



& Associates

Chartered Accountants

602, Floor 6, Raheja Titanium
Western Express Highway, Geetanjali Railway Colony
Ram Nagar, Goregaon (E) Mumbai 400063, INDIA
Tel: +91 22 6831 1600

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Suryoday Small Finance Bank Limited

Report on the Audit of the Special Purpose Interim Financial Statements

Opinion

We have audited the accompanying Special Purpose Interim Financial Statements of Suryoday Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at December 31, 2020, Profit and Loss Statement, Cash Flow Statement for the nine month then ended and a summary of significant accounting policies and other explanatory information ("special purpose interim financial statements"). The Special Purpose Interim Financial Statements have been prepared by Management in accordance with Accounting Standard 25 "Interim Financial Reporting" (AS 25), specified under Section 133 of the Companies Act, 2013 ("the Act").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Interim Financial Statements prepared in accordance with AS 25, give the information required by the Act as well as the provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at December 31, 2020, and its profits and its cash flows for the nine month 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 Special Purpose Interim 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 ("the ICAI") together with the ethical requirements that are relevant to our audit of the Special Purpose Interim Financial Statements, 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 Schedule 18 (15) to the special purpose interim financial statements, which describes that the extent to which the COVID-19 Pandemic will impact the Bank's financial statements will depend on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.





Basis of Accounting

We draw attention to Schedule 17 (2) to the Special Purpose Interim Financial Statements, which describes the basis of its accounting.

Restriction on Distribution and Use

The special purpose interim financial Statements have been prepared by the Management and approved by the Board of Directors for the purpose of preparation of restated financial statements to be included in the Offer Documents of the Bank in relation to its proposed Initial Public Offering (IPO) of equity shares as required by Section 26 of Part I of Chapter III of the Companies Act, 2013, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the ICAI. As a result, the financial information may not be suitable for any other purpose.

Our report is intended solely for the use of Management and should not be distributed to or used by other parties. MSKC & Associates shall not be liable to the Bank or to any other concerned for any claims, liabilities or expenses relating to this assignment. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

Management's Responsibility and those charged with Governance for the Special Purpose Interim Financial Statements

The Bank's Management is responsible for the preparation of these Special Purpose Interim Financial Statements that give a true and fair view of the state of affairs, results of operations 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 provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India and for such internal controls as management determines necessary to enable the preparation of special purpose interim financial statements that are free from material misstatement, whether due to fraud or error.

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

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





Auditor's Responsibilities for the Audit of the Special Purpose Interim Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose interim 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 special purpose interim 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 special purpose interim 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 circumstance, but not for expressing our opinion on whether the Bank has internal financial controls with reference to special purpose interim financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the special purpose interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the special purpose interim financial statements, including the disclosures, and whether the special purpose interim 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.

Other Matters

The comparative special purpose interim financial statements for the nine month ended December 31, 2019 were audited by us and expressed an unmodified opinion on those statements.

For MSKC & Associates (Formerly known as R. K. Kumar & Co.)
Chartered Accountants
ICAI Firm Registration Number: 0015955

Tushar Kurani

Tushar Kurani
Partner

Membership No. 118580

UDIN: 21118580AAAAAF1799



Mumbai
February 08, 2021

Suryoday Small Finance Bank Limited
Balance Sheet as at December 31, 2020

(₹ in '000)

	<i>Schedule</i>	As at December 31, 2020	As at December 31, 2019
CAPITAL AND LIABILITIES			
Capital	1	8,91,849	8,63,119
Reserves and Surplus	2	1,10,17,796	98,90,036
Deposits	3	3,34,38,399	2,49,13,562
Borrowings	4	1,48,70,790	88,69,296
Other Liabilities and Provisions	5	32,85,266	13,55,534
TOTAL		6,35,04,100	4,58,91,547
ASSETS			
Cash and Balances with Reserve Bank of India	6	8,89,016	7,41,649
Balances with Banks and Money at Call and Short Notice	7	74,42,571	10,83,177
Investments	8	1,51,14,403	89,28,266
Advances	9	3,78,22,634	3,36,09,027
Fixed Assets	10	4,33,590	3,07,344
Other Assets	11	18,01,886	12,22,084
TOTAL		6,35,04,100	4,58,91,547
Contingent Liabilities	12	48,754	1,14,037
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


Tushar Kurani
 Partner

Membership No: 118580

Place: Navi Mumbai
 Date: February 08, 2021

For and on behalf of the Board of Directors

		
R. Ramachandran Chairman	R. Baskar Babu Managing Director and Chief Executive Officer	Jyotin Mehta Director
DIN-01953653	DIN-02303132	DIN-00033518

	
Geeta Krishnan Company Secretary	Bhavin Damania Chief Financial Officer

Suryoday Small Finance Bank Limited
Profit and Loss Account for the period ended December 31, 2020

