic has impacted the slow pick up in the sector. The segment has been facing tough business environment since September 2019 due to slowdown in the economy. The second wave has further intensified the hardships with steep decline in sales and causing major disruption in supply chain, labour availability and challenges on the financial front for the entire automotive fraternity.

In the calendar year ending December 2020, the CV sales fell ~10% YoY on account of lockdown due to Covid – 19. After being in the negative territory for around two-and-half years, the commercial vehicle industry had entered the revival phase. In the quarter ended March, manufacturers not only posted an annual growth due to 'low base effect' of the pandemic year but also saw an improvement on a sequential basis.

When compared year-on-year, sales were higher by 59%. CV sales had been trailing down since the collapse of NBFC major Infrastructure Leasing & Financial Services (IL&FS) in mid-2018 and the revised load-carrying norms in the same year.

This segment also faced the maximum impact of the slowdown in economic activity throughout 2019. Further, the

COVID-19 pandemic in 2020 only made it worse. Sales across categories fell by 29% to 7,17,688 units in FY20. Medium and heavy commercial vehicles, an indicator of construction and mining activities, registered a bigger drop of 42%. In the April-December of FY21, CV dispatches further declined by 37% to 3,58,203 units.

However, revival in the economy remains to be bellwether for industry and may witness sharp turnaround to meet pent up demand and to service increased requirement across industry sectors.

Secured business loans/Loan against property (LAP)

LAP (banks and non-banks) registered a CAGR of approximately 17% between FY16 and FY19, primarily driven by rising penetration of formal channels and higher comfort for the lenders to lend. However, the growth reduced to approximately 12% in FY20 due to the liquidity crisis and increasing asset quality concerns. In FY21, the outbreak of the COVID-19 pandemic has affected economic activity and subsequently borrower's cash flow, which will affect collections, thereby posing asset quality risks in near term. As the impacted of pandemic reduces, the sector is likely to come back with good asset quality being secured business in nature.

Suryoday SFB: Overview

Suryoday Small Finance Bank Limited (Suryoday) is one of the 10 Small Finance Banks listed on NSE and BSE. Suryoday successfully got listed on stock exchanges on 26 March 2021. We are headquartered in Maharashtra. As on 31 March 2021, we had 556 touchpoints operational across 13 states and Union Territories with a team of 5,131 people.

Summary of Profit & Loss Statement

Particulars	FY21	FY20	YoY
Interest Earned	776.1	766.7	1%
Interest Expended	365.7	276.2	32%
Net Interest Income	410.5	490.5	-16%
Other Income	99.5	87.5	14%
Net Total Income	510.0	578.0	-12%
Operating Expenses	328.6	272.1	21%
Employee Expense	185.8	171.4	8%
Other Expense	142.8	100.8	42%
Operating Profit	181.3	305.8	-41%
Provisions and Contingencies	169.2	151.9	11%
Net Profit Before Tax	12.1	154.0	-92%
Tax	0.2	43.0	-99%
Profit After Tax	11.9	110.9	-89%



Management Discussion and Analysis

Summary of the Balance Sheet

Particulars (figures in INR Crores)	Q4 FY21	Q4 FY20	YoY
Capital and Liabilities			
Net-worth	1,597	1,066	50%
Deposits	3,256	2,849	14%
Borrowings	1,667	1,265	32%
Others Liabilities and Provisions	193	185	4%
Total	6,712	5,365	25%
Assets			
Fixed Assets	43	39	12%
Cash and Bank	597	838	-29%
Investments	1,874	808	132%
Advances	3,983	3,532	13%
Other Assets	216	148	46%
Total Assets	6,712	5,365	25%

Key Financial Ratios:

Particulars [*]	FY21	FY20	YoY
Yield on Gross Loan Portfolio [^]	17.8%	21.9%	-408 bps
Cost of Funds	8.0%	8.6%	-59 bps
NIM [^]	7.1%	11.7%	-461 bps
Cost of Deposits	7.7%	8.3%	-57 bps
Cost to Income [^]	64.4%	47.1%	1,736 bps
CASA Ratio	15.4%	11.4%	400 bps
GNPA Ratio	9.4%	2.8%	661 bps
NNPA Ratio	4.7%	0.6%	416 bps
Provision coverage Ratio (%)	63.9%	84.7%	-2,098 bps
ROAA [^]	0.2%	2.5%	-233 bps
ROAE [^]	1.0%	11.2%	-1,027 bps
Book Value Per Share (BVPS)	150.5	123.1	22.2%

[^] Ratios are impacted due to interest reversal of ₹74.1 Crore, lower disbursement and negative carry impact of excess liquidity in FY21

KEY HIGHLIGHTS FOR FY21

Asset Business:

- Suryoday's assets customer base is ~13.5 Lakh.
- Our Assets Under Management (AUM) increased by 13% YoY to ₹4,206.0 Crore. The growth was despite a washout of business in H1FY21 due to COVID related slowdown. Inclusive Finance as a percentage of the overall business is at 69.5%.
- Post August 2020 i.e. completion of moratorium, disbursements started picking up. The Bank disbursed ₹2,217 Crore during FY21 down 28% YoY. Bulk of the disbursements came in second half of FY21.
- Housing finance business shown strong growth From December 2020, disbursed ₹96.7 Crore during four months from December 2020 – March 2021 wherein per month disbursement has been significantly higher than pre-COVID level.
- In micro finance, focus was on retaining existing customers while new customers were primarily added in newly opened 60 branches during the year.
- The Government of India has announced various measures, such as emergency credit line guarantee scheme ("ECLGS") for corporate and retail customers and loan restructuring. Suryoday was one of the few banks which disbursed 1,01,655 ECLGS loans amounting to ₹95.2 Crore.

Management Discussion and Analysis

Liability Business:

7. Deposits grew ~14% YoY to ₹3,256 Crore. The proportion of granular retail deposits improved from ~54% in March 2020 to ~80% in March 2021 of the overall deposits.
8. Launched Smile OD product to provide working capital facility to JLG customers. The Bank has set up 3,83,175 accounts (limit set up), through which ₹135 Crore is the drawn position (2,61,950 accounts) as on 31 March 2021 i.e. utilisation by more than 68% customers.
9. Digital Partnerships: With focus on digitisation, the company entered into partnership with Airtel Payments Bank, PayTM Payments Bank and Fino Payments Bank for sweep-in account facilities for our customers. As of 31 March 2021, total deposits sourced through partnerships was at ₹59.9 Crore.
10. In a first of its kind initiative by any SFB, Suryoday tied-up with PayTM for a completely digital lending program for MSME up to an amount of ₹1 Lakh.

Business Performance:

11. Net interest income fell 16% YoY for the year ended 31 March 2021 to ~₹410 Crore. The fall in the NII was mainly due to
 - a. Interest reversal of ₹74.1 Crore on Gross NPA
 - b. Lower disbursement due to uncertainty relating to COVID-19 in FY21
12. Elevated NPA and accelerated provision dented the profitability for the year. PAT for the year fell 89.3% YoY to ₹11.9 Crore after considering the impact of write off of ₹96.9 Crore and interest reversal of ₹74.1 Crore.

Balance Sheet

13. The Bank maintained a healthy Capital Adequacy Ratio of 51.5% and Tier-I ratio of 47.2% (without considering operational and market risk) well above minimum requirements of 15% and 7.5%, respectively.

Financial Ratios:

14. Overall yields and NIM fell by 408bps and 461bps respectively on account of interest reversal on GNPA and significant excess liquidity maintained during the year, compensated through reduction in cost of funds.
15. Cost to income for FY21 was 64.4% as compared to 47.1% in FY21. This was mainly impacted due to interest reversal, lower disbursements, and significant excess liquidity.
16. Our average cost of funds improved by ~59 basis points to 8.0% for FY21 due to reduction in deposit rates

throughout the year and borrowing at cheaper rate from refinancing institutions.

17. Return on Equity (ROA) and Return on Equity (ROE) fell 233 bps and 1,036 bps to 0.2% and 1.0% respectively due to credit cost on account of increased NPA and lower disbursements.

Asset Quality:

18. GNPA of 9.4% as on 31 March 2021 compared to proforma GNPA of 9.3% as at 31 December 2020 and 2.8% as on 31 March 2020;
19. NNPA at 4.7% as on 31 March 2021 as compared to 5.4% as at 31 December 2020 and 0.8% as on 31 March 2020.
20. The Bank has done one-time restructuring of customers comprising of 3.2% of AUM as at 31 March 2021.
21. Total provisions created in FY21 aggregate of ~₹221 Crore. Provision coverage ratio as on March 2021 was at 63.7%.
22. The Bank has fully utilized COVID provision of ₹140.7 Crore however continues to carry floating provision of ₹91.3 Crore as at 31 March 2021.
23. Collection Efficiency on 1 EMI basis as at the end of March 2021 was 87% which consistently improved from 46% in June 2020. Overcall collection efficiency stands at 121% in March 2021 and remained consistently above 100% from December 2020.

Other Updates:

24. Company raised ~₹520 Crore in FY21 including a fresh issue of ~₹248 Crore in the IPO in March 2021.

Product Portfolio

Suryoday is emerging as a customer focused partner and making access to funding for the unbanked and underbanked segments in India. As a Bank, we have tried to endeavor a strong and lasting relationship with our customers in their time of need and this stands true to our ideology of customer centricity.

The Bank's product portfolio includes advances to customers in unbanked and under-banked segments and liability products in the form of deposits. The Bank launched few products in FY21 tailored to the immediate needs of the customers like Smile OD for micro finance customer base.

We aspire to leverage our proven systems and skills in the small ticket secured retail lending segment, with the underserved segment as our focus. Through this, we will empower people at the bottom of the pyramid across many parts of the country. We entered India's dynamic banking landscape in 2017, after a decade of expertise in lending to the underserved.



Management Discussion and Analysis

Asset Products

The Bank's asset products are categorised into (i) inclusive finance loans comprising loans to joint liability groups (JLGs); (ii) commercial vehicle loans; (iii) affordable housing loans; (iv) secured business loans (SBL); (v) micro business loans (T-Nagar); (vi) loans to financial intermediary groups (FIGs); and (vii) other loans.

Categorisation is largely determined by customer profile, type of security and end-use.

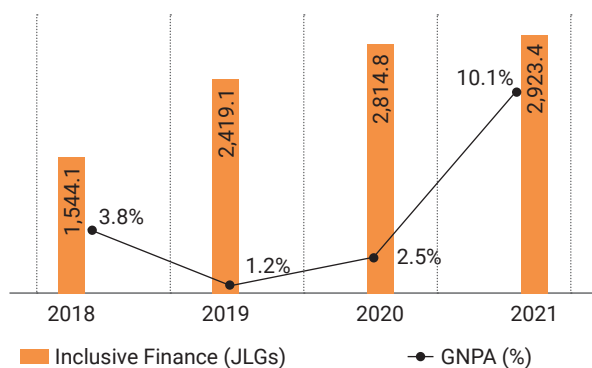
The table below sets forth the Bank's Gross Loan Portfolio by product as of the dates indicated:

	As of 31 March			
	2020		2021	
	(₹ Crore)	% of Total	(₹ Crore)	% of Total
Inclusive Finance (JLGs)	2,814.8	75.9%	2,923.4	69.5%
Commercial Vehicle Loans	370.5	10.0%	355.1	8.4%
Affordable Housing Loans	181.2	4.9%	311.4	7.4%
Secured Business Loans	106.3	2.9%	158.7	3.8%
Micro Business Loans (T-Nagar)	42.8	1.2%	31.5	0.7%
MSME/SME Loans	37.5	1.0%	17.5	0.4%
Financial Intermediary Group (FIG) Loans	100.5	2.7%	214.2	5.1%
Others*	57.3	1.5%	194.3	4.6%
Gross Loan Portfolio	3,710.8	100.0%	4,206.0	100.00%

*Note: Others includes overdrafts and staff loans

Inclusive Finance

Suryoday was started as an NBFC engaged in the business of lending micro finance loans to the unbanked and underbanked sections of the country in 2009. This product is the flagship product of the Bank and today contributes to 69.5% of the overall GLP. During FY21, our GLP in the inclusive finance vertical grew moderately at 3.9% YoY. Pandemic had a severe impact on unsecured lending. Coupled by moratorium, which was much needed at the time, led to a disruption in the payment behavior in this customer segment. This has resulted in the increase in delinquencies in this segment and is likely to remain high in the near future.



Following steps were taken by us in the financial year:

1. Smile OD:

Smile OD is an overdraft facility for our existing inclusive finance customers. The product is offered to our existing inclusive finance customers who regularly service their dues in order to enable them to meet their additional working capital requirements. Total number of accounts as at 31 March 2021 stood at 383,175 with total balance outstanding of ₹135 Crore having a utilization of over 68% in terms of number of accounts. The process of opening Smile OD and savings accounts is entirely digital for existing customers. These inclusive finance loans help meet their working capital requirements and, we believe, promote inclusion of such customers as part of formal banking channels.

2. ECLGS:

Government of India has announced various measures during FY21, such as emergency credit line guarantee scheme ("ECLGS") for corporate and retail customers and loan restructuring. During the last financial year ending 31 March 2021, the Bank has disbursed 1,01,655 ECLGS loans amounting to ₹95.2 Crore.

3. Ex-Gratia:

On 23 October 2020, the Government of India announced a scheme for the grant of ex-gratia payments to borrowers of certain categories of loans where the sanctioned limit and outstanding amount does not exceed ₹20 Million irrespective of whether they opted for the moratorium or not (aggregate of all facilities with the lender) of the difference between compound interest and simple interest charged on those loans for the period 1 March 2020 to 31 August 2020. The scheme involves the lenders crediting the difference between simple interest and compound interest for the period between 1 March 2020 to 31 August 2020 to the accounts of such borrowers and the government paying such credited amounts to the lenders. Under this scheme, our Bank has paid out ₹0.85 Crore and provided for ₹0.3 Crore to our customers, as of 31 March 2021. The Supreme Court in its final Judgement on 23 March 2021 directed to refund interest on interest charged during moratorium period to all customers, following the direction, the Bank has provided additional liability of ₹30 Lakhs over and above ₹0.85 Crore as mentioned paid in the first tranche.

4. Digital Collection:

In FY21, we commenced offering digital collection facilities for all our customers to pay their loan instalments digitally, although the penetration is limited.

Digitization of operations:

The Bank implemented a digital origination system for JLG loans (GLOW) to fast track the entire sourcing and disbursal process in FY19. The turnaround time (TAT) for loan sourcing

Management Discussion and Analysis

has been reduced from 11 days to five days in FY 2019-20 as a result of this digital initiative. Due to this initiative, the Bank could restart its business post moratorium swiftly.

Group product loans are typically offered at ticket sizes ranging between ₹7,000 and ₹50,000, depending on their loan cycle. In FY21, the average ticket size of these loans was ₹35,038, and they were disbursed for an average tenure of ~21 months. Loans were primarily disbursed to existing customers as retention measure hence have to increase in disbursement ticket size. The average yield for our inclusive finance (JLG) segment was 19.9% in FY21. In FY21, disbursements under this segment were ₹1,640 Crore of which ~ 86% comes from H2FY21.

Collection Efficiency

For Suryoday, collections are made on a monthly basis. Repayments continue to be in cash, however, the Bank has been working on collecting money in partnership with many digital payment companies by giving an option to customers to make payments digitally though success remains moderate.

State-wise collection efficiency has been given below:

State-wise collection efficiency Collection Efficiency (1-EMI Adj.)	Sep-20	Dec-20	Mar-21
Chhattisgarh	77%	94%	95%
Gujarat	82%	88%	91%
Karnataka	79%	88%	90%
Madhya Pradesh	74%	84%	87%
Maharashtra	61%	74%	82%
Odisha	67%	85%	88%
Tamil Nadu	71%	83%	88%
Uttar Pradesh	81%	92%	96%
Rajasthan	86%	81%	81%
Total	70%	82%	87%

Note: Collection Efficiency – One EMI Adjusted - Calculated as the amount collected (including arrears, advance collection and collections done in the closed accounts), which is restricted to the demand of the month, as a percentage of the total amount due for collection in such month (including the due against the accounts under the moratorium and Gross NPAs)

State-wise collection efficiency Collection Efficiency (Overall)	Sep-20	Dec-20	Mar-21
Chhattisgarh	86%	119%	140%
Gujarat	91%	114%	126%
Karnataka	89%	124%	128%
Madhya Pradesh	89%	129%	125%
Maharashtra	66%	104%	121%
Odisha	75%	118%	121%
Tamil Nadu	77%	107%	119%
Uttar Pradesh	94%	122%	118%
Rajasthan	95%	83%	98%
Total	77%	111%	121%

Note: Collection Efficiency-Calculated as the amount collected (including arrears, advance collection and collections done in the closed accounts), as a percentage of the total amount due for collection in such month (including the due against the accounts under the moratorium and Gross NPAs).

Collection Efficiency on (1 EMI basis) continued to improve quarterly throughout the year. Maharashtra was impacted more than the other states due to intermittent lockdowns and shutdown of transport in Mumbai (trains) and Pune. Despite the slower pick-up, collection efficiency picked up in Maharashtra and started normalizing across other states.

Commercial Vehicles (CV)

The Bank began commercial vehicle financing business in FY18. As a strategy, the Bank primarily used to fund fleet operators who were engaged in road transport business for various industries who have availed finance for heavy and medium commercial goods vehicles. These are used for a range of commercial purposes, such as market loading operations, contract transportation and logistics services.

In second half of FY20, the Bank introduced a new product offering of overdraft facility to small and medium size fleet owners (CV OD) to meet their working capital requirement. This overdraft facility is used as a foot-in-the-door strategy to have a larger and longer relationship over a period of time. The objective is to add customers through this product for potential benefits when the business cycle improves. During FY21, the Bank started refinancing and funding for used vehicles for small and medium fleet operators.

As of 31 March 2021, Gross Loan Portfolio in this segment was ₹355.1 Crore, representing 8.4% of our total Gross Loan Portfolio.

The average ticket size of these commercial vehicle loans was ₹15.9 Lakh, with an average tenor of 39 months. The average yield for FY21 was 10.0%. Reduction was primarily on account of interest reversal on GNPA in this segment.

The portfolio experienced some stress due to a slowdown in the economy and change in axle load norms in FY20. The situation got accentuated due to the pandemic with a complete standstill in business with demand for CV evaporating in first half of FY21. GNPA in the portfolio increased to 12.8% at the end of March 2021 however 90+ customers portfolio is ₹27.9 Crore representing customer intent to repay the debt.

Restructuring of 51,668 accounts (portfolio value of ₹113.7 Crore) were performed under RBI MSME circular, 11 accounts (portfolio value of ₹2.2 Crore) under Kamath Committee circular and are classified as standard assets as per both circulars. The Bank has also restructured 275 accounts (portfolio value of ₹20.2 Crore) under RBI Master Circular on Income Recognition and Asset Classification dated 1 July 2015 and are classified as NPA as on 31 March 2021. Total restructuring book stands at 3.3% of gross advances (standard is 2.8% and NPA is 0.5%) as on 31 March 2021. The Bank also extended 1,01,655 ECLGS loans



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totaling to ₹95.2 Crore. With economy returning to normalcy, we expect this segment to recover in the near future. As a strategy, the Bank has extended relationships with many customers by providing them OD facilities which they can leverage once the situation normalises. We intend to digitally onboard a potentially large customer base by offering small ticket overdraft loan facilities, in particular to our targeted customer segment, i.e., small and retail transporters.

Collection Efficiency: Commercial Vehicle

State	Sep-20	Dec-20	Mar-21
Collection Efficiency (1-EMI Adj.)	77%	89%	93%
Collection Efficiency (Overall)	86%	103%	109%

Collection efficiency continued to remain slower in the state of Maharashtra specifically in Mumbai as the economy was slow to pick up. Major impact last year seen in Mumbai trailer segment, School Bus, Route Bus and Vehicle Carrier segment.

Outlook: Overall business was severely impacted due to the pandemic. The industry has been under tremendous pressure since mid-2019. As the economy improves and business returns to normalcy business is likely to return to normalised growth.

Affordable Housing Loans

In the housing segment the Bank's loan offerings are aimed at self-employed/salaried applicants for purchase of apartments or self-construction of their property with a focus on non-agricultural town planning approved property (NATP). These loans are primarily distributed from banking outlets located in urban/semi-urban areas. Loans are provided for purchase of house, construction of house, improvement/restoration/extension of home.

As of 31 March 2021, Gross Loan Portfolio in this segment was ₹311.4 Crore, representing 7.4% of our total Gross Loan Portfolio.

These affordable housing loans were disbursed at an average ticket size of ~₹9.1 Lakh for an average tenor of 198 months (in FY20). The average yield for FY21 was 11.0% whereas the total disbursements in this segment during the same period was ₹142.9 Crore.

As of 31 March 2020, the GNPA for this product was 4.2% however 90+ customers portfolio is 2.5% representing customer intent to repay the debt.

During the year the Bank launched Small ticket home loans of an average ticket size of ₹2-10 Lakhs targeted at customers who meet the requirement of funds for individuals who intend to buy / construct their own dwelling unit with a focus on first time home buyers from the EWS / LIG segment background and also qualify for the PMAY - CLSS benefit. Ideally, the target customers in this segment are a) Traders who are customers in the business of

selling of goods like, Fruits and Vegetables, Hardware, Provision Stores, Stationery etc., Retailers – Individuals with Retail Sales Set up including Premises / Carts, Semi-Skilled Workers – Individuals working as Carpenters, Plumbers, Electricians Etc. and Individuals engaged in Seasonal Products.

Collection Efficiency: Affordable Housing

State	Sep-20	Dec-20	Mar-21
Collection Efficiency (1-EMI Adj.)	84%	94%	96%
Collection Efficiency (Overall)	91%	148%	129%

Customers in this segment essentially have stable cash flows, and typically belong to the informal segment, or are involved in informal trade or commercial activity where income is not completely documented and requires field-based credit assessment.

This segment has been far more resilient in terms of collections in comparisons with other segments. Although the impact of moratorium saw the collection efficiency in the segment dip, it has since returned to normalcy.

Outlook: Affordable housing finance segment will be a key focus going forward. We anticipate growth in this segment from areas where we have an existing presence. Our focus will be to disburse loans to self-employed and salaried individuals for non-agricultural properties and in particular in the affordable housing segment and leverage our existing inclusive finance distribution reach and customer base to source home loan customers.

Secured Business Loans

The Bank commenced secured business loan product (SBL) in FY17. The target customer profile for this segment has evolved over the last four years based on our experience and understanding of the various customer segments the Bank has interacted with. This was supported by strengthening our credit team for improved credit analysis prior to onboarding. The Bank continues to refine the asset quality of loans advanced under this segment by monitoring compliance with end-use restrictions.

Gross Loan Portfolio as of 31 March 2021 in this segment were ₹158.7 Million, representing 3.8% of our total Gross Loan Portfolio. Of the total portfolio, the new portfolio comprises of 90% of the total portfolio.

With secured business loans under refined credit policies offered at an average ticket size of ₹17.7 Lakh, for an average tenor of 119 month and average yield of 13.1%, the SBL product continues to be the focus area of the Bank. In FY21, the Bank disbursed ₹69.4 Crore under this product segment.

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As on March 2021 the GNPA in this product segment was 7.4%. Of the total, 90% consists of the newly evolved business wherein the GNPA is significantly lower.

Collection Efficiency : Secured Business Loans

State	Sep-20	Dec-20	Mar-21
Collection Efficiency (1-EMI Adj.)	75%	88%	89%
Collection Efficiency (Overall)	123%	140%	322%

Collection Efficiency in the New SBL which comprises of ~90% of the SBL book (evolved product) is 95% in March 2021.

The new SBL portfolio has fared well in terms of collections in comparisons with other segments and has recovered from the lows in June 2020.

Outlook: Secured business loans are financed to MSMEs/SMEs and to corporates for business purposes including funding their growth and expansion. We plan to deepen our relationship with such customers by opening liability accounts and selling third party products.

Financial Intermediary Group Loans (FIG loans)

The Bank provides term loans to financial intermediaries i.e. NBFCs, MFIs and HFCs that further lend to retail customers in the form of housing finance, loans against property, supply chain finance, microfinance, vehicle finance and similar sectors. These loans are typically provided to entities that are predominately rated BBB (+/-) from a recognised credit rating agency.

As of 31 March 2021, Gross Loan Portfolio in this segment was ₹214.2 Crore, representing 5.1% of our total Gross Loan Portfolio.

In FY21 FIG loans was offered at an average ticket size of ₹11 Crore, for an average tenor of 31 months earning an average yield of 11.2%. In FY21 disbursements under this segment were ₹198.7 Crore.

As of 31 March 2021, the Bank did not record any NPA for this product segment.