(₹ in '000)

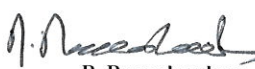
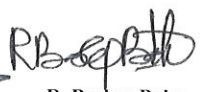


	<i>Schedule</i>	Period ended December 31, 2020	Period ended December 31, 2019
I. INCOME			
Interest earned	13	62,43,489	56,32,153
Other income	14	6,49,241	6,31,424
	TOTAL	68,92,730	62,63,577
II. EXPENDITURE			
Interest expended	15	27,10,729	20,24,850
Operating expenses	16	23,16,330	18,83,722
Provisions and contingencies		13,17,005	10,90,829
	TOTAL	63,44,064	49,99,401
III. PROFIT			
Net profit for the period		5,48,666	12,64,176
Net Balance in Profit and loss account brought forward		20,48,321	12,60,997
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		-	-
Transfer to Investment Fluctuation Reserve		-	-
Transfer to Capital Reserve		-	-
Balance carried over to Balance Sheet		25,96,987	25,25,173
V. EARNINGS PER EQUITY SHARE (Face value of ₹ 10 per share)			
Basic	18(2)	6.19	15.46
Diluted	18(2)	6.05	15.39

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

Tushar Kurani
Partner
Membership No: 118580

For and on behalf of the Board of Directors

 R. Ramachandran Chairman DIN-01953653	 R. Baskar Babu Managing Director and Chief Executive Officer DIN-02303132	 Jyotin Mehta Director DIN-00033518
 Geeta Krishnan Company Secretary	 Bhavin Damania Chief Financial Officer	

Place: Navi Mumbai
Date: February 08, 2021

Suryoday Small Finance Bank Limited
Cash Flow Statement for the period ended December 31, 2020

(₹ in '000)

	Period ended December 31, 2020	Period ended December 31, 2019
Cash flows from/ (used in) operating activities		
Profit before taxes	7,00,572	17,79,613
Adjustments for:		
Depreciation on fixed assets	98,555	49,998
Amortisation of premium on held to maturity investment	15,951	15,784
Profit on sale of fixed assets	-	(119)
Provision for non performing assets	3,84,980	4,61,855
Floating provision	5,550	52,899
Provision for COVID-19	7,47,196	-
Other provision for advances	3,116	20,546
Provision for standard assets	24,103	24,737
Employee stock option expenses	50,021	24,187
Provision for depreciation on investment	154	15,355
	20,30,198	24,44,855
Adjustments for:		
Increase in investments	(58,01,487)	(9,66,764)
Increase in advances	(28,93,718)	(73,27,943)
Increase in deposits	49,51,258	89,79,310
Increase in others assets	(2,54,952)	(25,523)
Increase/(Decrease) in Other liabilities and provisions	5,48,328	(3,08,207)
	(34,50,571)	3,50,873
Direct taxes paid (net of refunds)	(1,05,428)	(5,03,863)
Net cash flow (used in)/ from operating activities	(15,25,801)	22,91,865
Cash flow used in investing activities		
Purchase of fixed assets	(90,672)	(24,971)
Proceeds from sale of fixed assets	-	349
Net (Increase)/ Decrease in fixed deposit	26,000	(1,83,882)
Increase in capital work in progress	(54,177)	(1,42,838)
Net Investment in banking book	(12,47,043)	(13,48,713)
Net cash used in investing activities	(13,65,892)	(17,00,055)
Cash flow from financing activities		
Proceeds from issue of share capital (inclusive of issue expense)	6,48,661	6,58,501
Proceeds from borrowings	54,39,226	9,66,277
Repayment of borrowings	(32,14,593)	(33,39,257)
Net cash flow from financing activities	28,73,294	(17,14,479)
Net Decrease in cash and cash equivalents	(18,399)	(11,22,669)



Suryoday Small Finance Bank Limited
Cash Flow Statement for the period ended December 31, 2020

(₹ in '000)

	Period ended December 31, 2020	Period ended December 31, 2019
Cash and cash equivalents at the beginning of the period	83,45,486	26,54,275
Cash and cash equivalents at the end of the period	83,27,087	15,31,606

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



Tushar Kurani
Partner


Membership No: 118580

For and on behalf of the Board of Directors



R. Ramachandran
Chairman

DIN-01953653



R. Baskar Babu
Managing Director and
Chief Executive Officer

DIN-02303132



Jyotin Mehta
Director

DIN-00033518



Geeta Krishnan
Company Secretary



Bhavin Damania
Chief Financial Officer

Place: Navi Mumbai
Date: February 08, 2021

Suryoday Small Finance Bank Limited
Schedules to the Financial Statements as at December 31, 2020

(₹ in '000)