Set forth below is certain additional information on FIG loans advanced:

NBFC activity	Gross Loan Portfolio as of 31 March 2021	
	Amount (₹ Crore)	(As a % of Gross Loan Portfolio -FIG)
Microfinance Institutions	46	21.6%
NBFCs	163	76.2%
HFCs	5	2.2%
Total	214	100%

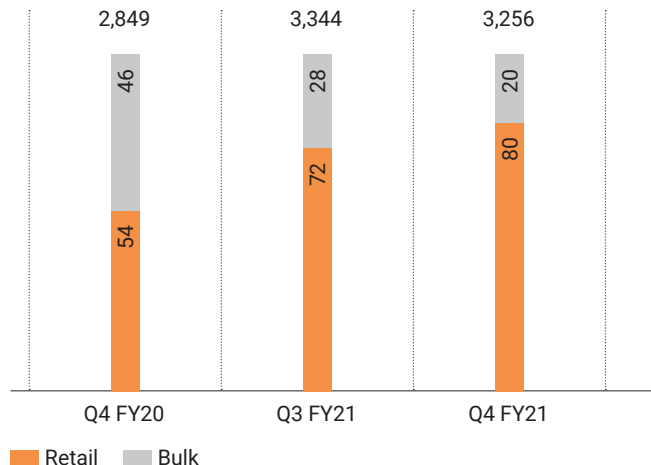
Priority Sector Lending (PSL)

The Bank is required to achieve PSL target of 75% of its outstanding advances at the end of each quarter of previous finance year as per RBI guidelines applicable to SFBs.

Deposit Franchise

The Bank has managed to grow its deposit franchise meaningfully over the last three years. Since its inception as a Bank, strategy has been to focus on growing its retail granular deposit franchise. As on 31 March 2021, total retail deposits as a percentage of overall deposits grew to 80% as compared 54% as on 31 March 2020.

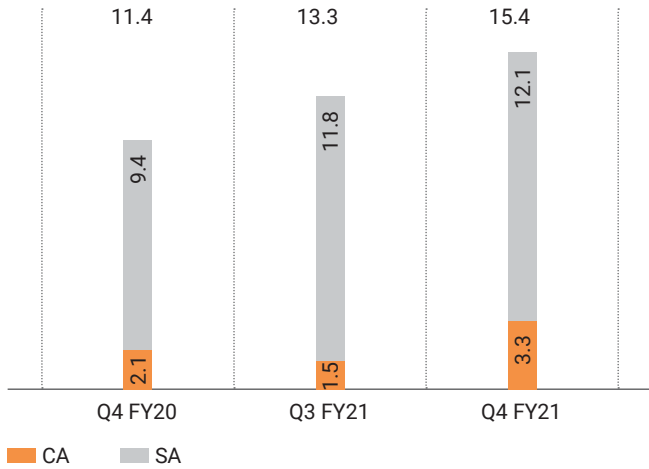
CASA ratio improved to 15.4% as of 31 March 2021 compared to 11.4% as of 31 March 2020.



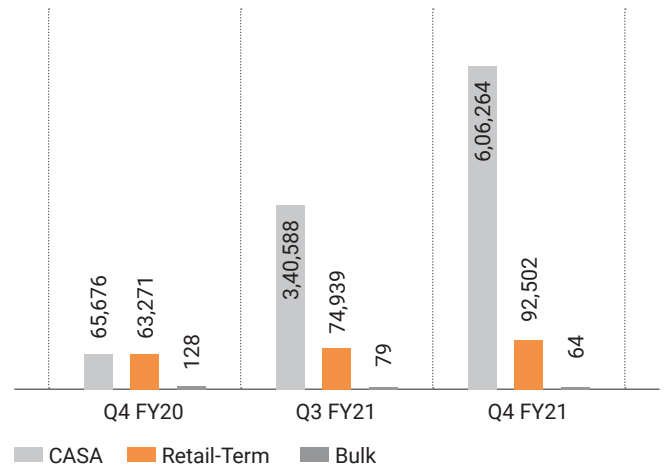


Management Discussion and Analysis

The Bank has managed to increase its CASA base in a gradual but sustained manner.



Customer Profile:
Average ticket size:



Key Highlights during the year:

~91% of Bulk Deposits is non-premat in nature reflecting predictability in cash outflows.

Bank undertakes calibrated branch expansion strategy which is predominantly usually in the second half of the fiscal year. During FY21, the Bank added 5 deposit taking branches.

GOI has increased the DICGC Cover from ₹1L to ₹5L per deposit account incentivising retail depositors to create deposits in Banks.

Distribution Channels

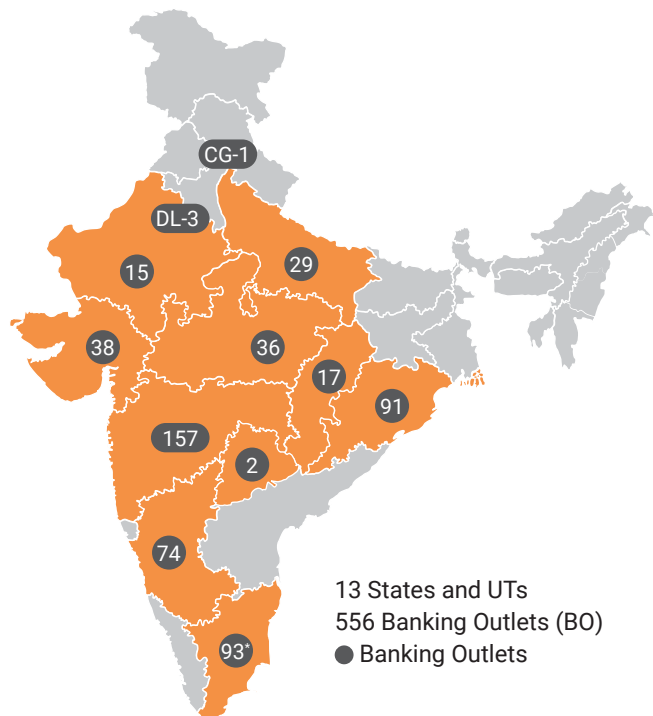
The Bank carries out its operations through banking outlets including URCs, the BC network, ATMs, PoS terminals, and various digital channels, including internet banking through our website, phone banking through our call centre, and mobile banking through the application. The Bank also focuses on banking through tablets and other devices as alternative

delivery channels. As of 31 March 2021, the Bank operated 556 banking outlets across 13 states and Union territories.

The map sets out certain information on the banking outlets as of 31 March 2021.

[Map not to scale]

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*93 branches in Tamil Nadu includes 2 branches in Puducherry
#BC Branches have not been included in the map

The Bank typically deploys onsite ATMs and cash recyclers at the banking outlets for the convenience of our customers. A customer can perform cash withdrawal, fast cash services, mini-statements, balance enquiry, PIN change at our ATMs. The Bank has deployed 25 ATMs as of 31 March 2021.

The potential impact of COVID-19 on operations and financial condition

Last year COVID-19 pandemic emerged and was declared a global pandemic by the World Health Organization. Governments and municipalities around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and closure of non-essential businesses.

Impact on our Bank's Operations

From 24 March 2020 we temporarily closed certain of our Banking Outlets and substantially all of our employees were working remotely. The lockdown was lifted across various parts of the country, although local and intermittent lockdowns continued and restrictions were imposed on non-essential activities in multiple states

Government of India allowed states to resume all activities and function normally, while continuing with restrictions only in certain containment zones. The Bank implemented a business continuity plan, which ensured that critical departments

Branch Distribution

Asset focused outlets	354
Liability focused outlets	96
Rural Centers	106
Total	556

Notes: *Includes 25 Composite Branches

Geographical Mix of the Branches

Outlets	Liabilities Focused	Asset Focused
Tamil Nadu*	18	58
Maharashtra	41	74
Odisha	10	47
Karnataka	11	50
Madhya Pradesh	2	34
Gujarat	5	33
Others	9	58
Total	96	354

Notes: *Includes Puducherry

continued to operate smoothly and separate task force was formed to coordinate with employees in the field and also for execution on the ground level.

Although the business uncertainty prevails in the face of the second wave of COVID 19, the country continue to fight the pandemic on all fronts. The second wave which began in March 2021 has hit India the hardest with significant loss of life and return to partial lock-downs across the country. As we continue to assess the complete impact of this wave, business though impacted continues to grow albeit at a slower pace.

LOAN PRICING

The Bank's loan pricing framework is based on (a) internal marginal cost of funds, known as marginal cost of funds-based lending rate; or (b) external market benchmarks. Rates are reviewed from time to time, depending on prevailing market conditions and our operating and funding costs at that time. The marginal cost of funds-based lending rate (MCLR) is displayed on the Bank's website. In setting interest rates for loans, the Bank takes into consideration various factors, including RBI guidelines on advances, the prevailing MCLR/external borrowing rates, the interest rates charged by competitors at the time, the credit rating of the customers wherever applicable, own cost of funds, the nature of collateral offered, if any, and the credit risk premium. All loans are denominated in Indian rupees. Interest on most of the loans are fixed, with principal and interest payable in monthly instalments



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CORPORATE GOVERNANCE

The Board of the Bank is committed to maintaining a high standard of corporate governance, in line with both regulatory and best practice standards. In addition to having a continuous focus on corporate governance, the Board and the management carries out, a comprehensive review and evaluation of its principles for corporate governance and its implementation.

Further, the Corporate Governance Policy of the Bank outlines the broad framework of governance through the Board of Directors and the various Board Committees. The committees deal with specific matters and the terms of reference of each Committee is defined. As of 31 March 2021, there were ten Committees of the Board as enlisted below:

Sr No.	Name of the Committee
1	Audit Committee
2	Risk Management Committee
3	Nomination and Remuneration Committee
4	Stakeholders' Relationship Committee
5	Corporate Social Responsibility Committee
6	IT Strategy Committee
7	Customer Service Committee
8	Credit Committee
9	Committee for review of wilful defaulters and monitoring high value frauds.
10	IPO Committee
11	Board Strategy Committee

HUMAN RESOURCES

We have endeavored to create a culture based on inclusivity amongst our employees which enables them to grow as the ambassadors of the Bank bringing smiles to the faces of all our stakeholders. During the year, we:

- On time Virtual Classroom Training through Microsoft Teams for employees
- SOS Monitoring, calling employees and families who have reported sick
- Employee Connect programs conducted on a regular basis to ensure employees get adequate face time with the management
- Training Modules developed for Newly Promoted Managers and skill development for Relationship Managers,
- Training Modules revamped for business products and constant upgradation of modules

We also have different programs for employee engagement, including session with industry experts, healthcare experts etc. At the end of March 2021, the Bank had a total of 5,131 employees on its payroll.

INFORMATION TECHNOLOGY

Over the years, use of technology has enabled us to scale up our operations in an efficient manner. We have automated our backend operations, supported by a core banking system, loan management and customer relationship management functions. The Bank has collaborated with software solution providers and software service providers for these functions.

The Bank's major functions, including customer experience, digital transaction processing, enterprise accounting, expense management, human resources, process management, risk management, and governance are also supported by various technology platforms. With the use of technology, the Bank has created a paperless onboarding process for originating micro banking loans and opening bank accounts. The Bank manages various stages of customers' banking transactions, from onboarding to customer management, through its various technology platforms. It has also introduced handheld devices for field employees, and applications are enabled for these employees to conduct the activities through such devices.

The Bank has also initiated engagements with fintech partners for leveraging our digital platforms to perform business intelligence and analytics. The Bank is applying analytics in various business functions, including customer acquisition, cross selling and upselling opportunities, improved customer experience, MIS and performance monitoring and management, and risk analysis. The objective of focusing on analytics is to improve identification of market potential for prioritising the geographies the Bank should focus on, identifying relevant products for cross-selling and upselling, for undertaking detailed portfolio review as part of risk management functions, and improving early warning systems and delinquency prediction for better asset quality control.

CORPORATE SOCIAL RESPONSIBILITY

The Bank has adopted a Board approved Corporate Social Responsibility(CSR) policy that is focused on our core objective of financial inclusion for the unbanked and under-banked income groups. The endeavour is to serve the socio-economically backward, the under-privileged and the marginalised communities. The CSR Committee identifies specific areas which need focus and recommends them for implementation and reviews these activities at regular intervals. Most recent initiatives have been focused on enabling financial literacy, implementing a skill upgradation programme, disease prevention and environment protection.

CREDIT RATING

The Bank has a credit rating of 'A' (stable) by ICRA rating agency for its outstanding issuances of Non-Convertible Debentures / Subordinated Debt, which was reaffirmed in September 2020. CRISIL rating agency has assigned a rating of 'A1+' in November 2020 and ICRA reaffirmed the rating of 'A1+' in September 2020 for the Bank's Certificate of Deposit programme.

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INTERNAL CONTROLS

The Bank has clear delegation of authority and standard operating procedures, which are reviewed periodically by the Audit Committee. These measures help in ensuring adequacy of internal financial controls commensurate with the nature and size of operations of the Bank. The Board also reviews the adequacy and effectiveness of the Bank's internal financial controls with reference to the financial statements. The procedures and internal controls relating to the latter provide reasonable assurance on the preparation of financial statements and the reliability of financial reporting. The Bank also ensures that the internal controls are operating effectively.

FINANCIAL REVIEW

Income

Total income increased by 2.5% YoY from ₹854.1 Crore in FY20 to ₹875.6 Crore in FY21 primarily due to increase in investment income on account of excess liquidity deployed in investment products, profit on sale of investments, increase in PSLC fee income however the growth was moderate due to lower disbursement and interest reversal on increased NPA. Broad reasons are discussed below.

Interest Earned

Interest earned was flat and increased by 1.2% from ₹766.7 Crore in FY20 to ₹776.8 Crore in FY21. Interest/discount on advances/ bills fell marginally by 5.1% from ₹702.3 Crore in FY20 to ₹666.1 Crore in FY21 on account of lower disbursements in H1FY21 due to COVID-19 related market uncertainties and interest reversal on increased NPA. Gross Loan Portfolio increased by 13.4% from ₹3,710.7 Crore in FY20 to ₹4,206.0 Crore in FY 2021 predominantly on the back of higher disbursements in H2FY21 and interest capitalization post moratorium.

Income on investments also increased by 59.6% from ₹52.9 Crore in FY20 to ₹84.4 Crore in FY21, as a result of increase in investment to meet SLR requirements and maintain surplus liquidity invested in SLR and non-SLR securities as part of risk management due to business uncertainties on account of COVID-19. Interest on balances with the RBI and other inter-bank funds increased significantly from ₹11.3 Crore in FY20 to ₹25.3 in FY21 due to an increase in the quantum of deploying excess liquidity in reverse repo including under LAF, lending in inter-bank money market instruments, such as, call/notice/term money.

Other Income

Other income increased by 13.8% from ₹87.5 Crore in FY20 to ₹99.5 Crore in FY21, primarily due to increase in profit on sale of investments (net) and miscellaneous income.

Commission, exchange and brokerage decreased by 32.3% from ₹49.2 Crore in FY20 to ₹33.3 Crore in FY21 on account of the lower processing fee due to lower disbursements in FY21 as compared that to the previous year. Further, profit on sale of investments (net) increased by 258.6% from ₹7.1 Crore in FY20 to ₹25.5 Crore in FY21 due to relatively higher trading activities

on account of higher investment in Government Securities due to surplus liquidity and lower disbursements.

Miscellaneous income, primarily comprising income from sale of priority sector lending certificates (PSLC), increased by 30.8% from ₹31.1 Crore in FY20 to ₹40.7 Crore in FY21. Income from sale of PSLC increased by 29.5% from ₹28 Crore in FY20 to ₹36.2 Crore in FY21 due to higher PSL achievement by the Bank and the corresponding sale of PSL certificate by the Bank.

The components of other income for FY21 and FY20 are as follows:

Particulars	Fiscal	
	2020	2021
Commission, exchange and brokerage	49.2	33.3
Profit on sale of investments (net)	7.1	25.5
Profit/(Loss) on sale of fixed assets (net)	0.0	0.0
Miscellaneous income	31.1	40.7
Total	87.4	99.5

Expenditure

Total expenditure increased by 16.2% from ₹743.2 Crore in FY20 to ₹863.7 Crore in FY21 on account of an increase in interest expended and operating expenses.

Interest Expended

Interest expended increased by 32.4% from ₹276.1 Crore in FY20 to ₹365.7 Crore in FY21 due to an increase in deposits from ₹181.8 Crore in FY20 to ₹238.5 Crore in FY21.

Deposits increased by 13.8% from ₹2,848.7 Crore in FY20 to ₹3,255.7 Crore in FY21 on account of addition in new banking outlets and new customer acquisitions. Interest on RBI/ inter-bank borrowings increased by 143.4% from ₹5.6 Crore in FY20 to ₹13.5 Crore in FY21 on account of increase in inter bank borrowings primarily fresh Subordinated debt raised of ₹100 Crore in September 2020 and increased borrowings from the RBI.

Other interest also increased by 28.0% from ₹88.8 Crore in FY20 to ₹113.7 Crore in FY21 due to increase in refinance borrowings as additional liquidity support due to uncertainty in business environment on account of COVID-19.

Operating Expenses

Operating expenses increased by 20.8% from ₹272.1 Crore in FY20 to ₹328.6 Crore in FY21. During the year, the Bank increased its employee strength from 4,695 as of 31 March 2020, to 5,131 employees in 31 March 2021, leading to a 8.4% rise in its employee expenses to ₹185.8 Crore in FY 21 compared to ₹171.4 in FY 20. The bank also widened its geographical presence, with a branch strength of 556 branches as of 31 March 2021, compared to 477 as of 31 March 2020. There was an increase in repairs and maintenance expenses from ₹22.7 Crore in FY20 to ₹48.0 Crore in FY21, primarily on account of one-time technology cost. In addition, other expenditure,



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primarily comprising professional fees, increased by 29.5% from ₹28.3 Crore in FY20 to ₹36.6 Crore in FY21 on account of payments made for PSL certificates, increase in indirect tax related costs and CSR related expenses.

Provisions and Contingencies

Provisions and contingencies decreased by 13.0% to ₹169.5 Crore in FY21 from ₹195.0 Crore the previous year primarily due to lower disbursements in H1FY21 leading to lower incremental floating provision in line with the Board approved policy as well as utilization of COVID provision of ₹66 Crore created in FY20. The Bank increased floating provision from 2.0% to 3.5% creating an additional floating provision of ₹37.5 Crore in quarter ending March 2021 and fully utilized the COVID provision of ₹66.0 Crore created in March 2020.

Other provisions primarily decreased on account of utilization of contingency provision created in FY20 against NPA provision.

Provision for non-performing assets/write-offs (net) increased significantly by 462.5% to ₹70.3 Crore in FY21 from ₹12.5 Crore in the previous year as a result of increase in slippages on account of COVID-19 partially compensated through utilization of COVID provision created in FY20 as stated earlier.

In addition, write-off on advances increased by 102.5% from ₹47.9 Crore in FY20 to ₹96.9 Crore in FY21 predominantly in the micro banking (JLG) portfolio on account of higher delinquencies due to the pandemic. Further, increase was partially offset by a decrease in income tax provision by 99.4% from ₹43.0 Crore in FY20 to ₹0.2 Crore in FY21 as a result of lower taxable income due to lower profitability.

Net profit

For the reasons discussed above, Net Profit for the year was ₹11.9 Crore in FY21 as compared ₹110.9 Crore in FY20.

BALANCE SHEET

Assets

The table below sets out the principal components of our assets as of the dates indicated:

As of 31 March (₹ Crore)	2020	2021
Cash and Balances with Reserve Bank of India	60.5	102.8
Balance with banks and money at call and short notice	7,77.1	493.8
Investments	8,08.2	1,873.7
Advances	3,531.9	3,982.8
Fixed assets	38.7	43.2
Other assets	1,48.1	215.7
Total	5,364.5	6,712.0

Total assets increased by 25.1% from ₹5,364.5 Crore as of 31 March 2020 to ₹6,712.0 Crore as of 31 March 2021. This increase was primarily due to an increase in investments by 131.8% from

₹808.2 Crore as of 31 March 2020 to ₹1,873.7 Crore as of 31 March 2021 and advances by 12.8% from ₹3,531.9 Crore as of 31 March 2020 to ₹3,982.8 Crore as of 31 March 2021.

Advances

The following table sets forth a breakdown of total advances as of the dates indicated:

As of 31 March (₹ Crore)	2020	2021
Cash credits, overdrafts and loans repayable on demand	55.9	169.8
Term loans	3,476.0	3,813.0
Total	3,531.9	3,982.8
Secured by tangible assets	794.9	-
Unsecured	2,737.0	-
Total	3,531.9	-
Priority sector	685.7	-
Banks	11.3	-
Others	2,834.9	-
Total	3,531.9	-

Advances comprise micro banking (JLG) loans, home loans, commercial vehicle loans, secured and unsecured business loans and financial intermediary group loans.

Total advances increased by 12.8% from ₹3,531.9 Crore as of 31 March 2020 to ₹3,982.8 Crore as of 31 March 2021, primarily due to increase in disbursement and interest capitalization post moratorium.

Investments

Investments mainly represent investments in Government securities. Investments (net of provisions) increased significantly by 131.8% from ₹808.2 Crore as of 31 March 2020 to ₹1,873.7 Crore as of 31 March 2021, primarily due to an increase in investment in Government securities to meet SLR requirements and surplus liquidity invested in SLR and non-SLR securities as part of risk management.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice decreased by 36.4% from ₹777.1 Crore as of 31 March 2020 to ₹493.8 Crore as of 31 March 2021. The decrease as of 31 March 2021 was primarily driven by decrease in money at call and short notice with banks which decreased from ₹759 Crore as of 31 March 2020 to ₹323 Crore as of 31 March 2021. However, during the year significant portion of excess liquidity was deployed in reverse repo.

Fixed Assets

Network expansion during FY21 led to an increase in fixed assets deployment across regions and implementation of new technological investments. The Bank opened 79 new banking outlets during the year. It generally follows asset light model for its branches with limited size operation and IT equipment through operating lease from financing institutions.

Management Discussion and Analysis

Other Assets

Other assets primarily include interest accrued, tax paid in advance/ tax deducted at source (net of provision for tax), deferred tax asset (net), and others.

Other assets increased by 45.7% from ₹148.1 Crore as of 31 March 2020 to ₹215.7 Crore as of 31 March 2021. The increase as of 31 March 2021 was primarily driven by an increase in interest accrued by 28.8% from ₹57.0 Crore as of 31 March 2020 to ₹73.0 Crore as of 31 March 2021 on account of increase in gross loan portfolio. Deferred tax assets (net) increased by 43.7% from ₹42.7 Crore as of 31 March 2020 to ₹61.4 Crore as of 31 March 2020.

Capital and Liabilities

The table below sets out the principal components of our shareholders' funds and liabilities as of the dates indicated:

As of 31 March (₹ Crore)	2020	2021
Capital	86.6	106.1
Reserves & Surplus	979.6	1,490.8
Deposits	2,848.7	3,255.7
Borrowings	1,264.6	1,666.6
Other liabilities & provisions	185.0	192.8
Total	5,364.5	6,712.0

Total capital and liabilities increased by 25.1% from ₹5,364.5 Crore as of 31 March 2020 to ₹6,712.0 Crore as of 31 March 2021 primarily due to increase in borrowings and net worth (comprising capital, reserves and surplus).

Deposits

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by 14.3% from ₹2,848.7 Crore as of 31 March 2020 to ₹3,255.7 Crore as of 31 March 2021, mainly due to increase in productivity for sourcing retail deposits and increased network of banking outlets during second half of FY20 and FY21. The Bank's retail deposit forms 80% of total deposits, including CASA which forms 15.4% of the total deposits. Over 91% of bulk deposits are non-callable in nature, showing stable liquidity profile for the Bank. Number of depositors increased from 95,683 in March 2020 to 6,27,315 March 2021 out of which 1,38,994 customers in March 2021 and 58,047 customers in March 2020 were only depositors (not having any loans with the bank). Average balance in current account, savings account and retail term deposits is ₹1,37,169, ₹43,556 and ₹1,93,586 as at March 2020 compared to ₹1,76,280, ₹27,266 and ₹3,09,573 as at March 2021.

Borrowings

Borrowings primarily comprise of borrowings from the RBI, refinance from financial institutions such as National Bank for Agriculture and Rural Development (NABARD), MUDRA

and Small Industries Development Bank of India (SIDBI), Tier 2 capital in the form of unsecured redeemable debentures.

Borrowings increased by 31.8% from ₹1,264.6 Crore as of 31 March 2020 to ₹1,666.6 Crore as of 31 March 2021, primarily attributable to an increase in borrowings from refinance agencies from ₹1,069.1 Crore as of 31 March 2020 to ₹1,526.6 Crore as of 31 March 2021.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, interest accrued, and others (including provisions) comprising contingent provisions against standard assets, and other liabilities.

Other liabilities and provisions increased by 4.2% from ₹185.0 Crore as of 31 March 2020 to ₹192.8 Crore as of 31 March 2021, primarily due to an increase in (i) Bills Payable by 380.2% from ₹4.9 Crore as of 31 March 2020 to ₹23.5 Crore as of 31 March 2021; and (ii) contingent provisions against standard assets by 17.9% from ₹11.6 Crore as of 31 March 2020 to ₹13.7 Crore as of 31 March 2021.

The Bank increased its floating provision by ₹37.5 Crore and carries floating provision of ₹91.3 Crore as at 31 March 2021 compared to ₹53.2 Crore as at 31 March 2020. COVID-19 provision of ₹66.0 Crore which was made in March 2020 has been utilized to set off the provision for bad loans on account of COVID-19. Interest accrued decreased by 16.2% from ₹22.0 Crore as of 31 March 2020 to ₹18.5 Crore as of 31 March 2021.

CAUTIONARY STATEMENT

In this Annual Report, the Bank has disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that the Bank periodically makes contain forward looking statements that set out anticipated results based on the management's plans and assumptions. The Bank has tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'will', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. The Bank cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. The Bank undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.



Corporate Governance Report

[pursuant to provisions of Companies Act,2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015 (SEBI-Listing Regulations)]

1. BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

Suryoday Small Finance Bank Limited ("the Bank") believes that good governance is the foundation to build public trust and confidence. The Bank adopts best practices on Corporate Governance in line with the directions of Reserve Bank of India ("RBI") and other regulators which enables it to be accountable and transparent and also fulfil the Bank's fiduciary role and responsibilities and enhance long term and sustained value for all its stakeholders.

The Board directs, supervises and controls the management of the Bank and is responsible for the business including formulating the overall strategy and ensuring implementation thereof. The Managing Director and Chief Executive Officer (MD & CEO) is responsible for the overall affairs of the Bank under the superintendence, guidance and control of the Board. The Board has constituted various Committees to deal with specific matters as per applicable law in this regard and the terms of reference of each Committee is defined.

The Board has adopted a Code of Conduct for Directors and Senior Management personnel and all Directors and senior management personnel affirm their adherence to the Code on an annual basis. Further, the Independent Directors also submit their annual declarations regarding fulfilling the criteria of independence.

2. BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 2013; the Banking Regulation Act, 1949; the Operating Guidelines issued by RBI for Small Finance Banks; Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and all other applicable laws, as amended from time to time.

The Board comprises of nine Directors including senior and experienced persons having the required knowledge and experience in banking and who effectively meet the "fit and proper criteria" laid down by the RBI.

Category	Names of Directors as at March 31,2021
Independent Directors	Mr. R. Ramachandran, Mr. Mrutunjay Sahoo, Mr. Jyotin Mehta, Mrs. Meena Hemchandra and Mr. John Arunkumar Diaz.

Category	Names of Directors as at March 31,2021
Non- Executive Directors (Investor Directors)	Mr. Venkatesh Natarajan, Mr. Ranjit Shah and Mr. Aleem Remtula
Executive Director (MD & CEO)	Mr. Baskar Babu Ramachandran

None of the Directors are related to each other. All the Independent Directors have submitted the requisite declarations stating that they meet the criteria of independence prescribed under section 149(6) of the Companies Act, 2013 and other applicable statutory provisions which have been taken on record by the Board. In the opinion of the Board, all Independent Directors fulfil the conditions specified in the SEBI Listing Regulations and are independent of the management.

The brief profile of the Directors as at March 31, 2021 is given below:

Mr. R. Ramachandran (Part-time Chairperson with effect from March 19, 2020)

Mr. R. Ramachandran, aged 69, is an Independent Director of the Bank w.e.f. September 24,2015 and Part-time Chairperson w.e.f. March 19, 2020. He was re-appointed for a period of three years with effect from September 24, 2020 vide Special Resolution passed at the Extra Ordinary General Meeting held on July 27, 2020. He holds a Master's degree in Science and a post graduate diploma in financial management from the University of Madras. He has over 38 years of experience in commercial banking and finance. He has served as a part time non-official director of Deposit Insurance and Credit Guarantee Corporation and a member of the Advisory Board on Banks, Commercial and Financial Frauds of Central Vigilance Commission. Previously, he was associated with Small Industries Development Bank of India as a Director, Andhra Bank as its Chairperson and Managing Director, Syndicate Bank as an Executive Director and Indian Bank as a General Manager.

Mr. Ramachandran is an Independent Director and Chairman, Audit Committee of Gati Kintetsu Express Private Limited, which is a subsidiary of Gati Limited, a listed company. Mr Ramachandran does not hold any shares in the Bank as on March 31, 2021.

Mr. Mrutunjay Sahoo

Mr. Mrutunjay Sahoo, aged 67, is an Independent Director of our Bank w.e.f. September 22, 2016. He is a retired

Indian Administrative Services officer and has several years of experience in public administration. Previously, he was a special chief secretary to the Government of Andhra Pradesh and has been associated with several Maharatna and Miniratna public sector undertakings as a nominee director of the Government of India. He has been principal secretary to government of Andhra Pradesh (energy department) and associated with Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh Power Finance Corporation Limited and Singareni Collieries Company Limited.

Mr. Sahoo is not a director in any other company.

Mr. Sahoo does not hold any shares in the Bank as on March 31, 2021.

Mr. Jyotin Mehta

Mr. Jyotin Mehta, aged 63, is an Independent Director of the Bank w.e.f. August 31, 2017. He holds a Bachelor's degree in Commerce from the University of Mumbai and is a fellow member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Cost and Works Accountants of India. He has over 35 years of experience in corporate laws. He retired as Chief Internal Auditor of Voltas Limited and was previously associated with ICICI Bank Limited as a General Manager and Company Secretary, 3i Infotech Limited, Bharat Shell Limited and NOCIL.

Mr. Jyotin Mehta is the Non-Executive Chairman and Independent director on the Board of JSW Ispat Special Products Limited (listed company) and Independent Director on the Boards of Linde India Limited (listed company), ICICI Prudential Pension Funds Management Company Limited, Mahindra Rural Housing Finance Limited, Mahindra Insurance Brokers Limited, ASK Investment Managers Limited and ICICI Prudential Trust Limited (unlisted public limited companies).

He is a member of the following Committees in the aforesaid companies:

- (i) Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee of JSW Ispat Special Products Limited;
- (ii) Audit Committee (Chairman) Nomination and Remuneration Committee, Stakeholders Relationship Committee and Risk Management Committee of Linde India Limited;
- (iii) Nomination and Remuneration Committee and Risk Management Committee (Chairman) of ICICI Prudential Pension Funds Management Company Limited;
- (iv) Nomination and Remuneration Committee , Risk Management Committee (Chairman), Information

Technology Security Committee (Chairman), Audit Committee (Chairman) of Mahindra Rural Housing Finance Limited;

- (v) Nomination and Remuneration Committee , Audit Committee (Chairman) of Mahindra Insurance Brokers Limited;
- (vi) Audit Committee of ICICI Prudential Trust Limited and
- (vii) Nomination and Remuneration Committee (Chairman) of ASK Investment Managers Limited.

Mr. Jyotin Mehta does not hold any shares in the Bank as on March 31, 2021.

Mrs. Meena Hemchandra

Mrs. Meena Hemchandra , aged 63, is an Independent Director of the Bank wef December 15,2018. She holds a Master's degree in Arts from Madurai Kamaraj University. She is a Certified Associate of the Indian Institute of Bankers and is a Chartered Financial Analyst from the Council of the Chartered Financial Analysts, Hyderabad. She has undertaken the RMA-Wharton Advanced Risk Management Program. She is a career banker and retired as Executive Director from Reserve Bank of India in November 2017, after serving the organization for over 35 years.

Mrs. Meena Hemchandra is director on board of the Clearing Corporation of India Limited.

Mrs. Meena Hemchandra does not hold any shares in the Bank as on March 31, 2021.

Mr. John Arunkumar Diaz

Mr. John Arunkumar Diaz , aged 69, is an Independent Director of the Bank wef December 16, 2019. He holds a Bachelor's degree in Science (mathematics) from University of Madras and a Post Graduate Diploma in Business Management from Xavier Labour Relations Institute, Jamshedpur. He has over 28 years of experience in multi-national banks based in India and overseas, and he was head of change and programme management in Standard Chartered Bank and was also designated credit professional by the Standard Chartered Bank. Additionally, he has over 18 years of experience as a Consultant in banking services for several international institutions, including in Indonesia, Thailand and Mauritius by way of his previous association with Quest OntheFRONTIER Pte. Limited, iCube Consortium Pte Limited and Bain & Company SE Asia Inc., and has assisted the Bank and Equitas Finance Private Limited (now known as, Equitas Small Finance Bank Limited), two microfinance companies in their transition to small finance banks. Further, he has also been on the boards of companies in the venture capital, horticulture and agriculture sectors,



an automated teller machine manufacturer and in two companies in the primary and secondary healthcare sector which he had promoted.

Mr. John Arunkumar Diaz is not a director in any other listed or public limited company.

Mr. John Arunkumar Diaz does not hold any shares in the Bank as on March 31, 2021.

Mr. Venkatesh Natarajan

Mr. Venkatesh Natarajan, aged 53, is an Investor Director of the Bank w.e.f. March 29, 2017. He holds a Bachelor's degree in Electronics and Instrumentation Engineering from Annamalai University, a Master's degree in Engineering from Arizona State University and a Master's degree in Business Administration from Cornell University. He has several years of experience in venture capital and private equity in India and has been involved as an early investor in the microfinance sector in India. He has also worked with companies in healthcare, agriculture and financial inclusion sectors. He also co-founded and is currently the partner at Lok Advisory Services Private Limited.

Mr. Venkatesh Natarajan is not a director in any other listed or public limited company.

Mr. Venkatesh Natarajan does not hold any shares in the Bank in his personal capacity as on March 31, 2021.

Mr. Ranjit Shah

Mr. Ranjit Shah, aged 63, is an Investor Director of the Bank w.e.f. November 2, 2018. He holds a Bachelor's degree in electrical engineering from Indian Institute of Technology, Bombay and a Master's degree in business administration from the University of Michigan. He has several years of experience in sectors including private equity and financial services. Previously, he has been investor and entrepreneur. He also co-founded and is currently a managing partner at Gaja Advisors Private Limited, which goes by the trade name Gaja Capital.

Mr. Ranjit Shah is not a director in any other listed or public limited company.

Mr. Ranjit Shah does not hold any shares in the Bank in his personal capacity as on March 31, 2021.

Mr. Aleem Remtula

Mr. Aleem Remtula, aged 41, is an Investor Director of the Bank w.e.f. December 15, 2018. He holds a Bachelor's degree in economics titled 'baccalaurei cum laude in oeconomia' from Princeton University and a Master's degree in business administration from Harvard Business School. He has several years of experience in venture

capital and private-equity funds globally. Having started his career with JP Morgan Chase & Co, he is currently associated with DWM Asset Management LLC as a partner of the firm's private equity business line.

Mr. Aleem Remtula is director on the board of S.M.I.L.E. Microfinance Limited and Jainsons Finlease Limited.

Mr. Aleem Remtula does not hold any shares in the Bank in his personal capacity as on March 31, 2021.

Mr. Baskar Babu Ramachandran

Mr. Baskar Babu Ramachandran, aged 51, promoted Suryoday Micro Finance Pvt Ltd. in 2008 and was the Managing Director of the Company which got converted into the Bank in January 2017. He has been the Managing Director and Chief Executive Officer of the Bank w.e.f. January 23, 2017. He was re-appointed for period of three years from January 23, 2020 with the approval of the Reserve Bank of India (RBI) and the members of the Bank vide Special Resolution passed at the Extra Ordinary General Meeting held on July 27, 2020. He holds a Bachelor's degree in Mechanical Engineering from the University of Madras and a Master's degree in Business Administration from Pondicherry University. He has participated in the management development programme for strategic management for corporate leadership conducted by Indian Institute of Management, Calcutta. He has several years of experience in the banking and finance sector. Prior to co-founding Suryoday Micro Finance Private Limited, he was associated with various companies including GE Capital Transportation Financial Services Limited as the Vice-President- Quality and Operations and HDFC Bank Limited as Assistant Vice President.

Mr. Baskar Babu is not a director in any other listed or public limited company.

Mr. Baskar Babu holds 12,343,578 Equity shares in the Bank as on March 31, 2021.

Attendance at Board Meetings and AGM

During the year under review, twenty-eight (28) Board Meetings were held on April 7, 2020; April 9, 2020, April 16, 2020; May 4, 2020; May 27, 2020; June 29, 2020; July 3, 2020; July 30, 2020; August 27, 2020; September 17, 2020; September 23, 2020; September 30, 2020; October 23, 2020; November 12, 2020; December 28, 2020; January 7, 2021; January 21, 2021; February 8, 2021; February 23, 2021; February 27, 2021; two meetings on March 2, 2021; March 3, 2021; March 9, 2021; March 10, 2021; March 16, 2021; March 20, 2021 and March 24, 2021. The gap between any two meetings did not exceed one hundred and twenty days.

Details of attendance of Directors at Board meetings held during the financial year 2020-2021 and at the last Annual General Meeting (“AGM”) and the number of directorships and committee chairmanships / memberships held by them in other public companies as on March 31, 2021 are given below.

Name of the Director and Category	No. of meetings attended	Attendance at last AGM (September 28, 2020)	No. of directorships in other Public Companies	No. of Committee positions held in other Public Companies	
				Chairperson	Member
Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	28	Yes	1	1	1
Mr. Mrutunjay Sahoo <i>Independent Director</i>	28	Yes	-	-	-
Mr. Jyotin Mehta <i>Independent Director</i>	28	Yes	7	3	4
Ms. Meena Hemchandra <i>Independent Director</i>	28	No	1	-	-
Mr. John Arunkumar Diaz <i>Independent Director</i>	28	Yes	-	-	-
Mr. Venkatesh Natarajan <i>Investor Director</i>	22	No	-	-	-
Mr. Ranjit Shah <i>Investor Director</i>	25	No	-	-	-
Mr. Aleem Remtula <i>Investor Director</i>	26	Yes	2	-	-
Mr. Baskar Babu Ramachandran, <i>Managing Director and Chief Executive Officer (MD & CEO)</i>	28	Yes	-	-	-

Note: Other directorships do not include directorships in private limited companies, foreign companies and companies under Section 8 of the Act. Chairmanships/ memberships of Board Committees shall include Audit Committee and Stakeholders Relationship Committee only in Public Companies.

The meetings of the Board/ Committees of the Board are convened by giving appropriate Notice. All members of the Board and Committees thereof strive to attend all Board/Committee meetings, as applicable. In case any member is unable to attend any meeting and requests leave of absence, the same is considered by the Board/ Committee. In view of the pandemic situation prevalent in the year 2020-21, all Board/ Committee meetings were held through video conference mode (“VC”) pursuant to Circulars issued by Ministry of Corporate Affairs and SEBI. The Board members attending the meetings through VC confirmed that no other person was present or having access to the VC and also confirmed that audio / video were clearly audible and visible.

The important decisions taken at the Board are communicated to the respective department heads for the implementation of the said decisions. An Action Taken Report arising out of the discussions at earlier meetings is prepared and placed at the next Board meeting.

The Board is regularly apprised and informed of important business-related information. The Board meeting dates are finalised in consultation with all the Directors in advance. However, whenever required,

additional meetings are held. Further, the agenda papers supported by comprehensive notes and relevant information, documents and presentations are circulated in advance to all the Board members which enable them to take informed decisions and discharge their functions effectively. The Agenda for the Board meetings covers the minimum information to be placed before the Board of Directors as per Regulation 17(7) of the SEBI Listing Regulations read with Part A of Schedule II thereto to the extent these are relevant and applicable. The Board reviews the items in the Agenda and particularly reviews and approves the Financial Results, Annual Financial Statements, Annual Operating Plans & Budgets. The compliance reports pertaining to all laws applicable to the Bank are placed before the Board on quarterly basis and minutes of Committee meetings are placed before the Board of the Bank periodically.

COMMITTEES OF THE BOARD

The Board has constituted several Committees to deal with specific matters and the terms of reference of each Committee is defined.



As at March 31, 2021, there were Eleven (11) Committees of the Board as enlisted below:

Sr No.	Name of the Committee
1	Audit Committee
2	Risk Management Committee
3	Nomination and Remuneration Committee
4	Stakeholders' Relationship Committee
5	Corporate Social Responsibility Committee
6	IT Strategy Committee
7	Customer Service Committee
8	Credit Committee
9	Committee for Review of Wilful Defaulters and Monitoring High Value Frauds
10	IPO Committee
11	Board Strategy Committee

1. Audit Committee

The Bank has constituted the Audit Committee in line with the provisions of Section 177 of the Act, applicable RBI Guidelines and Regulation 18 of the SEBI Listing Regulations. The Committee was last reconstituted on March 2, 2021. As at March 31, 2021, the Audit Committee comprised of the following Directors (with majority of Independent Directors):

Sr No.	Name of the Director	Designation
1	Mr. Jyotin Mehta <i>Independent Director</i>	Chairperson
2	Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	Member
3	Ms Meena Hemchandra <i>Independent Director</i>	Member
4	Mr. Ranjit Shah <i>Investor Director</i>	Member
5	Mr. Aleem Remtula <i>Investor Director</i>	Member <i>(upto March 2, 2021)</i>

The Managing Director & Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer and the Chief Audit Officer are invited for the Audit Committee meetings. Statutory Auditors are invited for the meetings where audited financial results or results with limited review are considered. The Company Secretary acts as the Secretary to the Committee.

The scope and functions of the Audit Committee are governed by the Board approved Audit Committee Charter which is drawn up in line with the requirements of the relevant provisions of the Companies Act, 2013; SEBI Listing Regulations and the RBI guidelines in this regard.

The terms of reference of the Audit Committee, interalia, include the following:

- i. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii. Recommendation for appointment, replacement, reappointment, remuneration and terms of appointment of auditors of the Bank and approval of appointment of Chief Financial Officer and Chief Audit Officer after assessing the qualifications, experience and background, etc. of the candidate.
- iii. Discussion with statutory auditors, internal auditors, secretarial auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any areas of concern.
- iv. Reviewing, with the management, performance of statutory, secretarial and internal auditors and adequacy of the internal controls system.
- v. Approval of payment to statutory auditors for any other services rendered by them.
- vi. Review, with the management, the annual financial statements and Auditor's Report thereon before submission to the Board for approval, with particular reference to following:
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report, in terms 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 listing and other legal and regulatory requirements relating to financial statements;
 - f. Disclosure of any related party transactions; and
 - g. Qualifications and modified opinion(s) in the draft audit report.
- vii. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

- viii. Review, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the issue document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- ix. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
- x. Evaluation of internal financial controls and risk management systems;
- xi. Review valuation of undertakings or assets of the Bank, wherever necessary.
- xii. Look into the reasons for defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- xiii. Establish a vigil mechanism (whistle blower mechanism) for directors and employees to report their genuine concerns or grievances.
- xiv. Review the functioning of the whistle blower mechanism.
- xv. Approve or ratify transactions of the Bank with related parties as per the provisions of the Policy for Related Party Transactions of the Bank and review significant transactions and matters related thereto; Grant of omnibus approval for related party transactions proposed to be entered into by the Bank subject to such conditions as prescribed and as amended from time to time.
- xvi. Review the appropriateness, application and quality of the accounting policies and practices and the financial reporting process.
- xvii. Review 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.
- xviii. Review the findings of any internal investigations by the Internal Auditors/Vigilance department into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and report the matter to the Board.
- xix. Discuss and ascertain from the Statutory Auditors post completion of the audit, areas of concern, if any.
- xx. Approve internal audit plans, monitor the reporting of issues identified by internal auditors to the management, review the internal audit reports and

effectiveness of the internal audit function and ensure that corrective actions are being taken in a timely manner.

- xxi. Ensure that any concerns if any raised by the statutory auditors are addressed by the management, bring unaddressed concerns to the notice of the management, review management letter(s) and other submissions by the statutory auditors and management response to the findings and recommendations of the statutory auditors and study the issues raised by statutory auditors and appropriate flags to the management in case of repeated issues.
- xxii. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- xxiii. With respect to Inspection reports of the Inspecting team of Reserve Bank of India or any other regulator, approve action plans for corrective actions to be taken and monitor compliance thereof and review compliance in respect of the Annual Financial Inspection conducted by RBI on ongoing basis till the Bank furnishes full compliance. Audit Committee should closely monitor persisting deficiencies pointed out in RBI Inspection Reports.

Meetings of the Audit Committee

During the year under review, the Committee met twelve (12) times on April 7, 2020; April 30, 2020; May 26, 2020; June 29, 2020; July 16, 2020; July 28, 2020; August 26, 2020; September 16, 2020; November 10, 2020; December 22, 2020; February 8, 2021 and March 8, 2021.

The details of attendance at the meetings of the Audit Committee are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Jyotin Mehta	12	12
Mr. R. Ramachandran	12	12
Mrs. Meena Hemchandra	12	12
Mr. Ranjit Shah	12	9
Mr. Aleem Remtula (upto March 2, 2021)	11	7

2. Nomination and Remuneration Committee:

The Bank has constituted the Nomination and Remuneration Committee (NRC) in line with the provisions of Section 178 of the Companies Act, 2013, applicable RBI Guidelines and Regulation 19 of the SEBI Listing Regulations. As at March 31, 2021, the NRC comprised of the following Directors with majority of Independent Directors:



Sr No.	Name of the Director	Designation
1	Mr. Mrutunjay Sahoo <i>Independent Director</i>	Chairperson
2	Mr. Jyotin Mehta <i>Independent Director</i>	Member
3	Mr. John Arunkumar Diaz <i>Independent Director</i>	Member
4	Mr. Venkatesh Natarajan <i>Investor Director</i>	Member
5	Mr. Ranjit Shah <i>Investor Director</i>	Member

The terms of reference of the Nomination and Remuneration Committee as revised by the Board at its meeting held on July 30, 2020 include:

- i. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of directors a policy, relating to the remuneration of the directors, key managerial personnel and other employees.
- ii. Formulate criteria for evaluation of performance of independent directors and the Board of Directors and specifying the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- iii. Devise a policy on diversity of Board of Directors.
- iv. Identify 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 of directors their appointment and removal. In the case of appointment of directors, the Committee shall ensure that the persons identified adhere to the 'fit and proper' guidelines issued by RBI in this regard.
- v. Extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- vi. Recommend to the Board, all remuneration, in whatever form, payable to senior management.
- vii. Recommend to the Board of Directors a policy on succession planning for the board and senior management and overseeing and reviewing the succession plans from time to time.
- viii. Administer, monitor and formulate detailed terms and conditions of the Employees' Stock Option Scheme of the Bank; carrying out any other function

as is mandated by the Board from time to time and/or enforced/mandated by any statutory notification, amendment or modification, as may be applicable.

- ix. Perform such other functions as may be necessary or appropriate for the performance of its duties.

During the year under review, the Committee met seven (7) times on May 26, 2020; July 3, 2020; August 26, 2020; September 23, 2020; October 23, 2020; December 21, 2020 and January 27, 2021.

The details of the meetings of the NRC attended by the members during the year 2020-21 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Mrutunjay Sahoo	7	7
Mr. Jyotin Mehta	7	7
Mr. John Arunkumar Diaz	7	7
Mr. Venkatesh Natarajan	7	4
Mr. Ranjit Shah	7	4

All members of the Nomination Committee are non-executive directors, and three out of five members of the Committee are Independent Directors. The Chairperson of the Committee is an Independent Director.

3. Corporate Social Responsibility Committee:

The Bank has constituted the Corporate Social Responsibility (CSR) Committee in line with the provisions of Section 135 of the Companies Act, 2013 (the Act). As at March 31, 2021, the CSR Committee comprised of the following Directors :

Sr No.	Name of the Director	Designation
1	Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	Chairperson
2	Mr. Mrutunjay Sahoo <i>Independent Director</i>	Member
3	Mr. Venkatesh Natarajan <i>Investor Director</i>	Member
4	Mr. Aleem Remtula <i>Investor Director</i>	Member
5	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

The scope and functions of the Corporate Social Responsibility Committee are in accordance with Section 135 of the Act and its terms of reference include:

- i. Formulate and recommend to the Board, a Corporate Social Responsibility policy, which shall indicate the activities to be undertaken by the Bank as specified in

Schedule VII of the Companies Act, 2013 and review the same from time to time.

- ii. Monitor the implementation of CSR objectives of the Bank.
- iii. Recommend the amount of expenditure to be incurred on the CSR activities.
- iv. Monitor and oversee the CSR spend on an annual basis.
- v. Do such other acts, deeds and things as may be directed by the Board and required to be done in order to comply with the applicable laws and practices with respect to CSR.

During the year under review, the CSR Committee met twice on May 27, 2020 and August 26, 2020. The details of the meetings of the CSR Committee attended by the members during the year 2020-21 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. R. Ramachandran	2	2
Mr. Mrutunjay Sahoo	2	2
Mr. Venkatesh Natarajan	2	2
Mr. Aleem Remtula	2	2
Mr. Baskar Babu Ramachandran	2	2

The CSR Policy of the Bank has been uploaded on the website of the Bank at <https://www.suryodaybank.com/assets/pdf/policies/Corporate-Governance-Policies-CSR-Policy.pdf>

4. Risk Management Committee:

The Bank has constituted the Risk Management Committee (RMCB) in line with the provisions of applicable RBI guidelines. As at March 31, 2021, the RMCB comprised of the following Directors :

Sr No.	Name of Director	Designation
1	Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	Chairperson
2	Mr. Jyotin Mehta <i>Independent Director</i>	Member
3	Mrs. Meena Hemchandra <i>Independent Director</i>	Member
4	Mr. Venkatesh Natarajan <i>Investor Director</i>	Member
5	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

The terms of reference of the RMCB include:

- i. Review of all Board approved policies of the Bank from time to time.
- ii. Evaluate the credit risk portfolio and assessment of the Bank on regular basis and guide the management to mitigate risk arising out of credit function of the Bank.
- iii. Define the risk tolerance level for the Bank and review the exposure against the defined tolerance levels.
- iv. Review of stress scenarios to measure the impact of market conditions as defined by RBI/additional scenario and monitor variance between the actual volatility of portfolio value.
- v. Review of CRAR at quarterly intervals for regulatory compliance.
- vi. Review and approve ICAAP exercise.
- vii. Review of operational risk function by the Bank and initiatives taken for mitigating emergency risk for the Bank.
- viii. Overview of functioning of Risk Management Committee of Executives (RMCE) and Asset Liability Management Committee (ALCO) by review of minutes on a periodic basis.

During the year under review, the RMCB met eleven (11) times : on April 21, 2020; April 30, 2020; May 27, 2020; June 29, 2020; July 29, 2020; August 27, 2020; September 23, 2020; October 23, 2020; November 12, 2020; January 7, 2021 and March 8, 2021.

The details of the meetings of the RMCB attended by the members during the year 2020-2021 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. R. Ramachandran	11	11
Mr. Jyotin Mehta	11	11
Mrs. Meena Hemchandra	11	11
Mr. Baskar Babu Ramachandran	11	11
Mr. Venkatesh Natarajan	11	10

5. Committee for Review of Wilful Defaulters and Monitoring High Value Frauds:

The Bank has constituted the Committee for Review of Wilful Defaulters and Monitoring High Value Frauds (RWDF) in line with the provisions of applicable RBI guidelines. As at March 31, 2021, the RWDF comprised of the following Directors :



Sr No.	Name of the Director	Designation
1	Mrs. Meena Hemchandra <i>Independent Director</i>	Chairperson
2	Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	Member
3	Mr. Mrutunjay Sahoo <i>Independent Director</i>	Member
4	Mr. Ranjit Shah <i>Investor Director</i>	Member
5	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

The terms of reference of the RWDF Committee include:

- Review cases of wilful defaults of cases involving ₹ 25 lakhs and above and identified as such by the management.
- Monitor and follow up cases of frauds involving amounts of ₹ 1 crore and above.
- Analyse and review the trends of frauds and recommend strengthened monitoring in fraud-prone areas.
- Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls including identification of systemic lacunae if any that facilitated perpetration of frauds and put in place measures to plug the same
- Identify the reasons for delay in detection, if any, reporting to top management of the Bank and RBI.
- Examine the procedures and responsibilities for timely reporting of frauds to concerned regulatory and enforcement agencies
- Undertake NPA review on a periodic basis in order to detect signals of potential fraud / wilful default.

During the year under review, the Committee met twice: on May 26, 2020 and March 31, 2021.

The details of the meetings of the Committee attended by the members during the year 2020-21 are given below:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Ms. Meena Hemchandra	2	2
Mr. R. Ramachandran	2	2
Mr. Mrutunjay Sahoo	2	2
Mr. Ranjit Shah	2	1
Mr. Baskar Babu Ramachandran	2	2

6. Customer Service Committee:

The Bank has constituted the Customer Service Committee ("CSC") in line with the provisions of applicable RBI guidelines. As at March 31, 2021, the CSC comprised of the following Directors :

Sr No.	Name of the Director	Designation
1	Mr. John Arunkumar Diaz <i>Independent Director</i>	Chairperson
2	Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	Member
3	Mr. Jyotin Mehta <i>Independent Director</i>	Member
4	Ms. Meena Hemchandra <i>Independent Director</i>	Member
5	Mr. Ranjit Shah <i>Investor Director</i>	Member
6	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

The terms of reference of the Customer Service Committee include:-

- Assess the overall implementation of the Customer Service policies of the Bank.
- Review product approval process with respect to suitability and appropriateness for the customers.
- Review the audit findings of the services rendered to customers including level of customer satisfaction.
- Ensure transparent communication of information pertaining to products, services and related procedures.
- Monitor the quality of customer service extended and facilitate continuous improvement in the customer service quality.
- Take steps proactively to protect customer's interests.
- Review the effectiveness of grievance redressal mechanism within the Bank for redressing complaints received about services rendered by Business Correspondents (BCs).
- Review, on a quarterly basis, the position of complaints against the Bank with the RBI/ Banking Ombudsman offices / Consumer Courts / Courts and analyse the reasons, if any, for these complaints not getting resolved by the Bank itself.

During the year under review, the CSC met four (4) times on May 26, 2020; August 25, 2020; November 10, 2020 and March 31, 2021.

The details of the meetings of the CSC Committee attended by the members during the year 2020-2021, are given below:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Mr. John Arunkumar Diaz	4	4
Mr. R. Ramachandran	4	4
Mr. Jyotin Mehta	4	4
Mrs. Meena Hemchandra	4	4
Mr. Ranjit Shah	4	2
Mr. Baskar Babu Ramachandran	4	4

7. IT Strategy Committee:

The Bank has constituted the IT Strategy Committee ("ITS Committee") in line with the provisions of applicable RBI guidelines. As at March 31, 2021, the ITS Committee comprised of the following Directors :

Sr No.	Name of the Director	Designation
1	Mrs. Meena Hemchandra <i>Independent Director</i>	Chairperson
2	Mr. Jyotin Mehta <i>Independent Director</i>	Member
3	Mr. John Arunkumar Diaz <i>Independent Director</i>	Member
4	Mr. Venkatesh Natarajan <i>Investor Director</i>	Member
5	Mr. Aleem Remtula <i>Investor Director</i>	Member
6	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

The terms of reference of ITS Committee include:

- Review of technological developments in banking industry having relevance to the operations of the Bank, risk management, cyber security etc.
- Approve and recommend to the Board an annual IT related strategy, its alignment with the overall business strategy, with risk management and its budget implications. Review implementation of the above on a quarterly basis.
- Review progress in project implementation.
- Review of vendor performance.
- Review of Disaster Recovery Site performance and matters related thereto.
- Review IT organizational structure including IT-training matters.

- Review compliance to various IT-related inspection and audit reports.
- Review Cyber Security framework and related matters.
- Approve policies related to IT and Information Security.

During the year under review, the ITS Committee met five (5) times : on May 26, 2020; August 25, 2020; October 22, 2020; November 12, 2020 and February 4, 2021.

The details of the meetings of the ITS Committee attended by the members during the year 2020-2021 are given below:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Mrs. Meena Hemchandra	5	5
Mr. Jyotin Mehta	5	5
Mr. John Arunkumar Diaz	5	5
Mr. Venkatesh Natarajan	5	3
Mr. Aleem Remtula	5	4
Mr. Baskar Babu Ramachandran	5	5

8. Credit Committee:

The Bank has constituted the Credit Committee ("CCB") in line with the provisions of applicable RBI guidelines. As at March 31, 2021, the Credit Committee comprised of the following Directors :

Sr No.	Name of the Director	Designation
1	Mr. Mrutunjay Sahoo <i>Independent Director</i>	Chairperson
2	Mr. John Arunkumar Diaz <i>Independent Director</i>	Member
3	Mr. Aleem Remtula <i>Investor Director</i>	Member
4	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

The terms of reference of the Credit Committee include:

- Review of the Credit Policy of the Bank from time to time together with the credit risk management policies and suggest modifications as and when required.
- Review of loans sanctioned by the Bank on a quarterly basis.
- Approval for loans to any borrower falling under any of the categories specified under the Credit Policy.
- Review of One-time Settlements (OTS) sanctioned by the Bank on a periodic basis.



During the year under review, the Committee met eight (8) times on May 26, 2020; June 29, 2020; July 28, 2020; August 25, 2020; September 16, 2020; November 10, 2020; December 21, 2020 and February 23, 2021.

The details of the meetings of the Committee attended by the members during the year 2020-2021 are given below:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Mr. Mrutunjay Sahoo	8	8
Mr. Aleem Remtula	8	3
Mr. Baskar Babu Ramachandran	8	8
Mr. John Arunkumar Diaz	8	8

9. Stakeholder's Relationship Committee:

The Bank has constituted the Stakeholder's Relationship Committee ("SRC") in line with the provisions of Section 178 of the Act and Regulation 20 of SEBI Listing Regulations.

As on March 31, 2021, the SRC comprised of the following Directors:

Sr No.	Name of the Director	Designation
1	Mr. John Arunkumar Diaz <i>Independent Director</i>	Chairperson
2	Mr. Mrutunjay Sahoo <i>Independent Director</i>	Member
3	Mr. Venkatesh Natarajan <i>Investor Director</i>	Member
4	Mr. Ranjit Shah <i>Investor Director</i>	Member
5	Mr. Aleem Remtula <i>Investor Director</i>	Member

The scope and functions of the SRC include:

- Resolve the grievances of the security holders of the Bank including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Monitor and review the performance and service standards adopted by the Bank in respect of various services being rendered by the Registrar and Transfer Agents of the Bank.

- Review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Bank.
- Carry out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act or SEBI Listing Regulations or by any other regulatory authority(ies).

This Committee oversees redressal of shareholders' and debenture holders' grievances and other related matters.

During the year under review, the SRC met twice on May 27, 2020 and November 12, 2020.

The details of the meetings of the SRC attended by the members during the year 2020-2021 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. John Arunkumar Diaz	2	2
Mr. Mrutunjay Sahoo	2	2
Mr. Venkatesh Natarajan	2	2
Mr. Ranjit Shah	2	1
Mr. Aleem Remtula	2	2

Compliance Officer:

Ms. Geeta Krishnan acts as Company Secretary and Compliance Officer and is responsible for the compliance with the requirements of the Securities Laws and SEBI Listing Regulations with the Stock Exchanges.

The Bank maintains continuous interaction with KFIN Technologies Private Limited, Registrar and Transfer Agent ("RTA") and takes proactive steps and action for resolving complaints / queries of the shareholders and takes necessary initiatives in solving critical issues.

Further, the shareholders can lodge their complaints on the SEBI Complaints Redressal System (SCORES) platform also, which is an online redressal system for investor grievances. The complaints received through the said platform have also been resolved promptly by the RTA/Bank.

There were no investor complaints during FY 2020-2021. During year under review, the Bank received one request for transmission of shares which was completed within the prescribed timeline.

10. IPO Committee

The IPO Committee of the Board was constituted on January 22, 2020 for handling matters related to the public issue of the Bank and it was last reconstituted with effect from July 3, 2020. As on March 31, 2021, the IPO Committee comprised of the following directors:

Sr No.	Name of the Director	Designation
1	Mr. Jyotin Mehta <i>Independent Director</i>	Chairperson
2	Mr. John Arunkumar Diaz <i>Independent Director</i>	Member
3	Mr. Ranjit Shah <i>Investor Director</i>	Member
4	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member
5	Mr. Venkatesh Natarajan <i>Investor Director</i>	Member (w.e.f. July 3, 2020)

The terms of reference of the IPO Committee include:

- i. Discuss and recommend the following matters for approval of the Board:
 - (i) appointment of book running lead managers ("BRLMs") and the registrars to the Issue.
 - (ii) the overall size and the terms and conditions of the initial public offer ("Issue") including any offer for sale by existing shareholders of the Bank ("Selling Shareholders" and such offer for sale, the "Offer for Sale")³
 - (iii) the Draft Red Herring Prospectus ("DRHP"), the Red Herring Prospectus ("RHP") and the Prospectus.
 - (iv) the price band for the issue and the bid opening and closing period including the minimum subscription amount, reservation and all other terms and conditions of the Issue, Issue price for anchor investors, bid period, Issue price.
 - (v) the Stock Exchanges where the Bank's shares are to be listed and the name of the designated Stock Exchange.
 - (vi) Restatement of financial statements subject to the review of the Audit Committee.
 - (vii) the issue-related expenses.
 - (viii) Withdrawal of the DRHP or the RHP or decide not to proceed with the Issue at any stage in accordance with applicable laws and in consultation with the BRLMs.
- ii. Handle all matters relating to the appointment of legal counsels, trustees, custodians, credit rating agencies, bankers, agents, underwriters, auditors,

monitoring agencies, advertising agencies, printers and any other intermediaries and advisors as may be required including executing agreements with any or all of them.

- iii. Decide in consultation with the BRLMs on the actual Issue size, and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Issue including to make any amendments, modifications, variations or alterations in relation to the Issue and approaching any or all of the existing shareholders of the Bank for participation in the Offer for Sale.
- iv. Enter into and terminate arrangements with the BRLMs, underwriters to the Issue, syndicate members to the Issue, brokers to the Issue, escrow collection bankers to the Issue, sponsor bank, refund bankers to the Issue, legal advisors, auditors, and any other agencies or persons or intermediaries to the Issue and to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the Issue agreement with the BRLMs.
- v. Open and operate bank accounts in terms of the escrow agreement and to authorize one or more officers of the Bank to execute all documents/deeds as may be necessary in this regard.
- vi. Open and operate bank accounts of the Bank in terms of Section 40(3) of the Companies Act, 2013 as amended, and to authorize one or more officers of the Bank to execute all documents/deeds as may be necessary in this regard.
- vii. Settle all questions, difficulties or doubts that may arise in regard to the Issue, including such issues or allotment, terms of the Issue, utilisation of the Issue proceeds and matters incidental thereto as it may deem fit.
- viii. Submit undertaking/certificates or provide clarifications to the SEBI, Registrar of Companies, Maharashtra at Mumbai and the relevant Stock Exchange(s) where the Equity Shares are to be listed.
- ix. Negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the IPO Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Issue and any documents or instruments so executed and delivered or acts and things done or caused to be done by the IPO Committee shall be conclusive evidence of the authority of the IPO Committee in so doing.



The IPO Committee met twenty one (21) times during the year under review: on April 23, 2020; June 18, 2020; July 3, 2020; July 22, 2020; August 13, 2020; August 25, 2020; September 16, 2020; September 22, 2020; September 30, 2020; December 1, 2020; January 20, 2021; February 8, 2021; February 9, 2021; February 20, 2021; March 2, 2021; March 3, 2021; March 9, 2021; March 10, 2021; March 16, 2021; March 20, 2021 and March 24, 2021.

The details of the meetings of the Committee attended by the members during the year 2020-2021, are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Jyotin Mehta	21	21
Mr. John Arunkumar Diaz	21	21
Mr. Ranjit Shah	21	20
Mr. Baskar Babu Ramachandran	21	21
Mr. Venkatesh Natarajan	18	14

Considering that the IPO was completed in March 2021, the IPO Committee was dissolved by the Board at its meeting held on May 27, 2021.

11. Board Strategy Committee

The Board Strategy Committee of the Board was constituted w.e.f. June 23, 2020 and as on March 31, 2021, the Committee comprised of the following directors:

Sr No.	Name of the Director	Designation
1	Mr. Ranjit Shah <i>Investor Director</i>	Chairperson
2	Mr. Venkatesh Natarajan <i>Investor Director</i>	Member
3	Mr. Aleem Remtula <i>Investor Director</i>	Member
4	Mr. John Arunkumar Diaz <i>Independent Director</i>	Member
5	Mr. Baskar Babu Ramachandran <i>MD & CFO</i>	Member

The terms of reference of the Committee include:

- Evaluate and deliberate on strategic proposals and offer recommendation to the Board including introduction or withdrawal of products/ lines of business; extending or withdrawing businesses / products into new geographies; and undertaking marketing or brand building or business development initiatives .
- Monitor the progress and performance of the Bank relating to key strategic initiatives.

- Review and apprise the Board on any matters relating to the Bank's strategic plans, initiatives, programs and policies to support the Bank's objectives including the interests of the stakeholders.
- Evaluate and deliberate on strategic proposals and projects.
- Do any other act as the Board may require the Committee to undertake from time to time on the matters pertaining to the Bank's business strategy development and implementation.

The Committee met twice during the year on June 26, 2020 and July 2, 2020.

The details of the meetings of the Committee attended by the members during the year 2020-2021, are given below:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Mr. Ranjit Shah	2	1
Mr. Venkatesh Natarajan	2	2
Mr. Aleem Remtula	2	2
Mr. John Arunkumar Diaz	2	2
Mr. Baskar Babu Ramachandran	2	2

Meeting of the Independent Directors

A separate meeting of the Independent Directors of the Bank was held on May 27, 2020. All Independent Directors were present at the meeting.

3. REMUNERATION OF DIRECTORS:

i) Compensation Policy:

As per the provisions of sub-section (3) of Section 178 of the Companies Act, 2013 the Bank has a Policy on Appointment of Directors and Senior Management employees which includes formulating criteria for determining qualifications, attributes and independence of a Director. The Board has, in accordance with the RBI guidelines on compensation, formulated the Compensation Policy which became effective in FY 2020-21. The Compensation Policy institutes a mechanism for alignment of compensation of Whole-time Directors, Chief Executive Officer, Material Risk Takers, Control Function Staff and other senior managerial personnel with the extent of risks taken. The Policy also establishes standards on compensation including fixed and variable, which are in alignment with the applicable rules and regulations including the RBI guidelines in this regard and which is based on the trends and practices of remuneration prevailing in the banking industry.

ii) Remuneration paid to Executive Director:

Remuneration of the Managing Director & Chief Executive Officer (MD & CEO) comprises of basic salary, special allowance, perquisites and retiral benefits as may be approved by the Board, the shareholders and the RBI and performance incentive as may be approved by the Board and the RBI.

Details of remuneration paid to the MD & CEO in FY 2020-21

Name of the Director	Salary (including allowances) & performance incentive for the previous year (₹ in lakhs)	Contribution to Provident fund (₹)[in lakhs]	Perquisites in cash or kind (₹)[in lakhs]
Mr. Baskar Babu Ramachandran	129.99	6.24	0

Mr. Baskar Babu Ramachandran holds 12,343,578 Equity shares in the Bank as on March 31, 2021. Being a Promoter Director, he is not eligible for grant of any stock options.

iii) Remuneration to Non-Executive Directors:

All the non-executive directors including the Independent Directors receive sitting fees for each meeting of the Board and its various Committees. No stock options are granted to any of the Non-Executive Directors.

Details of sitting fees paid to Non-Executive Directors during the year 2020-2021 are given below:

Name of Director	Sitting Fees paid for meetings attended (₹ in lakhs)	Total number of shares held in the Bank as on March 31, 2021
Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	15.40	Nil
Mr. Mrutunjay Sahoo <i>Independent Director</i>	12.80	Nil
Mr. Jyotin Mehta <i>Independent Director</i>	21.20	Nil
Ms. Meena Hemchandra <i>Independent Director</i>	16.00	Nil
Mr. Venkatesh Natarajan <i>Investor Director</i>	14.00	Nil
Mr. Ranjit Shah <i>Investor Director</i>	Nil*	Nil
Mr. Aleem Remtula <i>Investor Director</i>	12.15	Nil
Mr. John Arunkumar Diaz <i>Independent Director</i>	18.40	Nil

* Mr. Ranjit Shah, Investor Director, has waived the sitting fees payable to him.

4. GENERAL BODY MEETINGS**a) Details of last three Annual General Meetings:**

The day, date, time and venue of the Annual General Meetings (AGMs) held during the last three financial years and the special resolution(s) passed thereat by e-voting and poll are as follows:

Sr No.	Particulars	Date and time	Location	Special Resolutions passed
1	10th AGM of the Bank	Thursday, August 30, 2018 at 3.30 p.m.	The Park Hotel, No.1, Sector 10, CBD Belapur, Navi Mumbai 400614	<ul style="list-style-type: none"> i) Approval for revision in remuneration of MD & CEO of the Bank. ii) Issue of shares on preferential basis to the Key promoter(s). iii) Approval for partial amendment of ESOP Scheme, 2016. iv) Approval for extension of time for increasing the Board strength.
2	11th AGM of the Bank	Thursday, September 26, 2019 at 11.30 a.m.	The Park Hotel, No.1, Sector 10, CBD Belapur, Navi Mumbai 400614	<ul style="list-style-type: none"> i) Approval for granting extension of time to complete allotment of shares to Key Promoter(s) on preferential basis. ii) Approval for revision in the remuneration of MD & CEO. iii) Approval of the new ESOP Scheme -2019 of the Bank. iv) Approval for amendment of Articles of Association by adoption of a new set of Articles of Association.
3	12th AGM of the Bank	Monday, September 28, 2020 at 3:30 p.m.	Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") pursuant to Circular issued by Ministry of Corporate Affairs and SEBI	<ul style="list-style-type: none"> (i) To approve adoption of new set of Articles of Association (pursuant to scheduled IPO).


b) During the year under review, 2 (Two) Extraordinary General Meetings (EGMs) were held on :

Sr. No.	Day and Date	Venue	Brief description of Special resolutions passed
1	Monday, July 27,2020 at 3.30 p.m.	Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")	(i) Approval for the Initial Public Offer of Equity Shares of the Bank. (ii) Alteration of the Capital Clause of Memorandum of Association of the Bank. (iii) Amendment of the Suryoday ESOP Scheme-2019. (iv) Re-appointment of Mr. Baskar Babu Ramachandran (DIN 02303132) as Managing Director & Chief Executive Officer (MD & CEO) of the Bank. (v) Re-appointment of Mr. Ramachandran Rajaraman (DIN 01953653) as an Independent Director of the Bank. (vi) Appointment of Mr. John Arunkumar Diaz (DIN 00493304) as an Independent Director of the Bank.
2	Saturday, February 13, 2021 at 11:00 a.m.	Registered office of the Bank at 1101, Sharda Terraces, Plot No.65, Sector 11, CBD Belapur, Navi Mumbai 400614	(i) Issue of shares on private placement basis (pre-IPO placement).

c) Whether any Special Resolution passed last year through postal ballot : Yes, in May 2020.

The Bank sent Postal Ballot Notice dated April 9,2020 to all the shareholders of the Bank seeking their approval for issue of shares on private placement basis vide Special Resolution.

Person who conducted the Postal Ballot exercise : Mr. Tushar Shridharani, Practicing Company Secretary appointed as the Scrutinizer for conducting the Postal Ballot.

Details of Voting Pattern: Assent = 100%; Dissent = 0.00%

Voting rights were reckoned on the paid up value of shares of the Bank in the names of the shareholders as on the cut-off date. The results were displayed on the website of the Bank www.suryodaybank.com and on the website of Karvy at <https://evoting.karvy.com>.

5. MEANS OF COMMUNICATION

The unaudited and audited financial results, after approval by the Board, are disclosed to the Stock Exchanges as per the requirements of the SEBI Listing Regulations. They are published in one English and Regional language (Marathi) newspapers viz. Business Standard and Mumbai Lakshdweep respectively and also displayed on the Bank's website at <https://www.suryodaybank.com/Financial-Result> The Presentations made by the management to Institutional Investors/ Analysts/Media are uploaded on the Bank's website at <https://www.suryodaybank.com/Equity-Compliances>

6. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting of the Bank:	Monday, September 20,2021: 3.30 p.m.
Date, Time, Venue	Through video conferencing/ other audio visual means
Financial Year	April 01 to March 31
Names and addresses of Stock Exchange where Equity Shares of the Bank are listed and Stock Code and confirmation on payment of Listing fees	1 National Stock Exchange of India Limited ("NSE") Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Stock Code: SURYODAY 2. BSE Limited ("BSE") Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 Stock Code: 543279 The Equity Shares of the Bank are listed on the aforesaid Stock Exchanges with effect from March 26, 2021 and the annual listing fees for FY 2020-21 have been paid.

ISIN	INE 428Q01011
Outstanding global depository receipts or american depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity	None
Listing of Debt securities of the Bank	The debt securities of the Bank (Non-Convertible Debentures) are listed on the Wholesale Debt Segment of the BSE Ltd., the Security Codes being 954948, 960033 and 952816.
Names and addresses of Debenture Trustees	<ol style="list-style-type: none"> 1. IDBI Trusteeship Services Limited Asian Building, Ground Floor, R.Kamani Marg, Mumbai - 400 001 Contact: 022-40807000 2. Catalyst Trusteeship Limited Office No. 83 – 87,8th Floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400 021 Contact: 022-49220506 3. Axis Trustee Services Limited Axis House, Bombay Dyeing Mills Compound, Pandurang Budhkar Marg, Worli, Mumbai - 400 025 Contact: 022 -62260054
Registrar and Share Transfer Agent for Equity Shares and Non-Convertible Debentures	KFin Technologies Private Limited (formerly known as Karvy Fintech Private Limited.) Selenium, Tower- B, Plot No 31 & 32., Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad, 500032, India. Tel: 040-67162222, Extn. 1602/1603/1604 Email: einward.ris@kfintech.com
Dematerialisation & Transfer of shares	Over 99.99 percent of the Equity Shares of the Bank are in dematerialized form and transfer of these shares are carried out through the Depositories without the involvement of the Bank. With respect to shares held in physical form, no request for transfer of shares is processed by the Bank. Such shareholders are requested to get their shares dematerialized.
SEBI Complaints redressal systems (SCORES):	The Bank is registered with SEBI Complaints redressal systems (SCORES).
Distribution of shareholdings	Details provided below
Demat Suspense Account	196 Equity shares allotted to 4 shareholders during the IPO in March 2021 are lying in the demat suspense account maintained by the Bank. Number of shareholders who approached the Bank for transfer of shares from suspense account during the year: Nil
Details of credit ratings	The details of all credit ratings obtained by the Bank for all debt instruments are furnished in the Directors' Report.
Address for correspondence	Company Secretary 1101, Sharda Terraces, Plot no. 65, Sector 11 CBD Belapur, Navi Mumbai 400614
Shareholders' Helpdesk:	Dedicated email id for Shareholders' queries/grievances: company.secretary@suryodaybank.com Dedicated email id for Investors' queries/grievances: inv.relations@suryodaybank.com
Banking Customer Helpdesk	In the event of any queries/complaints, banking customers can directly approach to the Branches or can call/write to the Bank using the following contact details of Smile Centre Call:Customer care (Phone Banking) Numbers: 1800 266 7711 or Write to smile@suryodaybank.com



Distribution of shareholdings as on March 31, 2021:

DISTRIBUTION SCHEDULE AS ON 31/03/2021					
Sr no.	Category (number of shares)	Number of shareholders	% of shareholders	Number of shares	% of paid up share capital
1	1 - 5000	123432	98.76	6253741	5.89
2	5001 -10000	592	0.47	460547	0.43
3	10001 -20000	346	0.28	543250	0.51
4	20001 -30000	129	0.10	331213	0.31
5	30001 -40000	90	0.07	331718	0.31
6	40001 -50000	65	0.05	308654	0.29
7	50001 100000	126	0.10	986685	0.93
8	100001 and above	200	0.16	96915018	91.32
	Total	124980	100.00	106130826	100.00

7 OTHER DISCLOSURES

a) Related Party transactions:

The Bank has a Board-approved Policy to deal with related party transactions and the same has been uploaded on the Bank's website at <https://www.suryodaybank.com/assets/pdf/policies/SSFB-Policy-for-Related-Party-Transactions.pdf>

During the year, there were no related party transactions undertaken by the Bank.

b) **Vigil Mechanism:** The Bank has a Board-approved Whistle Blower Policy and details of the vigil mechanism are furnished in the Directors' Report. No person has been denied access to the Audit Committee.

c) Disclosures under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 are furnished in the Directors' Report. The Policy on Prevention of Sexual Harassment has been uploaded on the Bank's website at <https://www.suryodaybank.com/assets/pdf/policies/sexual-harassment-policy.pdf>

d) In view of the pandemic situation in FY 2020-21, the Independent Directors have attended various online programs conducted by CAFRAL and other organisations. The details of the programs attended by the Independent Directors is provided in the website of the Bank [<https://www.suryodaybank.com/assets/pdf/policies/Familiarisation-Programs-for-Independent-Directors.pdf>]

e) Total fees for all services paid by the Bank to the Statutory Auditors for FY 2020-21 are detailed below:

Sr No	Particulars	Amount (₹ In lakhs)
1	Audit fees	55.00
2	Fees for certification and other attestation services	1.25
3	Non Audit Fees (IPO)	60.00
	Total	116.25

f) **Compliance with Mandatory Requirements:** The Bank has complied with all applicable mandatory requirements of the Code of Corporate Governance as per the SEBI Listing Regulations.

g) Strictures and Penalties for last three financial years:

During the year ended March 31,2021, the Bank was levied penalty of ₹ 3.10 lakhs towards delay in filing FCGPR in respect of FDI raised through private placement in March 2019(March 31,202: Nil) in respect of which application for waiver was made to RBI in June 2019 but rejected by RBI on February 10,2021.

h) Performance Evaluation :

The Bank has put in place a mechanism for performance evaluation of the Directors. The details of the same have been included in the Directors' Report.

i) Details of utilisation of funds raised through preferential allotment or qualified institutional placement :

During the year, the Bank raised ₹ 273.94 crores through preferential allotment . The said funds were raised for general corporate purpose. As required under the SEBI Listing Regulations relating to Corporate Governance, the Audit Committee at its meeting held on April 22,2021 has reviewed and taken note that the Bank has utilised the said funds for the above-mentioned purpose and that there is no deviation in utilization of the said funds.

j) In terms of Schedule V of the SEBI Listing Regulations, the details of core skills / expertise / competencies, identified by the Board as required in the context of the Bank's businesses and sector(s) for it to function effectively and those actually available with the Board, are as follows:

The Board of Directors have identified the following areas of special knowledge or practical experience which would be considered for appointment of persons as Directors of the Bank in line with the relevant provisions of the Banking Regulation Act, 1949 and relevant circulars issued by the

Reserve Bank of India from time to time:

- | | |
|-----------------------------------|---------------------------------|
| i. Accountancy | viii. Small-Scale Industry |
| ii. Agriculture and Rural Economy | ix. Information Technology |
| iii. Banking | x. Payment & Settlement Systems |
| iv. Co-operation | xi. Human Resources |
| v. Economics | xii. Risk Management |
| vi. Finance | xiii. Business Management |
| vii. Law | |

Sr. No.	Name	Designation	Expertise
1.	Mr. Ramachandran Rajaraman	Part-time Chairperson and Independent Director	Agriculture and Rural Economy, Banking, Small-Scale Industry, Finance, Risk management and Business management.
2.	Mr. Mrutunjay Sahoo	Independent Director	Agriculture and Rural Economy, MSME sector, Finance, Banking, co-operation, Economics, Small Scale Industry, Banking
3.	Mr. Jyotin Kantilal Mehta	Independent Director	Accountancy , Banking, Risk Management, Small Scale industry, Information Technology,
4.	Mrs. Meena Hemchandra	Independent Director	Banking, Accountancy, Finance, Small Scale Industry Risk Management, Information Technology,
5.	Mr. John Arunkumar Diaz	Independent Director	Agriculture and Rural Economy, Banking, Finance, Small Scale industry, healthcare and distribution, Manufacturing
6.	Mr. Venkatesh Natarajan	Investor Director	Business Management, Finance, MSME sector, healthcare, Agriculture and Rural Economy, Risk Management
7.	Mr. Ranjit Shah	Investor Director	Business Management, Information Technology, consumer, finance, Infrastructure
8.	Mr. Aleem Remtula	Investor Director	Business Management, Venture Capital, Economics, Finance, Agriculture, Small-Scale Industries, Advisor
9.	Mr. Baskar Babu Ramachandran	Managing Director and Chief Executive Officer	Rural Economy, Banking, Small Scale Industry, Business Management, Finance, Engineering, Risk Management

Brief profile of the Directors of the Bank have been uploaded on the website of the Bank at <https://www.suryodaybank.com/about-us>.

DECLARATION

I confirm that for the year under review, all directors and members of senior management of the Bank have affirmed compliance with the Codes of Conduct as applicable to them.

May 27,2021

Baskar Babu Ramachandran
Managing Director and CEO



CERTIFICATE FROM PRACTICING COMPANY SECRETARY ON COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To
The Members of
Suryoday Small Finance Bank Limited

I have examined the compliance of conditions of corporate governance by Suryoday Small Finance Bank Limited ('the Bank') for the year ended March 31, 2021, as prescribed in regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and Para C, D and E of Schedule V to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR') as amended from time to time pursuant to the Listing Agreement of the Bank with the National Stock exchange Limited and the BSE Limited.

I state that the compliance of conditions of Corporate Governance is the responsibility of the management, and my examination was limited to procedures and implementation thereof adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In my opinion and to the best of my information and according to the explanations given to me and the representation provided, I certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the LODR.

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

This certificate is addressed and provided to the members of the Bank solely for the purpose to enable the Bank to comply with the requirement of the LODR, and it should not be used by any other person or for any other purpose. Accordingly, I do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without my prior consent in writing.

Place : Mumbai
Date : May 27, 2021

Tushar Shridharani
Practicing Company Secretary
FCS 2690 / COP 2190
UDIN – F002690C000381310

Independent Auditors' Report

To the Members of
Suryoday Small Finance Bank Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Suryoday Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2021, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulations Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2021, profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described

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

Emphasis of Matter

We draw attention to Note 15 of the of Schedule 18 to the financial statements, which describes the extent to which the COVID-19 pandemic will continue to impact the Bank's financial statements will depend on ongoing and future developments, which are uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Identification of Non-Performing Asset ('NPA') and Provision on Advances	
Total Loans and Advances (Net of Provision) as at March 31, 2021	₹ 3,982.77 crore
Gross NPA as at March 31, 2021	₹ 393.68 crore
Provision for NPA as at March 31, 2021	₹ 205.56 crore

Refer Schedule 9, Schedule 17 (3B), Schedule 18(7) and 18(15) to the financial statements.

Sr. No.	Key Audit Matter	How our Audit addressed the Key Audit Matter
1	<p>Identification of NPA and measurement of provision on account of NPA is made based on the assessment of various criteria stipulated in the Reserve Bank of India ('RBI') guidelines on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances' ('IRACP'). The Bank is required to prepare a Board approved policy as per the IRACP guidelines for NPA identification and provision.</p> <p>The IRACP guidelines stipulate the requirement to identify NPA through defined criteria such as past due status, out of order status etc. Provisions in respect of such NPAs and restructured advances are made based on minimum provisioning levels prescribed under the IRACP and Bank's internal credit policy. The provision on NPAs are also based on the valuation of the security available. In case of restructured accounts, provision is made for erosion/ diminution in fair value of restructured loans, in accordance with the RBI guidelines.</p> <p>Further, NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA then all facilities to such a borrower will be treated as an NPA.</p>	<p>Our audit procedures in respect of this area included:</p> <ol style="list-style-type: none"> 1. Verified the design and operating effectiveness of key internal controls (including application controls) over approval, recording and recovery of loans, monitoring process for overdue/ stressed accounts, identification of NPA, measurement of provision on account of NPA and valuation of security and collateral against loans. Verified application controls includes testing of automated controls, reports and system reconciliations. 2. Evaluated the governance process and review controls over identification of NPA, measurement of provision and basis of provisioning in accordance with the Bank's policy. 3. An inclusive list of substantive procedures performed is as below: <ul style="list-style-type: none"> • For borrowers, assessed the appropriateness of asset classification and adequacy of related provisioning by performing procedures such as computation of overdue ageing, assessment of borrower level NPA identification and verification of applicable provision rates as per IRACP norms and Bank's Policy on test check basis;



Sr. No.	Key Audit Matter	How our Audit addressed the Key Audit Matter
	<p>The Bank is also required to apply its judgement to determine the identification and provision required against NPA by applying quantitative as well as qualitative factors. The risk of identification of NPA is affected by factors like stress and liquidity concerns in certain sectors.</p> <p>The Bank has framed policies in line with the RBI's guidelines vide 'COVID-19 – Regulatory Package' and 'COVID19 Regulatory Package - Asset Classification and Provisioning' thereby providing moratorium as a relief measure to the borrowers and creating required provisions against these reliefs. Additionally, the Bank makes provisions on exposures that are not classified as NPAs for identified advances that can potentially slip into NPA.</p> <p>Additionally, the Bank has considered the impact of judgment, on identification of NPA and provision thereof, which was vacated as per Honorable Supreme Court Order on March 23, 2021 and the RBI circular dated April 7, 2021 in that connection.</p> <p>We have identified 'Identification of NPA and Provisioning on Advances' as a key audit matter in view of the significant level of estimation involved, as well as the stringent compliances laid down by the RBI in this regard.</p>	<ul style="list-style-type: none"> • Verified performing loans on test check basis to assess whether they should be classified as NPA; • Verified the valuation of collateral as carried out by the Bank on test check basis; • Performed inquiries with the Management of the Bank to ascertain if there were indicators of stress, perceived credit risk or occurrence of an event of default in any particular class of borrowers, product category or loan account that warrants NPA assessment; • Verified standard and overdue accounts on test check basis to assess compliance with the RBI guidelines vide its circulars 'COVID-19 – Regulatory Package' and 'COVID19 Regulatory Package – Asset Classification and Provisioning'. • Selected samples of accounts restructured under RBI Circulars on 'Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances' and 'Resolution Framework for COVID 19-related stress' to assess compliance with the RBI directions. • Selected samples of accounts which were not declared as NPA due to the interim order of Honourable Supreme Court read with subsequent vacation of the interim order and the RBI circular in that connection to ensure the asset classification of borrower accounts has been continued as per the extant RBI instructions/IRACP norms. <p>4. Verified the adequacy and accuracy of disclosures against the relevant accounting standards and RBI requirements relating to NPA.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements The Bank's Board of Directors is responsible for the matters stated in section 134(5)

of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, and the Banking Regulation Act, 1949 and the circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time ("the RBI Guidelines"). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act and RBI guidelines 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related

to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Statement of Profit and Loss have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act and relevant rules issued thereunder.
2. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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.
 - c. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the



purposes of our audit are available therein. However, during the course of our audit we visited 5 branches.

3. As required by Section 143(3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
- c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI.
- e. On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2021 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 with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- 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, 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 as at March 31, 2021 on its financial position in its financial statements – Refer Schedule 12, Schedule 18(13) and Schedule 18(15) to the financial statements;
 - ii. The Bank has made provision as at March 31, 2021, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Bank does not have any derivative contracts as at March 31, 2021;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
- h. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, the Bank is a banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Act do not apply.

For **MSKC & Associates**
(Formerly known as R K Kumar & Co)
Chartered Accountants

ICAI Firm Registration Number: 001595S

Tushar Kurani

Partner

Membership Number: 118580

UDIN:21118580AAAACU7198

Mumbai
May 27, 2021

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Suryoday Small Finance Bank Limited on the Financial Statements for the year ended March 31, 2021]

Annexure A to the Independent Auditor's Report of even date on the financial statements of Suryoday 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")

We have audited the internal financial controls with reference to financial statements of Suryoday Small Finance Bank Limited ("the Bank") as of March 31, 2021 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 Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). 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 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 Act.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 internal financial controls with reference to financial statements 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 internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial

statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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 Bank's internal financial controls with reference to financial statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements



may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

Mumbai
May 27, 2021

For **MSKC & Associates**
(Formerly known as R K Kumar & Co)
Chartered Accountants
ICAI Firm Registration Number: 001595S

Tushar Kurani
Partner
Membership Number: 118580
UDIN:21118580AAAACU7198

Balance Sheet

as at March 31, 2021

	Schedule	As at March 31, 2021	As at March 31, 2020
(₹ in '000)			
CAPITAL AND LIABILITIES			
Capital	1	1,061,308	865,941
Reserves and Surplus	2	14,907,664	9,796,357
Deposits	3	32,556,761	28,487,141
Borrowings	4	16,666,200	12,646,156
Other Liabilities and Provisions	5	1,927,920	1,849,628
Total		67,119,853	53,645,223
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,028,040	605,275
Balances with Banks and Money at Call and Short Notice	7	4,938,366	7,770,711
Investments	8	18,736,967	8,081,979
Advances	9	39,827,700	35,319,446
Fixed Assets	10	432,196	387,296
Other Assets	11	2,156,584	1,480,516
Total		67,119,853	53,645,223
Contingent Liabilities	12	47,457	46,224
Bills for collection		-	-

Significant Accounting Policies and Notes to the financial statements 17 & 18

The schedules referred to above form an integral part of the financial statements

As per our report of even date

For **MSKC & Associates**

(Formerly known as R.K. Kumar & Co.)

Chartered Accountants

Firm Registration No: 001595S

For and on behalf of the Board of Directors

Tushar Kurani

Partner

Membership No: 118580

Place: Mumbai

Date: May 27, 2021

R. Ramachandran

Chairperson

DIN-01953653

Geeta Krishnan

Company Secretary

R. Baskar BabuManaging Director and
Chief Executive Officer

DIN-02303132

Bhavin Damania

Chief Financial Officer

Jyotin Mehta

Director

DIN-00033518



Profit and Loss Account

for the year ended March 31, 2021

(₹ in '000)

	Schedule	Year ended March 31, 2021	Year ended March 31, 2020
I. INCOME			
Interest earned	13	7,761,494	7,666,840
Other income	14	994,828	874,537
Total		8,756,322	8,541,377
II. EXPENDITURE			
Interest expended	15	3,656,538	2,761,823
Operating expenses	16	3,286,406	2,721,208
Provisions and contingencies		1,694,824	1,948,985
Total		8,637,768	7,432,016
III. PROFIT			
Net profit for the year		118,554	1,109,361
Net Balance in Profit and loss account brought forward		2,048,321	1,260,997
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		29,639	277,340
Transfer to Investment Fluctuation Reserve		78,582	71,041
Transfer from Investment Reserve		(549)	-
Transfer to Capital Reserve		10,333	1,530
Balance carried over to Balance Sheet		2,048,870	2,020,447
V. EARNING PER EQUITY SHARE (Face Value of ₹ 10 per share)			
Basic	18(2)	1.32	13.38
Diluted	18(2)	1.31	13.27

Significant Accounting Policies and Notes to the financial statements 17 & 18

The schedules referred to above form an integral part of the financial statements

As per our report of even date

For **MSKC & Associates**

(Formerly known as R.K. Kumar & Co.)

Chartered Accountants

Firm Registration No: 001595S

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Bhavin Damania

Chief Financial Officer

Jyotin Mehta

Director

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Cash Flow Statement

for the year ended March 31, 2021

	Year ended March 31, 2021	Year ended March 31, 2020
		(₹ in '000)
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES		
Profit before taxes	120,954	1,539,733
Adjustments for:		
Depreciation on fixed assets	150,305	97,840
Amortisation of premium on held to maturity investment	21,866	21,617
Profit on sale of fixed assets	(156)	(193)
Provision for non performing assets	703,102	125,006
Floating provision	380,630	209,023
Provision for COVID-19	(659,908)	659,908
Other provision	86,333	3,693
Provision for standard assets	20,751	42,112
Employee stock option expenses	58,653	49,926
Provision on depreciation on investment	189,936	-
Write off of advances	969,494	478,871
	2,041,960	3,227,536
Adjustments for:		
Increase in investments	(8,266,164)	(8,403)
Increase in advances	(6,561,480)	(9,336,508)
Increase in deposits	4,069,620	12,552,889
Increase in others assets	(377,588)	(10,016)
Increase/(Decrease) in other liabilities and provisions	631,117	(484,213)
	(10,504,495)	2,713,749
Direct taxes paid (net of refunds)	(300,880)	(683,068)
Net cash flow (used in)/from operating activities	(8,763,415)	5,258,217
Cash flow used in investing activities		
Purchase of fixed assets	(194,925)	(227,202)
Proceeds from sale of fixed assets	203	511
Net (Increase)/ Decrease in fixed deposit	(4,000)	78,839
Increase in capital work in progress	(327)	(68,487)
Net Investment in banking book	(2,600,626)	(1,451,266)
Net cash used in investing activities	(2,799,675)	(1,667,605)



Cash Flow Statement

for the year ended March 31, 2021

(₹ in '000)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash flow from financing activities		
Proceeds from issue of share capital (inclusive of issue expense)	5,129,466	696,719
Proceeds from Borrowings	9,950,000	5,885,563
Repayment of Borrowings	(5,929,956)	(4,481,683)
Net cash flow from financing activities	9,149,510	2,100,599
Net (decrease)/increase in cash and cash equivalents	(2,413,580)	5,691,211
Cash and cash equivalents at the beginning of the year	8,345,486	2,654,275
Cash and cash equivalents at the end of the year	5,931,906	8,345,486

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks in current accounts including money at call and short notice.

As per our report of even date
For **MSKC & Associates**
(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration No: 001595S

For and on behalf of the Board of Directors

Tushar Kurani
Partner

Membership No: 118580

Place: Mumbai
Date: May 27, 2021

R. Ramachandran
Chairperson

DIN-01953653

Geeta Krishnan
Company Secretary

R. Baskar Babu
Managing Director and
Chief Executive Officer
DIN-02303132

Bhavin Damania
Chief Financial Officer

Jyotin Mehta
Director

DIN-00033518

Schedules to the Financial Statements

as at March 31, 2021

SCHEDULE 1 - CAPITAL

	As at March 31, 2021	As at March 31, 2020
		(₹ in '000)
Authorised Capital		
12,50,00,000 (March 31, 2020: 10,00,00,000) equity shares of ₹ 10 each	1,250,000	1,000,000
Issued, Subscribed and Paid-up Capital		
10,61,30,826 (March 31, 2020: 8,65,94,131) equity shares of ₹ 10 each fully paid up (Refer note - 18 (1.2))	1,061,308	865,941
Total	1,061,308	865,941

SCHEDULE 2 - RESERVES AND SURPLUS

	As at March 31, 2021	As at March 31, 2020
		(₹ in '000)
I. Statutory Reserve		
[Created pursuant to Section 17(2) of Banking Regulation Act, 1949]		
Opening Balance	669,987	392,647
Addition during the year (Refer note - 18 (3.1))	29,639	277,340
Total	699,626	669,987
II. Capital Reserve		
Opening Balance	1,935	405
Addition during the year (Refer note - 18 (3.2))	10,333	1,530
Total	12,268	1,935
III. Share Premium Account		
Opening Balance	6,910,816	6,268,353
Addition during the year	5,123,120	670,337
Amounts utilized toward share issue expenses (Refer note - 18 (3.4))	(167,000)	(27,874)
Total	11,866,936	6,910,816
IV. General Reserve		
Opening Balance	3,281	1,805
Addition during the year	3,905	1,476
Total	7,186	3,281
V. Employee Stock Options Outstanding Account (ESOP)		
Opening Balance	71,017	46,301
Employee compensation expense for the year	58,653	49,926
Transfer to Share Premium Account/Share Capital on exercise of stock options	(24,682)	(23,734)
Transfer to General Reserve for Non- exercise of ESOP's	(3,905)	(1,476)
Total	101,083	71,017
VI. Investment Reserve Account		
Opening Balance	549	549
Reduction during the year (Refer note - 18 (3.5))	(549)	-
Total	(0)	549
VII. Investment Fluctuation Reserve		
Opening Balance	90,451	19,410
Addition during the year (Refer note - 18 (3.3))	78,582	71,041
Total	169,033	90,451
VIII. Balance in Profit and Loss Account		
Balance brought from Profit and Loss	2,048,870	2,020,447
Add: Share issue expenses adjusted from Share Premium Account	2,662	27,874
Total	2,051,532	2,048,321
Total	14,907,664	9,796,357



Schedules to the Financial Statements

as at March 31, 2021

SCHEDULE 3 - DEPOSITS

	(₹ in '000)	
	As at March 31, 2021	As at March 31, 2020
A. I. Demand Deposits		
i) From Banks	512,940	267,278
ii) From others	561,508	318,710
Total	1,074,448	585,988
II. Savings Bank Deposits	3,953,941	2,674,536
III. Term Deposits		
i) From Banks	7,521,229	12,254,520
ii) From others	20,007,143	12,972,097
Total	27,528,372	25,226,617
Total	32,556,761	28,487,141
B I. Deposits of branches in India	32,556,761	28,487,141
II. Deposits of branches outside India	-	-
Total	32,556,761	28,487,141

SCHEDULE 4 - BORROWINGS

	(₹ in '000)	
	As at March 31, 2021	As at March 31, 2020
I. Borrowings in India*		
i) Reserve Bank of India	-	540,000
ii) Other banks	-	93
iii) Other institutions and agencies	15,266,200	11,456,063
iv) Unsecured redeemable debentures and term loan (Subordinate debts included in Tier 2 capital)	1,400,000	600,000
v) Non convertible debenture (excluding subordinate debts)	-	50,000
Total	16,666,200	12,646,156
II. Borrowings outside India *	-	-
Total	16,666,200	12,646,156

* Includes secured borrowings of ₹ Nil (March 31, 2020: ₹ 5.01 crore) other than under Repo (including tri-party repo).

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

	(₹ in '000)	
	As at March 31, 2021	As at March 31, 2020
I. Bills payable	234,877	48,915
II. Inter - office adjustments (net)	-	1,169
III. Interest accrued	184,642	220,278
IV. Others (including provisions)	-	-
(i) Contingent provisions against standard assets	136,611	115,860
(ii) Others Liabilities (including provisions)	1,371,790	1,463,406
Total	1,927,920	1,849,628

Schedules to the Financial Statements

as at March 31, 2021

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As at March 31, 2021	As at March 31, 2020
(₹ in '000)		
I. Cash in hand	119,329	63,523
II. Balances with Reserve Bank of India		
i) in Current account	908,711	541,752
ii) in Other accounts	-	-
Total	1,028,040	605,275

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	As at March 31, 2021	As at March 31, 2020
(₹ in '000)		
I. In India		
i) Balances with Banks		
a) In Current accounts	1,233,866	150,211
b) In Other deposit accounts*	434,500	30,500
Total	1,668,366	180,711
ii) Money at call and short notice		
a) With Banks	3,270,000	6,790,000
b) With other institutions	-	800,000
Total	3,270,000	7,590,000
Total	4,938,366	7,770,711
II. Outside India		
i) In Current accounts	-	-
ii) In Deposit accounts	-	-
iii) Money at call and short notice	-	-
Total	-	-
Total	4,938,366	7,770,711

* Deposit with Banks include ₹ 3.45 crore (March 31, 2020: ₹ 0.45 crore) under Bank guarantee, lien marked towards term loans availed from Banks, financial institutions, security deposit, and cash collateral placed in connection with securitisation of receivables.

SCHEDULE 8 - INVESTMENTS

	As at March 31, 2021	As at March 31, 2020
(₹ in '000)		
A. Investments in India		
i) Government securities	17,779,467	6,851,993
ii) Other approved securities	-	-
iii) Shares	7,547	-
iv) Debentures and bonds	-	-
v) Subsidiaries / joint ventures	-	-
vi) Others (Mutual funds, Certificate of Deposit)	949,953	1,229,986
Total	18,736,967	8,081,979
B. Investments outside India		
i) In Current account	-	-
ii) In Deposit account	-	-
iii) Money at call and short notice	-	-
Total	-	-
Total	18,736,967	8,081,979



Schedules to the Financial Statements

as at March 31, 2021

	(₹ in '000)	
	As at March 31, 2021	As at March 31, 2020
C. Investments		
i) Gross value of investments		
a) In India	18,926,903	8,081,979
b) Outside India	-	-
Total	18,926,903	8,081,979
ii) Provision for depreciation		
a) In India	189,936	-
b) Outside India	-	-
Total	189,936	-
iii) Net value of investments		
a) In India	18,736,967	8,081,979
b) Outside India	-	-
Total	18,736,967	8,081,979

SCHEDULE 9 - ADVANCES

	(₹ in '000)	
	As at March 31, 2021	As at March 31, 2020
A. i) Bills purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	1,697,784	559,683
iii) Term loans	38,129,916	34,759,763
Total	39,827,700	35,319,446
B. i) Secured by tangible assets	10,504,872	7,949,370
ii) Covered by Bank / Government guarantees	-	-
iii) Unsecured	29,322,828	27,370,076
Total	39,827,700	35,319,446
C. I. Advances in India		
i) Priority sectors (Refer note - 22)	2,494,123	6,857,107
ii) Public sector	-	-
iii) Banks	-	113,504
iv) Others	37,333,577	28,348,835
Total	39,827,700	35,319,446
C. II. Advances outside India		
i) Due from banks	-	-
ii) Due from others	-	-
(a) Bills purchased and discounted	-	-
(b) Syndicated loans	-	-
(c) Others	-	-
Total	-	-

(Advances are net of provisions & Inter Bank Participatory Certificates (IBPC))

Schedules to the Financial Statements

as at March 31, 2021

SCHEDULE 10 - FIXED ASSETS

	(₹ in '000)	
	As at March 31, 2021	As at March 31, 2020
A. Premises		
At cost on March 31 of preceding year	31,872	31,872
Additions during the year	-	-
Deductions during the year	-	-
Total	31,872	31,872
Depreciation		
As at March 31 of the preceding year	7,881	5,363
Charge for the year	2,279	2,518
Deductions during the year	-	-
Total	10,160	7,881
Net Block	21,712	23,991
B. Other Fixed assets (including furniture and fixtures)		
Gross Block		
At cost on March 31 of the preceding year	517,755	297,692
Additions during the year	194,925	227,202
Deductions during the year	(4,714)	(7,139)
Total	707,966	517,755
Depreciation		
As at March 31 of the preceding year	236,807	148,307
Charge for the year	148,026	95,321
Deductions during the year	(4,667)	(6,821)
Total	380,166	236,807
Net Block	327,800	280,948
C. Assets given on lease	-	-
D. Capital work in progress	82,684	82,357
Total	432,196	387,296

SCHEDULE 11 - OTHER ASSETS

	(₹ in '000)	
	As at March 31, 2021	As at March 31, 2020
I. Inter - office adjustments (net)	246	-
II. Interest accrued	730,159	566,949
III. Tax paid in advance/tax deducted at source (net of provision for tax)	215,263	103,463
IV. Stationery and stamps	163	106
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred tax assets (net)	613,575	426,895
VII. Others	597,178	383,103
Total	2,156,584	1,480,516



Schedules to the Financial Statements

as at March 31, 2021

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in '000)

	As at March 31, 2021	As at March 31, 2020
I. Claims against the bank not acknowledged as debts - taxation	38,972	35,460
II. Claims against the bank not acknowledged as debts - others	28	325
III. Liability on account of outstanding forward exchange contracts	-	-
IV. Liability on account of outstanding derivative contracts	-	-
V. Guarantees given on behalf of constituents :	-	-
- In India	-	-
- Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the Bank is contingently liable	8,457	10,439
Total	47,457	46,224

SCHEDULE 13 - INTEREST EARNED

(₹ in '000)

	Year ended March 31, 2021	Year ended March 31, 2020
I Interest/discount on advances/bills	6,661,103	7,022,739
II Income on investments	843,728	528,509
III Interest on balances with Reserve Bank of India and other inter-bank funds	252,933	113,256
IV Other interest	3,730	2,336
Total	7,761,494	7,666,840

SCHEDULE 14 - OTHER INCOME

(₹ in '000)

	Year ended March 31, 2021	Year ended March 31, 2020
I Commission, exchange and brokerage	333,043	492,284
II Profit on sale of investments (net)	254,767	71,041
III Profit/(Loss) on sale of revaluation of investments	-	-
IV Profit/(Loss) on sale of fixed assets (net)	156	193
V Profit/(Loss) on exchange transactions (net)	-	-
VI Income earned by way of dividends from Subsidiaries / Associates and /or Joint Venture abroad / in India	-	-
VII Miscellaneous income	406,862	311,019
Total	994,828	874,537

Schedules to the Financial Statements

as at March 31, 2021

SCHEDULE 15 - INTEREST EXPENDED

	(₹ in '000)	
	Year ended March 31, 2021	Year ended March 31, 2020
I Interest on deposits	2,384,611	1,818,303
II Interest on Reserve Bank of India/ inter-bank borrowings	135,238	55,566
III Other interest	1,136,689	887,954
Total	3,656,538	2,761,823

SCHEDULE 16 - OPERATING EXPENSES

	(₹ in '000)	
	Year ended March 31, 2021	Year ended March 31, 2020
I Payments to and provisions for employees	1,858,446	1,713,651
II Rent, taxes and lighting	272,942	222,233
III Printing and stationery	27,121	24,593
IV Advertisement and publicity	11,065	45,840
V Depreciation on Bank's property	150,305	97,840
VI Director's fees/remuneration, allowances and expenses	10,980	4,865
VII Auditors' fees and expenses	5,588	5,700
VIII Law charges	17,796	24,136
IX Postage, telegrams, telephones, etc.	21,014	25,296
X Repairs and maintenance	480,005	226,557
XI Insurance	64,992	47,793
XII Other expenditure (includes professional fees)	366,152	282,704
Total	3,286,406	2,721,208



Schedules to the Financial Statements

as at March 31, 2021

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

1. Background and nature of operations

Suryoday Small Finance Bank Limited (the 'Bank' or 'Company') started its banking operation in January 2017 pursuant to SFB Licence given by Reserve Bank of India (RBI). The Bank is included in the Second schedule to the Reserve Bank of India Act, 1934 vide Notification No. DBR.NBD.(SFB- Suryoday). No. 766/16.13.216/201718 dated 24 July 2017 and published in the Gazette of India (part III- Section 4) dated 2 September 2017. The Bank's equity shares are listed on National Stock Exchange of India Limited and BSE. The Bank operates with 556 banking outlets at 31 March 2021.

The Bank is primarily engaged in extending micro credit to economically weaker women who are otherwise unable to access finance from the mainstream banking channels. The Bank broadly follows the Grameen model with suitable adaptations using the Joint Liability Groups (JLG) framework, where each member of the group guarantees the loan repayment of the other members of the group. The Bank also provides finance for mortgage loans, commercial vehicles, loans to micro, small and medium enterprises and loans to Non-banking finance companies (NBFCs).

2. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time (RBI guidelines), Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, in so far as they apply to banks.

Use of estimates

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

3. Significant accounting policies

A. Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM' or "Banking book") categories (hereinafter called "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.

The Bank follows trade date accounting for purchase and sale of investments except for Central & State government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.

Basis of classification:

Investments that are held principally for resale 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 which are not classified in either of the above categories are classified under AFS category.

Acquisition Cost and Broken Period Interest

Brokerage, commission and broken period interest on debts instruments are recognised in Profit and Loss Account and are not included in the cost of acquisition.

Disposal of Investments

Profit/loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Profit and Loss Account to "Capital Reserve" in accordance with the RBI Guidelines.

Short Sale

The Bank undertakes short sale transactions in dated central government securities in accordance with RBI guidelines. The short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked- to- market along with the other securities under HFT portfolio. The mark to-market loss is charged to profit and loss account and gain, if any, is ignored as per RBI guidelines.

Schedules to the Financial Statements

as at March 31, 2021

Valuation

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/ Financial Benchmark India Private Limited (FBIL), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR'), included in the AFS and HFT categories, is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FBIL.

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

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.

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

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines.

Non-performing investments are identified, and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

As per the RBI circular RBI/2017-18/147 DBR. No.BP. BC.102/21.04.048/2017-18 dated April 2, 2018, to build up adequate reserves to protect against increase in yields in

future, the Bank has created an Investment Fluctuation Reserve (IFR) to the extent of the lower of following: a) net profit on sale of investments during the year; b) net profit for the year less mandatory appropriations. As per the RBI circular, this reserve will be created until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis and where feasible this should be achieved within a period of three year.

Investment Reserve Account

In accordance with the RBI Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks, in case the provision on account of depreciation in the HFT and AFS categories is found to be in excess of the required amount, the excess is credited to the Profit and Loss Account and an equivalent amount net of taxes, if any, and adjusted for transfer to Statutory Reserve as applicable to such excess provision is appropriated to the Investment Reserve Account.

Repo and Reverse Repo Transactions

In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with RBI are accounted as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income

B. Advances

Advances are classified as performing and non-performing advances ('NPAs') as per the RBI guidelines on Income Recognition and Asset Classification and are stated net of specific provisions made towards NPAs and inter-bank participation with risk. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI. NPAs are identified by periodic appraisals of the loan portfolio by management. Loans given under Emergency Credit Line Guarantee Scheme (ECLGS) classified as NPA are not provided for since these are fully guaranteed under the ECLGS scheme of Government of India.

NPA accounts are written off in accordance with RBI guidelines and Bank's Policy post approval from Board of Directors (BOD). Amounts recovered against debts written-off are recognised in the Profit and Loss account.

For restructured/rescheduled assets, provision is made in accordance with guidelines issued by RBI. The restructured accounts are classified in accordance with RBI guidelines.



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The Bank maintains a general provision on standard advances at the rates prescribed by RBI. Provision made against standard assets is included in "Other liabilities & provisions".

In addition to the above, the Bank on a prudent basis makes provisions on advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under other liabilities.

Provisions made in excess of the Bank's policy for specific loan provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the BOD. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the BOD and RBI only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any other regulatory guidelines as applicable. The floating provision is netted-off from advances.

The Bank recognises the provision for unhedged foreign currency exposure of its borrowers as per regulatory guidelines stipulated by the RBI from time to time and as per methodology prescribed. The provisions are included in provision for standard assets and reported under other liabilities.

C. Transfer and Servicing of Assets

The Bank transfers loans through securitisation transactions. The transferred loans are de-recognised, and gains/losses are accounted for, only if the Bank surrenders the rights to benefits specified in the underlying securitised loan contract.

In accordance with the RBI guidelines for securitisation of standard assets, the profit/premium arising from sell down/securitisation to be amortised over the life of the transaction based on the method prescribed in the guidelines and the loss, if any, arises in the sell down/securitisation transaction, is recognised upfront in the Profit or Loss Account.

The Bank transfers advances through inter-bank participation with risk. In accordance with the RBI guidelines, for participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances.

D. Priority Sector Lending Certificates

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment

of priority sector obligation and in the case of a purchase transaction, the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in Profit and Loss account. The Bank amortise the income and expense over the residual quarters.

E. Foreign Currency Transactions

- (i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Foreign currency monetary items are reported using the closing rate prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All exchange differences are recognized as income or as expenses in the period in which they arise.

F. Revenue Recognition

- (i) Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non-performing assets is recognised upon realisation as per income recognition and asset classification norms of RBI.
- (ii) Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.
- (iii) Loan processing fees including processing fees on committed lines is accounted for upfront when it becomes due.
- (iv) Interest income on deposits with banks and financial institutions is recognized on a time proportion basis taking into accounts the amount outstanding and the implicit rate of interest.
- (v) Dividend is recognised as income when the right to receive the dividend is established.
- (vi) Profit or loss on sale of mutual fund units is recognised on trade date.
- (vii) All other fees are accounted for as and when they become due.

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G. Fixed Assets and Depreciation

Tangible Assets

Fixed assets are stated at cost less accumulated depreciation / amortization and impairment loss, if any. The cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Depreciation is charged over the estimated useful life of the fixed asset on written down value basis from the date asset is put to use considering residual value of 5% of the cost. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase. Assets purchased / sold during the year are depreciated on a pro-rata basis for the actual number of days the assets have been put to use. Depreciation rate used by the Bank are in line with those specified under Schedule II of the Companies Act, 2013.

The details of useful life are as under:

Class of Assets	Estimated useful life
Computers & Accessories	3 years
Office equipment	5 years
Premises	30 years
Furniture and fittings	10 years
Vehicle	8 years
Leasehold Improvements: Improvements to leasehold premises are amortised over the primary period of lease or estimated useful life, whichever is lower.	

H. 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 such as software are amortized over a period of 36 months or license period whichever is lower on a straight-line basis with zero residual value.

I. Leases

Operating Lease

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership for the leased term are classified as operating leases in accordance with Accounting Standard 19, Leases. The office premises are generally rented on cancellable terms or renewable at the option of both the parties. Computers and tablets are rented on operating lease.

J. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset

exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

K. Taxation

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Bank writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

L. Earnings Per Share

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 – Earnings per share.

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and potential dilutive equity shares outstanding during the period except where the results are anti-dilutive.



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M. Provisions, contingent liabilities and contingent assets

In accordance with AS 29, Provision, Contingent liabilities and Contingent Assets, the provision is recognised when the Bank has a present obligation as a result of past event, where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

N. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

O. Borrowing cost

Borrowing cost includes arranger fees, processing fees, stamp duty on issuance of debenture certificates and other associated transaction cost related to borrowing from banks and other financial institutions.

In accordance with Accounting Standard 16, borrowing costs are recognised upfront.

P. Retirement and other employee benefits

(i) Defined Contribution Plans

Retirement benefits in the form of provident fund and employee state insurance schemes are defined contribution schemes and the contributions are charged to the Profit and Loss Account for the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) Defined Benefit Plan

The Bank operates a defined benefit scheme for its employees, viz., gratuity scheme. The costs of providing benefits under this plan is determined on the basis of actuarial valuation at each year-end.

Separate actuarial valuation is carried out for each plan using the projected unit credit method. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liabilities is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff alteration as per projected unit credit method.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(iii) Provision for Leave availment is made in accordance with Accounting Standard 15 "Employee benefits".

Q. Employee Stock Compensation Cost

Employees (including senior executives) of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI, the cost of equity-settled transaction is measured using the fair value method and recognized, together with a corresponding increase in the "Employees Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the Profit and Loss Account for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

R. Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013 and RBI approval in accordance with RBI/2006-07/132 DBOD.BP.BC No. 31 / 21.04.018/ 2006-07.

S. Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

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SCHEDULE 18- NOTES TO THE FINANCIAL STATEMENTS

1. Capital

1.1 Capital to Risk Weighted Assets Ratio (CRAR)

The following table sets forth, for the year indicated, computation of capital adequacy as per operating guidelines.

Particulars	As at March 31, 2021	As at March 31, 2020
Common Equity Tier 1 capital ratio (%)	47.23%	34.30%
Tier 1 capital ratio (%)	47.23%	34.30%
Tier 2 capital ratio (%)	4.24%	1.14%
Total capital ratio (CRAR) (%)	51.47%	35.44%
Percentage of the shareholding of the Government of India in public sector banks	0.00%	0.00%
Amount of Additional Tier 1 capital raised of which;		
Perpetual Non Cumulative Preference Shares (PNCPS):	0.00	0.00
Perpetual Debt Instruments (PDI)	0.00	0.00

Subordinated debt (Tier 2 capital) outstanding as at March 31, 2021 is ₹ 140.00 crore (March 31, 2020 : ₹ 60.00 crore).

Further as per the RBI's directions given in the circular DBR.NBD.No. 4502/16.13.218/2017- 18, dated November 8, 2017, no separate risk charge has been calculated for Market Risk and Operational Risk for capital ratios and previous year has been restated accordingly. If the Bank considers Market Risk and Operational Risk then Total capital ratio would be 29.57% for March 2020.

In accordance with the RBI guidelines, small finance banks are required to make pillar 3 disclosures under Basel II regulations. The Bank's pillar 3 disclosures are available on its website at the following link : <https://www.suryodaybank.com/regulatory-disclosure>. Pillar 3 disclosures have not been subjected to audit or review by the statutory auditors.

1.2 Capital Infusion

During the year ended March 31, 2021, the Bank allotted 4,63,449 (March 31, 2020 : 5,11,649) equity shares having face value of ₹ 10 each aggregating to ₹ 7.02 crore including share premium (March 31, 2020 : ₹ 6.67 crore) in respect of stock options exercised.

Pursuant to Shareholders' approval, the Bank has issued 1,09,23,246 (March 31, 2020 : 45,00,000) equity shares having face value of ₹ 10 each aggregating to ₹ 273.94 crore including share premium (March 31, 2020 : ₹ 63.00 crore).

During the year ended March 31, 2021, the Bank allotted 81,50,000 (March 31, 2020 : ₹ Nil) equity shares having face value of ₹ 10 each aggregating to ₹ 248.42 crore including share premium in respect of initial public offer.

Details of movement in the paid up equity share capital are as below:

Particulars	March 31, 2021		March 31, 2020	
	Equity shares	(₹ in crore)	Equity shares	(₹ in crore)
Equity shares at the beginning of the year	86,594,131	86.59	81,582,482	81.58
Addition pursuant to stock options exercised	463,449	0.47	511,649	0.51
Addition pursuant to equity shares issued during the year	19,073,246	19.07	4,500,000	4.50
Equity shares outstanding at the end of the year	106,130,826	106.13	86,594,131	86.59



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2. Earnings per equity share

Particulars	March 31, 2021	March 31, 2020
Net profit after tax (in crore)	11.86	110.94
Weighted average number of equity shares in computing the basic earnings per share	89,687,586	82,913,336
Basic earnings per share	1.32	13.38
Weighted average number of equity shares in computing the diluted earnings per share	90,318,248	83,598,505
Diluted earnings per share	1.31	13.27
Nominal value per Share (₹)	10.00	10.00

2.1 Reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	March 31, 2021	March 31, 2020
Weighted average number of equity shares in computing the basic earnings per share	89,687,586	82,913,336
Effect of potential equity shares outstanding	630,662	685,169
Weighted average number of equity shares in computing the diluted earnings per share	90,318,248	83,598,505

Basic earnings per equity share is computed by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per equity share is computed by dividing the net profit or loss after tax for the year attributable to equity shareholder by weighted average number of equity shares including potential equity shares outstanding as at the end of the year, except when results are anti dilutive.

3. Drawdown of Reserves

3.1 Statutory Reserve

The Bank has made an appropriation of ₹ 2.96 crore (March 31, 2020: ₹ 27.73 crore) out of profits for the year ended March 31, 2021 to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

3.2 Capital Reserve

During the year ended March 31, 2021, the Bank has appropriated ₹ 1.03 crore (net of taxes and statutory reserves) (March 31, 2020: ₹ 0.15 crore) from profit and loss account and transferred to capital reserves being the profit from sale of investments under HTM category as per the RBI guidelines.

3.3 Investment Fluctuation Reserve

During the year ended March 31, 2021, the Bank has appropriated ₹ 7.86 crore (March 31, 2020: ₹ 7.10 crore) from Profit and Loss Account to Investment Fluctuation Reserve as per RBI guidelines.

Draw Down from Reserves

3.4 Share Premium

During the year ended March 31, 2021, the Bank has appropriated ₹ 16.70 crore (March 31, 2020: ₹ 2.79 crore) from shares premium account in accordance with RBI/2006-07/132 DBOD.BP.BC No. 31 / 21.04.018/ 2006-07.

3.5 Investment Reserve

During the year ended March 31, 2021, the Bank has draw down ₹ 0.05 crore (March 31, 2020: ₹ Nil) from Investment reserve to Profit and loss account as per the RBI guidelines.

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4. Employees Stock Option Scheme

The Bank has share-based payment schemes for its employees. Schemes in operation Employee Stock Option Scheme 2016 and Employee Stock Option Scheme 2019. During the year-ended March 31, 2021 and March 31, 2020, the Bank has issued 3,15,000 options (March 31, 2020 : 2,067,100) under the Employee Stock Option Scheme 2019.

The details of the Employee Stock Option Scheme are as under:

Particulars	Employee stock option scheme 2016					Employee Stock Option Scheme 2019		
	January 19, 2017	July 27, 2017	March 1, 2018	July 16, 2018	February 5, 2019	November 6, 2019	January 10, 2020	January 1, 2021
Grant Date								
Number of Options granted	1,510,000	550,000	306,950	407,000	724,000	1,872,100	195,000	315,000
Method of Settlement	Equity					Equity		
Vesting	25% after one year from the date of grant and every year thereafter.					25% after one year from the date of grant and every year thereafter.		
Exercisable period	3 years from the Vesting date							
Vesting Conditions	From second vesting tranche onwards, based on performance rating of the employee							
Exercise Price Per Option	₹ 108	₹ 125	₹ 127	₹ 140	₹ 173	₹ 196	₹ 196	₹ 253

Following are the outstanding options as at year end:

Particulars	Employee Stock Option Scheme 2016		Employee Stock Option Scheme 2019	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Total Options granted and outstanding at the beginning of the year	1,427,891	2,301,972	2,067,100	-
Add: Options granted during the year	-	-	315,000	2,067,100
Less: Options forfeited / lapsed during the year	271,227	362,432	310,750	-
Less : Options exercised during the year	306,734	511,649	156,715	-
Options Outstanding as at end of the year	849,930	1,427,891	1,914,635	2,067,100
- Vested	323,223	287,628	300,935	-
- Yet to Vest	526,707	1,140,263	1,613,700	2,067,100

The value of options have been estimated on the date of the grant using Black-Scholes model.

The key assumptions used in Black Scholes model for calculating value of options as on the date of the grant are:

Variables	Employee stock option scheme 2016 - Grant 1			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	5.50%	5.50%	5.50%	5.50%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	41.68%	39.61%	38.41%	40.66%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	42.82	48.32	53.26	60.00



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Variables	Employee stock option scheme 2016 - Grant 2			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	5.50%	5.50%	5.50%	5.50%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	38.88%	38.78%	37.41%	39.34%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	37.43	44.74	49.95	57.16

Variables	Employee stock option scheme 2016 - Grant 3			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	6.50%	6.50%	6.50%	6.50%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	39.35%	39.32%	38.05%	37.08%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	39.68	47.58	53.37	58.52

Variables	Employee stock option scheme 2016 - Grant 4			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	6.65%	6.70%	6.70%	6.75%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	33.05%	37.71%	38.38%	37.34%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	38.86	51.12	59.19	65.01

Variables	Employee stock option scheme 2016 - Grant 5			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	7.38%	7.38%	7.38%	7.38%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	30.63%	38.03%	37.18%	37.28%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	47.50	65.37	74.07	82.60

Variables	Employee stock option scheme 2019 - Grant 1			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	6.50%	6.50%	6.50%	6.50%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	32.19%	32.81%	37.19%	37.63%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	54.00	66.17	81.67	91.40

Variables	Employee stock option scheme 2019 - Grant 2			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	6.56%	6.56%	6.56%	6.56%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	32.64%	31.90%	37.22%	36.75%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	54.62	65.29	81.90	90.49

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Variables	Employee stock option scheme 2019 - Grant 3			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	5.93%	5.93%	5.93%	5.93%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	48.88%	44.66%	41.93%	43.95%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	90.64	101.01	110.29	125.47

Effect of the share based payment plans on the Profit and Loss Account and on its financial position:

Particulars	(₹ in crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Employee stock option expenditure (included in schedule 16 (I))	5.87	4.99

Particulars	(₹ in crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Employee stock options outstanding account (included in schedule 2 (V))	10.11	7.10

The Expected life of the stock option is based on historical data and current expectation and is not necessarily indicative of the pattern that may occur.

The expected volatility reflects the assumption that the historical volatility of a comparable listed entity for 6 years period ended on the date of the grant is indication of future trends which may not necessarily be the actual outcome.

5. Investments

5.1 Particulars of Investments and movement in provision held towards depreciation on Investments

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
1) Value of Investments		
i) Gross value of investments		
- In India	1,892.69	808.20
- Outside India	-	-
ii) Provisions for depreciation on investments		
- In India	18.99	-
- Outside India	-	-
iii) Net value of investments		
- In India	1,873.70	808.20
- Outside India	-	-
2) Movement of provisions held towards depreciation on investments:		
i) Opening balance	-	-
ii) Add: Provision made during the year	28.16	1.54
iii) Less: Write back of excess provision during the year	(9.17)	(1.54)
iv) Closing balance	18.99	-

The net book value of investments held under three categories, viz. Held to Maturity (HTM), Held for Trading (HFT) and Available for Sale (AFS) is as under :

Category	As at March 31, 2021		As at March 31, 2020	
	₹ in crore	%	₹ in crore	%
Held to Maturity	665.96	35.54%	408.08	50.49%
Available for Sale	1,207.74	64.46%	400.12	49.51%
Held for Trading	-	0.00%	-	0.00%
Total	1,873.70	100%	808.20	100%



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as at March 31, 2021

5.2 Repo/ Reverse Repo Transactions

The Details relating to repo/reverse repo transactions (in face value terms) during the year ended March 31, 2021 are as follows:

(₹ in crore)

	Minimum outstanding	Maximum outstanding	Daily average outstanding	As at
				March 31, 2021
				Outstanding
Securities sold under repo	5.00	405.80	131.07	-
Government Securities	5.00	405.80	131.07	-
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	276.00	1,058.00	675.05	302.00
Government Securities	276.00	1,058.00	675.05	302.00
Corporate Debt Securities	-	-	-	-

The Details relating to repo/reverse repo transactions (in face value terms) during the year ended March 31, 2020 are as follows:

(₹ in crore)

	Minimum outstanding	Maximum outstanding	Daily average outstanding	As at
				March 31, 2020
				Outstanding
Securities sold under repo	5.00	176.72	64.30	130.56
Government Securities	5.00	176.72	64.30	130.56
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	3.00	629.00	74.80	629.00
Government Securities	3.00	629.00	74.80	629.00
Corporate Debt Securities	-	-	-	-

5.3 Sale and Transfer to /from HTM Category

During the year ended March 31, 2021 and March 31, 2020, the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year. The 5% threshold referred to above does not include

- one-time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per the extant RBI guidelines,
- sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and
- sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM.

RBI circular DBR.No.BP.BC.113/21.04.048/2017-18 dated June 15, 2018 granted banks an option to spread provisioning for mark to market losses on investments held in AFS and HFT. The circular stated that the provisioning requirement for quarter ending June 30, 2018 may be spread equally over up to four quarters, commencing with the quarter ending June 30, 2018. The Bank had not availed the said option.

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as at March 31, 2021

5.4 Issuer-wise composition of non-SLR investments

Balance as at March 31, 2021

(₹ in crore)

	Amount	Extent of private placement#	Extent of "below investment grade securities"#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1. Public sector undertakings	-	-	-	-	-
2. Financial institutions	-	-	-	-	-
3. Banks	-	-	-	-	-
4. Private corporate	-	-	-	-	-
5. Subsidiaries / Joint ventures	-	-	-	-	-
6. Others	101.31	0.77	-	0.77	0.77
7. Provision held towards depreciation	(0.05)	(0.02)	-	(0.02)	(0.02)
Total	101.26	0.75	-	0.75	0.75

Balance as at March 31, 2020

(₹ in crore)

	Amount	Extent of private placement#	Extent of "below investment grade securities"#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1. Public sector undertakings	-	-	-	-	-
2. Financial institutions	-	-	-	-	-
3. Banks	123.00	-	-	-	-
4. Private corporate	-	-	-	-	-
5. Subsidiaries / Joint ventures	-	-	-	-	-
6. Others	-	-	-	-	-
7. Provision held towards depreciation	-	-	-	-	-
Total	123.00	-	-	-	-

Amounts reported under these columns above are not mutually exclusive

* Excludes investments in commercial paper and certificate of deposits

5.5 Non performing Non-SLR investments

As at March 31, 2021, there are no non performing Non - SLR investments (March 31, 2020 : ₹ Nil).

5.6 Details of investment in Security Receipt (SRs)

As at March 31, 2021, there are no investment in SRs (March 31, 2020 : ₹ Nil).

6. Derivatives

During the year ended March 31, 2021; the Bank has not undertaken any derivative transaction and there is no outstanding position as at the year end (March 31, 2020 : ₹ Nil). Hence, disclosure related to Forward Rate Agreement / Interest Rate Swap/ Credit default Swap and Exchange Traded Interest Rate Derivatives are not provided.



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as at March 31, 2021

7. Asset quality

7.1 Non Performing Assets (NPAs)

The following table sets forth, for the years indicated, the details of movement of gross non-performing assets (NPAs), net NPAs and provisions.

Particulars	(₹ in crore)	
	As at March 31, 2021	As at March 31, 2020
(i) Net NPAs to Net Advances (%)	4.73%	0.57%
(ii) Movement of NPAs (Gross)		
Gross NPA's as on April 1 of particular year	101.25	49.62
Additions (fresh NPAs) during the year	398.90	104.30
Sub Total (A)	500.15	153.92
Less :-		
- Upgradation	5.69	0.61
- Recoveries (excluding Recoveries made from upgraded accounts)	3.84	4.17
- Technical / Prudential Write offs	96.77	31.99
- Write offs other than mentioned above	0.17	15.90
Sub Total (B)	106.47	52.67
Gross NPAs (A-B)	393.68	101.25
(iii) Movement of Net NPAs		
(a) Opening balance	20.37	12.01
(b) Additions during the year ***	175.03	34.06
(c) Reductions during the year	7.28	25.70
(d) Closing balance	188.12	20.37
(iv) Movement of provisions for NPAs (excluding provision on standard assets)		
(a) Opening balance	80.88	37.61
(b) Provision made during the year *	223.87	70.24
(c) Write off/ write back of excess provision **	99.19	26.97
(d) Closing balance	205.56	80.88

* Include Floating Provisions as at year end to the extent eligible. (Refer note - 7.4)

** Provision made for write off account in the current year have been net off.

*** Additions during the year is adjusted for provision made against GNPA as at March 31, 2020.

7.2 Technical or prudential write-offs

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are write-offs done by the Bank which remain outstanding in the books of the branches. The Bank has performed technical write off ₹ 96.77 crore during the year ended March 31, 2021 (March 31, 2020 : ₹ 31.99 crore).

The following table sets forth, for the periods indicated, the details of movement in technical/ prudential write-off.

Particulars	(₹ in crore)	
	As at March 31, 2021	As at March 31, 2020
Opening balance	31.65	-
Add : Technical / Prudential write offs during the year	96.77	31.99
Sub total (A)	128.42	31.99
Less : Recoveries made from previously technical / prudential written off accounts during the year (B)	3.42	0.34
Closing balance	125.00	31.65

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7.3 Details of Non Performing Financial Assets Purchased / Sold

The Bank has not purchased or sold any non performing financial assets during the year ended March 31, 2021 (March 31, 2020 : ₹ Nil).

7.4 Floating provision

Particulars	(₹ in crore)	
	As at March 31, 2021	As at March 31, 2020
Opening balance	53.22	32.32
Provision made during the year	38.06	20.90
Drawdown made during the year	-	-
Closing balance	91.28	53.22

Floating provision has been netted off from Gross NPA to arrive at Net NPA and has not been considered as Tier 2 capital for all reporting periods following the RBI circular "Prudential norms on creation and utilisation of floating provisions" dated June 22, 2006.



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as at March 31, 2021

7.6 Divergence in the asset classification and provisioning

RBI vide its circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and Notification dated April 1, 2019, has directed banks shall make suitable disclosures, if either or both of the following conditions are satisfied:

- the additional provisioning for NPAs assessed by the RBI exceeds 10% of the reported profit before provisions and contingencies for the reference period, and/ or
- the additional Gross NPAs identified by the RBI exceed 15% of the published incremental Gross NPAs for the reference period.

There has been no divergence observed by the RBI for the financial year 2018-19 in respect of the Bank's asset classification and provisioning as per the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.

7.7 Credit default swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2021, (March 31, 2020 : ₹ Nil)

7.8 Resolution of Stressed Assets – Revised Framework

The Bank does not have any account for resolution of stressed Assets (Revised framework) as per the RBI Circular RBI/2017-18/ 131DBR.No.BP.BC.101/21.04.048/2017-18 Loans as on March 31, 2021, (March 31, 2020 : ₹ Nil)

7.9 Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advance

The Bank has restructured accounts in accordance with RBI circular on Micro, Small and Medium enterprise (MSME) sector - Restructuring of advances-RBI/2020-21/17DOR.No.BP.BC/4/21.04.048/2020-21 dated 6 August 2020.

Particulars	As at March 31, 2021	As at March 31, 2020
No. of accounts restructured	51,680	-
Amount in ₹ crore	117.18	-

7.10 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2021 is ₹ Nil (March 31, 2020 : ₹ Nil)

7.11 Resolution Framework for COVID-19-related Stress

Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated August 6, 2020 are given below.

Particulars	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	11	2.19	-	-	0.22
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	11	2.19	-	-	0.22

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

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as at March 31, 2021

8. Securitisation and related disclosures

8.1 Details of Sales

The Bank has securitised certain standard assets in accordance with the guidelines issued by the RBI.

Particulars	March 31, 2021	March 31, 2020
(i) No. of accounts sold during the year	-	-
(ii) Aggregate value of accounts sold during the year	-	-
(iii) Aggregate Consideration received during the year	-	-
(iv) Additional Consideration realised in respect of account transferred in earlier years	-	-
(v) Aggregate gain over net book value during the year	-	-
(vi) MRR	-	-
(vii) First Loss	-	-
(vii) Outstanding Balance	-	-
(viii) No. of SPV transaction for securitisation transaction	-	-

8.2 Details of Direct assignment transactions

Particulars	March 31, 2021	March 31, 2020
(i) No. of accounts	-	-
(ii) Aggregate value of accounts sold to SC	-	-
(iii) Aggregate Consideration	-	-
(iv) Aggregate gain over net book value	-	-

8.3 Inter- Bank Participation with Risk Sharing:

The aggregate amount of participations issued by the Bank are reduced from Advances as per regulatory guidelines as on March 31, 2021 is ₹ Nil (March 31, 2020: ₹ 69.40 crore)

9. Exposure

9.1 Exposure to Real Estate Sector

Category	March 31, 2021	March 31, 2020
(₹ in crore)		
A) Direct exposure	319.87	203.29
(i) Residential mortgages	311.34	193.86
(of which housing loans eligible for inclusion in priority sector advances)	265.67	156.66
(ii) Commercial real estate	8.53	9.43
(iii) Investments in mortgage backed securities (MBS) and other securitised	-	-
a) Residential	-	-
b) Commercial real estate	-	-
B) Indirect exposure	4.71	8.24
Fund based and non-fund based exposures on National Housing Bank and housing finance Company (HFCs).	4.71	8.24
Total Exposure to Real Estate Sector	324.58	211.53

9.2 Capital Market Exposure

As at March 31, 2021, the Bank has Capital Market Exposure of ₹ Nil (March 31, 2020 : ₹ Nil).

9.3 Risk Category wise Country Exposure

The Bank's exposures are concentrated in India, hence country risk exposure as at March 31, 2021 is ₹ Nil. (March 31, 2020 : ₹ Nil)

9.4 Intra Group Exposure

The Bank does not have any group entities, hence intra group exposure as at March 31, 2021 is ₹ Nil. (March 31, 2020 : ₹ Nil)



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9.5 Unsecured Advances

Advances for which intangible collaterals such as rights, licenses, authority etc. are charged in favour of the Bank in respect of projects financed by the Bank, are reckoned as unsecured advances under Schedule 9 of the Balance Sheet in line with extant RBI guidelines. There are no such advances given during the year and outstanding as at March 31, 2021. (March 31, 2020: ₹ Nil)

9.6 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank

During the year ended March 31, 2021, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed as per the extant RBI guidelines. (March 31, 2020 : ₹ Nil)

10. Concentration of Deposits, Advances, Exposure and NPA's

10.1 Concentration of deposits

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Total deposits of twenty largest depositors	802.74	1,104.55
Percentage of deposits of twenty largest depositors to total deposits of the Bank	24.66%	38.77%

10.2 Concentration of advances

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Total advances to twenty largest borrowers *	265.57	254.88
Percentage of advances of twenty largest borrowers to total advances of the Bank	6.34%	7.03%

*Advances are computed as per the definition of Credit Exposure as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

10.3 Concentration of exposure

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Total exposure to twenty largest borrowers / customers*	268.03	314.40
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	6.30%	8.50%

*Exposures are computed as per the definition of Credit Exposure as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

10.4 Concentration of NPAs

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Total gross exposure to top four NPA accounts	17.54	4.94

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as at March 31, 2021

11. Sector-wise advances

	March 31, 2021		
	Outstanding total gross advances	Gross NPAs	Percentage of gross NPAs to Total advances in that sector
A. Priority Sector *			
1. Agriculture and allied activities	55.55	4.96	8.93%
2. Advances to industries sector eligible as priority sector lending	5.34	0.50	9.36%
3. Services	196.12	12.14	6.19%
-Transport operators	31.44	0.04	0.13%
4. Personal loans	0.71	0.03	4.23%
Sub total (A)	257.72	17.63	6.84%
B. Non Priority Sector			
1. Agriculture and allied activities	1,478.78	132.47	8.96%
2. Industry	23.14	1.62	7.00%
3. Services	1,948.82	211.10	10.83%
-Transport operators	335.80	46.66	13.90%
4. Personal Loans	477.13	30.86	6.47%
Sub total (B)	3,927.87	376.05	9.57%
Total (A+B)	4,185.59	393.68	9.41%
	March 31, 2020		
	Outstanding total gross advances	Gross NPAs	Percentage of gross NPAs to Total advances in that sector
A. Priority Sector *			
1. Agriculture and allied activities	137.55	2.97	2.16%
2. Advances to industries sector eligible as priority sector lending	8.44	0.78	9.24%
3. Services	498.79	22.77	4.57%
-Transport operators	105.95	9.79	9.24%
4. Personal loans	56.93	2.40	4.22%
Sub total (A)	701.71	28.92	4.12%
B. Non Priority Sector			
1. Agriculture and allied activities	1,272.94	27.36	2.15%
2. Industry	3.54	0.13	3.67%
3. Services	1,427.93	39.12	2.74%
-Transport operators	264.23	7.65	2.90%
4. Personal Loans	220.27	5.72	2.60%
Sub total (B)	2,924.68	72.33	2.47%
Total (A+B)	3,626.39	101.25	2.79%

* PSLCs sold during the year has been classified as non-priority sector advances



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as at March 31, 2021

12. Asset Liability Management (ALM)

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 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
As at March 31, 2021												
Deposits	13.00	86.22	40.45	42.84	147.16	131.04	528.77	692.81	926.46	643.44	3.49	3,255.68
Advances	10.24	47.06	51.61	61.25	182.76	243.12	557.37	1,096.80	1,111.49	293.11	327.96	3,982.77
Investments	1,289.19	7.72	6.53	8.63	24.66	20.45	52.07	109.22	205.66	142.48	7.09	1,873.70
Borrowings	-	1.00	101.19	37.50	29.69	40.52	170.08	181.21	656.24	349.19	100.00	1,666.62
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 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
As at March 31, 2020												
Deposits	6.71	117.47	43.46	72.38	111.67	253.38	424.16	499.72	1,209.02	110.61	0.13	2,848.71
Advances	-	-	-	-	-	287.47	636.57	1,036.54	1,304.69	71.03	195.64	3,531.94
Investments	228.45	19.64	8.43	10.08	23.27	95.58	86.42	57.93	249.96	28.37	0.07	808.20
Borrowings	-	76.56	1.19	22.50	17.19	32.19	138.48	225.89	615.65	134.97	-	1,264.62
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	0.00
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	0.00

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.

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13. Contingent liabilities

Contingent liabilities *	₹ in crore)	
	March 31, 2021	March 31, 2020
Service tax liability	0.60	0.58
Income tax liability	3.29	2.97
Undrawn commitments	0.17	0.37
Others	0.69	0.70

Description of contingent liabilities

a) **Claims against the Bank not acknowledged as debts - taxation**

The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws.

b) **Claims against the Bank not acknowledged as debts - others**

The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

c) **Other items for which the Bank is contingently liable**

Primarily includes Provident fund liability

*Also refer Schedule 12 - Contingent liabilities

14. Provision on Standard Assets

Particulars	₹ in crore)	
	March 31, 2021	March 31, 2020
Provision towards standard assets	13.66	11.59

15. Break up of 'Provisions and Contingencies' shown under the head 'Expenditure' in Profit and Loss Account

The following table sets forth, for the year indicated, the break-up of provisions and contingencies included in Profit and Loss Account:

Particulars	₹ in crore)	
	March 31, 2021	March 31, 2020
Provision towards NPA (Net off write off)	167.26	60.39
Provision towards Income tax	18.91	62.01
Deferred Tax Benefit	(18.67)	(18.97)
Provision for Standard Assets	2.08	4.21
Provision for depreciation on Investment	18.99	-
Other provision and contingencies *	(19.09)	87.26
Total	169.48	194.90

* The Bank has reversed COVID-19 provision of ₹ 140.71 crore created during the financial year ended March 31 2020 and March 31 2021. Interest income pro-forma NPA of ₹ 54.85 crore was provided for as contingent provision during nine months period ended December 31 2020 however have been reversed from interest income line for the interest accrued for the entire year on accounts classified as NPA as at March 31 2021 in accordance with RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1 2015.

Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases.

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. The slowdown during the year led to a decrease in loan originations, the sale of



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third party products, and the efficiency in collection efforts. This may lead to a rise in the number of customer defaults and consequently an increase in provisions there against. The extent to which the COVID- 19 pandemic, including the current "second wave" that has significantly increased the number of cases in India, will continue to impact the Banks results will depend on ongoing as well as future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by us.

The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated September 03, 2020 ("Interim Order"), had directed banks that accounts which were not declared NPA till August 31, 2020 shall not be declared as NPA till further order Accordingly, the Bank did not classify any account which was not NPA as of August 31, 2020 as per the RBI Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRAC) norms, as NPA after August 31, 2020.

If the Bank had classified borrower accounts as NPA after August 31, 2020, the Bank's proforma Gross NPA ratio and proforma Net NPA ratio at December 31, 2020 would have been 9.28% and 5.38% respectively. Pending disposal of the case, the Bank, as a matter of prudence, had made in respect of these accounts a contingent provision, which was included in 'Provisions (other than tax) and Contingencies'. As at December 31, 2020, the Bank carried cumulative contingency provision of INR 140.71 crores including contingency provision created in the year ended March 31, 2020 of ₹ 65.99 Crore against the proforma NPA accounts.

The interim order directed not to declare accounts as NPA stood vacated on March 23, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matter In accordance with the instructions in paragraph 5 of the RBI circular dated April 07, 2021 issued in this connection, the asset classification of borrowers accounts were as per extant RBI instructions/ IRAC norms. In the quarter ended March 31, 2021, the Bank has fully utilised the above contingency provision.

The following table sets forth the break-up of benefits extended as per above circular "COVID-19 Regulatory Package - Asset Classification and Provisioning dated April 17, 2020" to overdue accounts (excluding NPA) as at February 29, 2020:

Particulars	(₹ in crore)
(i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular (as of February 29, 2020)	86.74
(ii) Respective amount where asset classification benefit is extended *	86.74
(iii) Provisions made in terms of para 5 of the circular	10.87
(iv) Provisions adjusted against slippages in terms of paragraph 6 of the circular	10.87
(v) Residual provisions as of March 31, 2021 in terms of paragraph 6 of the circular	-

* as of March 31, 2021 in respect of such accounts.

16. Business ratio

Particulars	March 31, 2021	March 31, 2020
Interest income as a percentage to working funds ^{1 2}	12.75%	17.23%
Non-interest income as a percentage to working funds ^{1 2}	1.63%	1.97%
Operating profit ³ as a percentage to working funds ^{1 2}	2.98%	6.87%
Return on assets (average)	0.19%	2.49%
Business ⁴ (deposit plus net advances) per employee ⁵ (₹ in crore)	1.42	1.23
Profit per employee ⁵ (₹ in crore)	0.00	0.03
Provision coverage ratio⁶	63.73%	84.71%

- Working funds represent the monthly average of total assets computed for reporting dates of Form X submitted to RBI under Section 27 of the Banking Regulation Act, 1949.
- Working funds is the monthly average of total assets during the previous year.
- Operating profit is net profit for the year before provisions and contingencies.
- "Business" is the total of net advances and deposits (net of inter-bank deposits).
- Productivity ratios are based on average monthly employee numbers.
- Provision coverage ratio includes Technical write off. (Refer note - 7.2)

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17. Employee benefits

Employee benefits - Gratuity

The Bank has non-contributory defined benefit arrangement providing gratuity benefits expressed in terms of final monthly salary and years of service. Every employee who has completed five years or more of service gets a gratuity on cessation of employment at 15 days salary (last drawn basic salary) for each completed year of service, subject to a maximum of ₹ 20 Lakhs (March 31,2020: ₹ 20 Lakhs). The scheme is funded with LIC of India and HDFC Standard Life Insurance Company Ltd. The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet.

(₹ in crore)

Expenses recognised in the Profit and Loss Account	March 31, 2021	March 31, 2020
Current service cost	1.98	1.66
Interest cost on benefit obligation	0.32	0.26
Past Service Cost	-	-
Expected return on plan assets*	(0.01)	(0.04)
Net actuarial (gain)/ loss recognized in the year	0.04	0.46
Employer Expenses	2.33	2.34

* Represents expected returns determined by the actuary

Net Liability/ (Asset) recognised in the Balance Sheet	March 31, 2021	March 31, 2020
Present value of Defined Benefit Obligation	7.65	5.82
Fair value of plan assets	0.11	0.37
Net liability recognized in balance sheet	7.54	5.45
Less: Unrecognised Past Service Cost	-	-
Liability recognized in balance sheet	7.54	5.45

Reconciliation of Defined Benefit Obligation (DBO)	March 31, 2021	March 31, 2020
Present Value of DBO at start of year	5.82	3.81
Interest cost	0.32	0.26
Current service cost	1.98	1.66
Benefits paid	(0.51)	(0.38)
Actuarial loss	0.04	0.47
Present Value of DBO at end of year	7.65	5.82

Reconciliation of Fair Value of Plan Assets	March 31, 2021	March 31, 2020
Fair Value of Plan Assets at start of year	0.37	0.69
Expected return on plan assets	0.01	0.04
Contributions by the employer	0.24	-
Benefits paid	(0.51)	(0.38)
Actuarial (loss)/ gain	0.00	0.02
Fair value of plan assets at end of year	0.11	0.37
Estimated employer contributions for the next year	0.01	0.06
Actual return on plan assets	1.00	0.00

The principal assumptions used in determining gratuity obligations for the Bank's plan are shown below:	March 31, 2021	March 31, 2020
Discount rate	5.00%	5.50%
Expected rate of return on assets	5.50%	6.70%
Employee turnover	25.00%	25.00%
Salary growth rate	7.50%	7.50%
Mortality Rate	IALM 2012-14 (Ult.)	IALM 2012-14 (Ult.)
Expected average remaining working lives of employees	3 Years	3 Years



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Percentage Break-down of total plan assets

	March 31, 2021	March 31, 2020
Insurer Managed Funds (non unit-linked)	32.00%	81.00%
Insurer Managed Funds (unit-linked)	68.00%	19.00%
Total	100.00%	100.00%

Planned Asset Break up for Unit Linked Fund

	March 31, 2021	March 31, 2020
Debentures and Bonds	36.84%	52.83%
Government Securities	57.27%	41.88%
Deposits, Money market instruments and net current assets	5.89%	5.29%
Total	100.00%	100.00%

Planned Asset Break up for Non Linked Fund

	March 31, 2021	March 31, 2020
Government Securities	32.90%	18.66%
Corporate Bonds	63.36%	79.94%
Cash and Deposit	3.74%	1.40%
Total	100.00%	100.00%

Experience Adjustments

	(₹ in crore)					
Experience Adjustments	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Present Value of DBO	7.65	5.82	3.81	2.62	2.07	1.40
Fair Valuation of Plan Assets	0.11	0.37	0.69	0.87	1.08	1.11
Funded Status [Surplus/(Deficit)]	(7.54)	(5.45)	(3.12)	(1.75)	(0.99)	(0.29)
Experience adjustment on plan liabilities : (Gain) / Loss	0.13	0.20	0.04	(0.16)	(0.02)	-
Experience adjustment on plan Assets : Gain / (Loss)	0.00	0.02	0.01	0.01	0.01	(0.03)

Employee benefits - Leave Availment

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at March 31, 2021 is ₹ 1.01 crore (March 31, 2020: ₹ 0.86 crore).

Assumption used :

Discount rate : 5%

Salary escalation rate : 7.5%

The estimates of future salary growth considered in the actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.

All the assets consist of unit-linked and traditional insurer managed debt instruments, the expected rate of return on assets is drawn from the Indian Government bond yields.

Employee benefits - Provident Fund

The contribution to Employees Provident Fund included under "Payments to and Provisions for Employees" in Schedule 16 amounted to ₹ 9.78 crore for the year ended March 31, 2021 (March 31, 2020: ₹ 8.62 crore).

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18. Disclosure on Remuneration

A) Qualitative Disclosures

(a) Information relating to the bodies that oversee remuneration.

Name, composition and mandate of the main body overseeing remuneration

The Nomination and Remuneration Committee (NRC) of the Board is the main body overseeing remuneration. As on March 31, 2021, the NRC had five members of which three are Independent Directors. The functions of the Committee include formulating criteria to determine independence of directors, identifying persons for appointment as directors on the Board of the Bank, devising a policy on board diversity, formulating criteria for evaluation of performance of the Board, its Committees and individual directors, recommending remuneration of senior management personnel, administering, monitoring and formulating detailed terms and conditions of the Employees' Stock Option Scheme of the Bank, recommending to the Board policy on succession planning for the Board and senior management and overseeing and reviewing the succession plans from time to time.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process

Not Applicable

Scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

- (a) The Policy on appointment and remuneration of Directors, Key Managerial personnel and senior management employees was approved by the Board on January 23, 2017 and reviewed periodically. It was modified in October 2020 to exclude the remuneration aspects in view of new Compensation Policy being formulated and approved by the Board.
- (b) The Bank's new Compensation Policy (formulated in accordance with RBI Guidelines on Compensation of Whole Time Directors, Chief Executive Officers, Material Risk Takers and Risk Control & Compliance Staff), was approved by the Board in October 2020. The Compensation Policy is under implementation for FY 2020-21.
- (c) The Employee Policies Manual of the Bank approved by the Board on January 23, 2017 and reviewed periodically covers the compensation policy for all other employees of the Bank.

Type of employees covered and number of such employees by the Compensation Policy and the Employee Policies Manual.

All permanent employees of the Bank are covered. The total number of permanent employees of the Bank at March 31, 2021 was 5,131.

(b) Information relating to the design and structure of remuneration processes.

Key features and objectives of Compensation policy: The Bank, under the guidance of the NRC and the Board, follows remuneration practices that are intended to drive meritocracy and performance based on a prudent risk management framework and in line with the RBI guidelines. The NRC has oversight over compensation to senior management personnel and also provides overall guidance to the compensation paid to other employees. While the Bank seeks to achieve a mix of fixed and variable (cash and non-cash) remuneration for employees covered under the new Compensation Policy, for all other employees, it has predominantly a fixed remuneration structure with no guaranteed bonuses. Also, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their performance. Further, the Bank has an Employee Stock Option Scheme for eligible employees aimed at aligning compensation to long term performance through stock options that vest over a period of time.

Effective governance of compensation: The NRC has oversight over compensation to senior management personnel and also provides overall guidance to the compensation paid to other employees.

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable (cash and non-cash) remuneration for employees covered under the new Compensation Policy, for all other employees, it has predominantly a fixed remuneration structure with no guaranteed bonuses. Also, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their performance. Further, the Bank has an Employee Stock Option Scheme for eligible employees aimed at aligning compensation to long term performance through stock options that vest over a period of time.



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Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made: Yes; the new Compensation Policy was approved during the period and the earlier Policy on appointment and remuneration of Directors, Key Managerial personnel and senior management employees was modified accordingly.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their performance and is not linked to any business outcomes.

(c) **Description of the ways in which current and future risks are taken into account in the remuneration processes.**

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank and senior management, shall consider adherence to the policies and accordingly make its recommendations to the Board. The evaluation process shall incorporate both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and mentoring key members of the top and senior management. In order to ensure alignment of remuneration with prudent practices, the NRC takes into account adherence to the risk framework in addition to business performance.

Overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure: The evaluation process shall incorporate both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and mentoring key members of the top and senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, the NRC takes into account adherence to the risk framework in addition to business performance.

Discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration: With the introduction of the new Compensation Policy, the compensation structure of employees covered therein has undergone a change resulting in an increase in overall remuneration.

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

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include profitability, business growth, asset quality, compliance, and customer service. The assessment of employees shall be based on their performance with respect to their result areas and shall include the metrics mentioned above.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees shall be based on their performance with respect to their result areas and shall include the metrics mentioned above.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining 'weak' performance metrics: In case such an event should occur, the Board/NRC shall review and provide overall guidance on the corrective measures to be taken.

(e) **Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance**

Discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance: Under the new Compensation Policy, the cash variable component will be deferred equally over 5 years and the non-cash variable component (employee stock options) will be deferred over the vesting period as per the extant ESOP Scheme. In case of other employees, where cash variable is not applicable and in case of employees being granted ESOPs, they will be deferred over the vesting period as

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per the extant ESOP Scheme. In the case of employees covered under the Compensation Policy, all deferred variable compensation would be subjected to malus/clawback arrangements as provided in the RBI guidelines and this would be administered by the NRC.

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements: In the case of employees covered under the Compensation Policy, all deferred variable compensation would be subjected to malus/clawback arrangements as provided in the RBI guidelines and this would be administered by the NRC.

- (f) **Description of the different forms of variable remuneration that the Bank utilises and the rationale for using these different forms :** As per the Compensation Policy, the variable remuneration will comprise of cash and non-cash components.

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance: As per the new Compensation Policy, only the employees falling under the categories of Material Risk Takers (MRTs), Risk Control & Compliance Staff (RCS) and Enabling & Supporting Functions Staff (ESS) are eligible for variable remuneration which could be in cash or non-cash forms. The Policy also determines the category-wise mix of the variable compensation payable.

18. Disclosure on Remuneration

B) Quantitative Disclosure

Sr. No	Subject	March 31, 2021 **	March 31, 2020
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings : 7 Remuneration paid : ₹ 0.05 crore	Number of meetings : 6 Remuneration paid : ₹ 0.04 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year.	1 employee	1 employee
(b) (ii)	Number and total amount of sign on awards made during the financial year	None	None
(b) (iii)	Details of guaranteed bonus, if any, paid as joining /sign on bonus	None	None
(b) (iv)	Details of severance pay, in addition to accrued benefits, if any	None	None
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms	None	None
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	None	None
(d) (i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred.	"Fixed Pay* : ₹ 1.36 crore Variable pay : ₹ Nil"	Fixed Pay* : ₹ 1.36 crore Variable pay : ₹ 0.25 crore
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	None	None
(e) (ii)	Total amount of reductions during the Financial year due to ex post explicit adjustments.	None	None
(e) (iii)	Total amount of reductions during the financial year due to ex post implicit adjustments	None	None
(f)	Numbers of MRT identified	12	N.A
(g) (i)	• Number of cases where malus has been exercised.	NIL	N.A
(g) (ii)	• Number of cases where clawback has been exercised.	NIL	N.A
(g) (iii)	• Number of cases where both malus and clawback have been exercised.	NIL	N.A
(h)	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	N.A	N.A

* Fixed pay includes basic salary, contribution to provident fund and reimbursements

** For FY 2021, covers Whole Time Directors, Chief Executive Officer and Material Risk Takers.



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19. Segment Reporting

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by the RBI. The Bank operates in the following segments:

a) Treasury

Treasury performs liquidity management activities for various business segments. Transfer pricing is based on internally approved yield curve or at an agreed transfer rate on the funding provided by treasury to another business segment.

b) Retail banking

The retail banking segment serves retail customers through a branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with the Bank. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

c) Wholesale banking

Wholesale banking includes all advances to borrowers, which are not included under Retail banking. Revenues of the wholesale banking segment consist of interest and fees on loans made to customers.

d) Other Banking Operation

Other Banking includes other items not attributable to any particular business segment. This segment includes income from para banking activities such as distribution of third party product and the associated costs.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities such as deferred tax etc.

Geographical segments

The business operations of the Bank are concentrated in India hence the Bank is considered to operate only in domestic segment.

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Segment reporting for the year ended March 31, 2021 is given below:

Particular	(₹ in crore)				
	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	146.76	809.03	41.29	4.05	1,001.13
Segment Result *	7.04	7.64	0.71	-	15.39
Unallocated expenses					(3.29)
Operating Profit					12.10
Income taxes					(0.24)
Extraordinary profit/loss					-
Net Profit					11.86
Other information:					
Segment assets	2,324.02	3,923.41	378.87	2.81	6,629.11
Unallocated assets					82.88
Total assets					6,711.99
Segment Liabilities	1,571.56	3,517.02	23.93	1.94	5,114.45
Unallocated liabilities					0.64
Total liabilities					5,115.09
Capital employed					1,596.90
Capital expenditure					19.49
Depreciation					15.03

Segment reporting for the year ended March 31, 2020 is given below:

Particular	(₹ in crore)				
	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	70.13	813.91	28.20	5.73	917.97
Segment Result *	7.33	153.61	(4.49)	-	156.45
Unallocated expenses					(2.47)
Operating Profit					153.98
Income taxes					(43.04)
Extraordinary profit/loss					-
Net Profit					110.94
Other information:					
Segment assets	1,635.05	3,345.46	326.11	4.85	5,311.47
Unallocated assets					53.05
Total assets					5,364.52
Segment Liabilities	1,347.20	2,897.53	51.98	1.05	4,297.76
Unallocated liabilities					0.53
Total liabilities					4,298.29
Capital employed					1,066.23
Capital expenditure					22.72
Depreciation					9.78

* Includes additional provision of ₹ 65.99 crore for potential impact of COVID-19 (refer note 15) - Retail banking ₹ 57.43 crore and Corporate banking ₹ 8.56 crore. Without COVID-19 additional provision segment result for Retail banking and Corporate would have been ₹ 211.04 crore and ₹ 4.07 crore respectively.



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20. Liquidity Coverage Ratio Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

Particulars	Quarter ended June 30, 2020		Quarter ended September 30, 2020		Quarter ended December 31, 2020		Quarter ended March 31, 2021	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
	1,361.40	1,944.42	1,944.42	2,090.73	1,489.34	1,489.93	1,662.56	1,662.26
1 Total High Quality Liquid Assets (HQLA)								2,124.86
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	1,052.39	105.24	1,279.56	127.96	1,489.34	148.93	1,662.56	166.26
(i) Stable deposits	-	-	-	-	-	-	-	-
(ii) Less stable deposits	1,052.39	105.24	1,279.56	127.96	1,489.34	148.93	1,662.56	166.26
3 Unsecured wholesale funding, of which:	779.78	640.72	843.21	683.33	863.31	696.47	969.96	794.55
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	164.54	25.48	191.99	32.11	200.55	33.71	208.38	32.97
(iii) Unsecured debt	615.24	615.24	651.22	651.22	662.76	662.76	761.58	761.58
4 Secured wholesale funding	-	56.58	-	52.72	-	49.11	-	83.77
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	231.29	168.19	228.86	175.51	296.60	151.67	444.87	176.37
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 Total cash outflows	970.73	1,039.52	1,039.52	1,046.18	-	-	-	1,220.95
Cash Inflows								
9 Secured lending (e.g. reverse repo)	592.07	-	685.48	-	760.99	-	619.19	-
10 Inflows from fully performing exposures	180.24	158.87	310.51	207.71	333.63	203.17	326.47	194.98
11 Other cash inflows	80.44	40.22	88.77	44.39	109.97	54.98	121.94	60.97
12 Total cash inflows	852.75	199.09	1,084.76	252.10	1,204.59	258.15	1,067.60	255.95
21 Total HQLA	1,361.40	1,944.42	1,944.42	2,090.73	1,489.34	1,489.93	1,662.56	1,662.26
22 Total Net Cash Outflows	771.64	787.42	787.42	788.03	788.03	788.03	965.00	965.00
23 Liquidity Coverage Ratio (%)	176.43	246.94	246.94	265.31	265.31	265.31	220.19	220.19

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Particulars	Quarter ended June 30, 2019		Quarter ended September 30, 2019		Quarter ended December 31, 2019		Quarter ended March 31, 2020	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
	442.53	616.55	661.64	748.48				
1 Total High Quality Liquid Assets (HQLA)	536.01	53.60	685.37	68.54	798.00	79.80	946.66	94.67
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	-	-	-	-	-	-	-	-
(ii) Less stable deposits	536.01	53.60	685.37	68.54	798.00	79.80	946.66	94.67
3 Unsecured wholesale funding, of which:	370.96	310.73	421.39	357.09	573.86	479.84	649.07	512.93
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	73.55	13.32	74.38	10.08	114.44	20.42	166.17	30.03
(iii) Unsecured debt	297.41	297.41	347.01	347.01	459.42	459.42	482.90	482.90
4 Secured wholesale funding	-	80.02	-	83.80	-	73.43	-	67.30
5 Additional requirements, of which	20.00	20.00	20.00	20.00	-	-	-	-
(i) Outflows related to derivative exposures and other collateral requirement	20.00	20.00	20.00	20.00	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligation	117.45	112.07	147.18	138.04	151.31	124.24	199.15	150.88
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 Total cash outflows	-	576.42	-	667.47	-	757.31	-	825.78
Cash Inflows								
9 Secured lending (e.g. reverse repo)	9.54	-	35.01	-	53.63	-	97.74	-
10 Inflows from fully performing exposures	410.85	297.15	425.14	305.79	412.06	287.77	435.83	303.71
11 Other cash inflows	72.30	36.15	71.49	35.74	70.00	35.00	68.88	34.44
12 Total cash inflows	492.69	333.30	531.64	341.53	535.69	322.77	602.45	338.15
21 Total HQLA	442.53	442.53	616.55	616.55	661.64	661.64	748.48	748.48
22 Total Net Cash Outflows	243.12	243.12	325.94	325.94	434.54	434.54	487.63	487.63
23 Liquidity Coverage Ratio (%)	182.02	182.02	189.16	189.16	152.26	152.26	153.49	153.49



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Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

The objective of LCR is to ensure that the Bank maintains an adequate stock of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs for a 30-day period under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the Bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

The LCR is calculated by dividing the amount of High Quality Liquid unencumbered Assets (HQLA) by the expected net cash outflows over a stressed 30 day period as per the RBI Guidelines. Minimum LCR requirement for small finance banks is 90% upto March 31, 2021 and 100% by April 1, 2021. As per the RBI circular on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) dated April 17, 2020, the LCR requirement for Banks during the year ended 31 March 2021 was as under:

From date of circular to September 30, 2020	-	80%
Oct 1, 2020 to March 31, 2021	-	90%
April 1, 2021 onwards	-	100%

HQLA comprises of cash in hand, excess CRR, excess SLR/Non SLR securities, maximum liquidity facility allowed by RBI under marginal standing facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, borrowings), as well as to undrawn commitments and other miscellaneous liabilities, partially offset by expected inflows from assets maturing within 30 days.

The average LCR for the quarter ended March 31, 2021 was at 220.19% as against 153.49% for the quarter ended March 31, 2020, and well above the present prescribed minimum requirement of 90%. The average HQLA for the quarter ended March 31, 2021 was ₹ 2,124.86 crore, as against was ₹ 748.48 crore for the quarter ended March 31, 2020.

Reason for LCR in excess of minimum regulatory requirement are as follows:

1. The Bank continues to maintain excess liquidity to meet fund requirement for disbursements and contingency funding for contingencies.

21. Deferred Tax Assets

As at March 31, 2021, the Bank has recorded net deferred tax asset of ₹ 61.36 crore (March 31, 2020 : ₹ 42.69 crore), included in other assets.

The composition of Deferred Tax Assets (DTA) is as under :

Particulars	₹ in crore)	
	March 31, 2021	March 31, 2020
Deferred tax asset arising out of:		
Loan loss provision and COVID-19 provision	56.58	39.26
Employee benefits	2.18	1.59
Depreciation	2.56	1.79
Others	0.04	0.05
Total (a)	61.36	42.69
Deferred tax liability arising out of:		
Total (b)	-	-
Deferred tax asset (net) (a-b)	61.36	42.69

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22. Sale of PSLC

Type of PSLCs	₹ in crore)	
	March 31, 2021	March 31, 2020
Agriculture	50.00	-
Small and Marginal Farmers	1,415.00	1,265.00
Micro Enterprises	50.00	1,025.00
General	1,750.00	100.00
Total	3,265.00	2,390.00

PSLC sold have been netted under priority sector category in schedule 9 and classified under non- priority sector.

Sale of PSLC

Type of PSLCs	₹ in crore)	
	March 31, 2021	March 31, 2020
Agriculture	-	-
Small and Marginal Farmers	-	-
Micro Enterprises	140.00	-
General	-	-
Total	140.00	-

23. Unhedged Foreign Currency Exposure

In accordance with the RBI guidelines on Banks' exposures to entities with Unhedged Foreign Currency Exposure ('UFCE'), the Bank has put in place a mechanism to seek information from its borrowers and to evaluate the currency induced credit risk. In the case of listed entities, the Bank obtains information relating to unhedged positions based on the latest available audited / reviewed financial statements; whilst in the case of unlisted / private companies, the Bank obtains the aforesaid information based on the latest available audited financial statements (not exceeding a financial year) so as to estimate the extent of likely loss and to provide for incremental capital or to recognise incremental provision in accordance with the aforesaid guidelines. Further, as per the above-mentioned guidelines, the Bank obtains audited and certified UFCE information from the statutory auditors of the borrowers, wherever feasible, on an annual basis. In the case of smaller entities i.e. entities with exposure to banking industry of less than ₹ 25 crore, the Bank recognises an incremental provision at 10 basis points on all such exposures.

In accordance with RBI guidelines, as at March 31, 2021 the Bank holds standard asset provisions of ₹ 1.01 crore (March 31, 2020: ₹ 1.67 crore) and maintains capital of ₹ 18.86 crore (March 31, 2020: ₹ 45.46 crore) in respect of the unhedged foreign currency exposure of its customers.

24. Leases

Operating lease primarily comprises of office premises, vehicle, computers and tablets, which are renewable at the option of the Bank. The following table sets forth the details of future rentals payable on operating leases :

Particulars	₹ in crore)	
	March 31, 2021	March 31, 2020
Not later than one year	5.34	6.51
Later than one year but not later than five years	3.28	6.89
Later than five years	-	0.19
Total	8.62	13.59
The total lease payments recognised in the Statement of Profit and Loss account for the year	25.12	20.10

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreement.



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25. Customer Complaints

Particulars	March 31, 2021	March 31, 2020
Complaints received by the bank from its customers		
1. Number of complaints pending at beginning of the year	12	17
2. Number of complaints received during the year	2495	1088
3. Number of complaints disposed during the year	2465	1093
3.1 Of which, number of complaints rejected by the bank	-	-
4. Number of complaints pending at the end of the year	42	12
Maintainable complaints received by the bank from OBOs		
5. Number of maintainable complaints received by the bank from OBOs	21	-
5.1 Of 5, number of complaints resolved in favour of the bank by Bos	21	-
5.2 Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Bos	-	-
5.3 Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6. Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

March 31, 2021

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM/Debit Cards	0	379	(14%)	8	
Loans and advances	7	308	367%	1	
Internet/Mobile/Electronic Banking	4	962	139%	16	1
Account opening/difficulty in operation of accounts	0	163	758%	0	
Others	1	683	332%	17	2
Total	12	2495	129%	42	3

March 31, 2020

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM/Debit Cards	2	443	6229%	0	
Loans and advances	0	66	3200%	7	7
Internet/Mobile/Electronic Banking	2	402	500%	4	
Account opening/difficulty in operation of accounts	1	19	(5%)	0	
Others	12	158	953%	1	1
Total	17	1088	880%	12	8

Schedules to the Financial Statements

as at March 31, 2021

26. Award passed by the Banking Ombudsman

Particulars	March 31, 2021	March 31, 2020
(a) No. of unimplemented Awards at the beginning of the year	-	-
(b) No. of Awards passed by the Banking Ombudsmen during the year	-	-
(c) No. of Awards implemented during the year	-	-
(d) No. of unimplemented Awards at the end of the year	-	-

27. Corporate Social Responsibility (CSR)

- a) Gross amount required to be spent by the Bank during the year ended March 31, 2021 is ₹ 2.05 crore (March 31, 2020 ₹ 1.19 crore) under section 135 of the Companies Act, 2013.

Amount spent during the the financial year ended 31 March 2021:

Particulars	In Cash	Yet to be paid in cash *	(₹ in crore)
			Total
i) Construction/ acquisition of asset	-	-	-
ii) on purpose other than (i) above	2.22	-	2.22
Total	2.22	-	2.22

Amount spent during the the financial year ended 31 March 2020:

Particulars	In Cash	Yet to be paid in cash *	(₹ in crore)
			Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	0.94	0.30	1.24
Total	0.94	0.30	1.24

*Paid on May 21, 2020

28. Related party disclosure

The Bank has only one related party i.e. Mr. R Baskar Babu, Managing Director (MD) and Chief Executive Officer (CEO). Hence, related party transactions are not disclosed as per the exemption provided in the RBI Master circular on 'Disclosure in Financial Statements' Notes to Accounts dated July 1, 2015.

29. Off balance sheet SPV

There are no off balance sheet SPVs sponsored by the Bank, which needs to be consolidated as per accounting norms.

30. Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments (March 31, 2020: ₹ Nil).

31. Depositor Education and Awareness Fund

In accordance with the guidelines issued by the RBI, the Bank is required to transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for than ten years to the DEAF. During the year ended March 31, 2021, no amount has been transferred to Depositor Education and Awareness Fund. (March 31, 2020: ₹ Nil)



Schedules to the Financial Statements

as at March 31, 2021

32. Bancassurance Business

The details of fees / brokerage earned in respect of insurance broking undertaken by the Bank are as under:

Nature of income	₹ in crore)	
	March 31, 2021	March 31, 2020
For selling life insurance policies	3.49	3.76
For selling non-life insurance policies	0.54	1.95
Total	4.03	5.71

33. Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas assets / NPA as at March 31, 2021 and no overseas operations were undertaken for the year ended March 31, 2021. Hence revenue from overseas operation is ₹ Nil. (March 31, 2020: ₹ Nil)

34. Fraud cases

Particulars	March 31, 2021	March 31, 2020
No. of fraud cases reported during the year	178	87
Amount involved in fraud	0.53	0.36
Provisions created against fraud cases (adjusted for recovery)	0.18	0.10

35. Penalties levied by the RBI

During the year ended March 31, 2021, the Bank paid ₹ 0.03 crore penalty to RBI for delay in filing the FCGPR in respect of FDI raised through private placement in March, 2019 (March 31, 2020: ₹ Nil) in respect of which application for waiver was made to the RBI in June 2019 but rejected by the RBI on February 10, 2021.

36. In accordance with RBI notification dated April 7, 2021, required banks to refund / adjust 'interest on interest' charged to all borrowers during the moratorium period, in conformity to the Honourable Supreme court of India Judgement on March 23, 2021. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' was finalised by the Indian Banks Association (IBA). The Bank is in process of implementing this methodology and pending finalisation has created a liability towards estimated interest relief of ₹ 0.32 crore and has reduced the same from interest earned for year end March 31, 2021.

37. Letter of Comfort

The Bank has not issued letter of comfort during the year year March 31, 2021 (March 31, 2020: ₹ Nil).

38. Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank for the year ended March 31, 2021 (March 31, 2020: ₹ Nil).

39. Proposed dividend

The Board of Directors of the Bank has not proposed any dividend for the year ended March 31, 2021 (March 31, 2020: ₹ Nil).

Comparatives:

Figures for the previous year have been regrouped wherever necessary to conform with the current year presentation.

As per our report of even date

For **MSKC & Associates**

(Formerly known as R.K. Kumar & Co.)

Chartered Accountants

Firm Registration No: 001595S

For and on behalf of the Board of Directors

Tushar Kurani

Partner

Membership No: 118580

Place: Mumbai

Date: May 27, 2021

R. Ramachandran

Chairperson

DIN-01953653

Geeta Krishnan

Company Secretary

R. Baskar Babu

Managing Director and
Chief Executive Officer

DIN-02303132

Bhavin Damania

Chief Financial Officer

Jyotin Mehta

Director

DIN-00033518

Corporate Information

Board of Directors

Mr. R. Ramachandran

Part-time Chairperson & Independent Director

Mr. Mrutunjay Sahoo

Independent Director

Mr. Jyotin Mehta

Independent Director

Mrs. Meena Hemchandra

Independent Director

Mr. John Arunkumar Diaz

Independent Director

Mr Krishna Prasad Nair

Additional Director w.e.f. July 22, 2021

Mr. Ranjit Shah

Investor Director

Mr. Aleem Remtula

Investor Director

Mr. Venkatesh Natrajan

Investor Director (up to May 31, 2021)

Mr. R Baskar Babu,

Managing Director & CEO

Statutory Auditors

MSKC & Associates (up to ensuing
AGM) Chartered Accountants

Registered Office

1101, Sharda Terraces, Plot no.65,
Sector 11, CBD Belapur, Navi Mumbai 400614
Tel: 40435800
website: www.suryodaybank.com

Corporate Identification Number

U65923MH2008PLC261472*

*Application for change of CIN pending with ROC, Maharashtra

Registrar & Transfer Agent

KFIN TECHNOLOGIES PRIVATE LIMITED
Karvy Selenium, Tower B, Plot No-31 & 32,
Financial District, Nanakramguda,
Serilingampally Mandal,
Hyderabad 500032 (India)
Tel: 040 6716 1500/2331 2454
email: einward.ris@kfintech.com



Suryoday Small Finance Bank Limited

Registered and Corporate Office:
1101 Sharda Terraces, Plot 65, Sector 11,
CBD Belapur, Navi Mumbai - 400 614