As at
December 31, 2020

As at
December 31, 2019

SCHEDULE 1 - CAPITAL

Authorised Capital

125,000,000 (December 31, 2019: 100,000,000) equity shares of ₹ 10 each

12,50,000

10,00,000

Issued, Subscribed and Paid-up Capital

8,91,84,939 (December 31, 2019: 8,63,11,874) equity shares of ₹ 10 each fully paid up
(Refer note - 18 (1.2))

8,91,849

8,63,119

Total 8,91,849 8,63,119

SCHEDULE 2 - RESERVES AND SURPLUS

I. Statutory Reserve

[Created pursuant to Section 17(2) of Banking Regulation Act, 1949]

Opening Balance

6,69,987

3,92,647

Addition during the period (Refer note - 18 (3.1))

-

-

Total 6,69,987 3,92,647

II. Capital Reserve

Opening Balance

1,935

405

Addition during the period (Refer note - 18 (3.2))

-

-

Total 1,935 405

III. Share Premium Account

Opening Balance

69,10,816

62,68,353

Addition during the period

6,34,527

6,18,681

Amounts utilized toward share issue expenses (Refer note - 18 (3.3))

(4,377)

(27,874)

Total 75,40,966 68,59,160

IV. General Reserve

Opening Balance

3,280

1,805

Addition during the period

1,552

1,101

Total 4,832 2,906

V. Employee Stock Options Outstanding Account (ESOP)

Opening Balance

71,017

46,301

Employee compensation expense for the period

50,021

24,187

Transfer to Share Premium Account/Share Capital on exercise of stock options

(10,059)

(7,474)

Transfer to General Reserve for Non- exercise of ESOP's

(1,552)

(1,102)

Total 1,09,427 61,912

VI. Investment Reserve Account

Opening Balance

549

549

Addition during the period (Refer note - 18 (3.4))

-

-

Total 549 549

VII. Investment Fluctuation Reserve

Opening Balance

90,451

19,410

Addition during the period (Refer note - 18 (3.5))

-

-

Total 90,451 19,410

VIII. Balance in Profit and Loss Account

Balance brought from Profit and Loss

25,96,987

25,25,173

Addition: Share issue expenses adjusted from Share Premium Account (Refer note - 18 (3.3))

2,662

27,874

Total 25,99,649 25,53,047

Total 1,10,17,796 98,90,036



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements as at December 31, 2020

(₹ in '000)

	As at December 31, 2020	As at December 31, 2019
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i) From banks	2,21,067	1,19,142
ii) From others	2,75,609	1,90,595
Total	4,96,676	3,09,737
II Savings Bank Deposits	39,57,232	26,63,527
III. Term Deposits		
i) From banks	99,38,678	1,09,84,061
ii) From others	1,90,45,813	1,09,56,237
Total	2,89,84,491	2,19,40,298
Total	3,34,38,399	2,49,13,562
B. I. Deposits of branches in India	3,34,38,399	2,49,13,562
II. Deposits of branches outside India	-	-
Total	3,34,38,399	2,49,13,562

SCHEDULE 4 - BORROWINGS

I. Borrowings in India*		
i) Reserve Bank of India	-	-
ii) Other banks	-	8,519
iii) Other institutions and agencies	1,34,70,790	82,10,777
iv) Unsecured redeemable debentures and term loan (Subordinate debts included in Tier 2 capital)	14,00,000	6,00,000
v) Non convertible debenture (excluding subordinate debts)	-	50,000
Total	1,48,70,790	88,69,296
II. Borrowings outside India *	-	-
Total	1,48,70,790	88,69,296

* Includes secured borrowings of ₹ Nil (previous period: ₹ 5.85 crore) other than under Repo (including tri-party repo).

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills payable	1,22,439	51,100
II. Inter - office adjustments (net)	797	1,303
III. Interest accrued	1,74,940	2,07,991
IV. Others (including provisions)	-	-
(i) Contingent provisions against standard assets	1,39,963	98,485
(ii) Others Liabilities (including provisions)	28,47,127	9,96,655
Total	32,85,266	13,55,534



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements as at December 31, 2020

(₹ in '000)

	As at December 31, 2020	As at December 31, 2019
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand	1,08,771	1,10,758
II. Balances with Reserve Bank of India		
i) in Current account	7,80,245	6,30,891
ii) in Other accounts	-	-
Total	8,89,016	7,41,649

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

I. In India		
i) Balances with banks		
a) In Current accounts	2,58,071	1,59,957
b) In Other deposit accounts*	4,500	2,93,220
Total	2,62,571	4,53,177
ii) Money at call and short notice		
a) With banks	71,80,000	6,30,000
b) With other institutions	-	-
Total	71,80,000	6,30,000
Total	74,42,571	10,83,177
II. Outside India		
i) In Current account	-	-
ii) In Deposit account	-	-
iii) Money at call and short notice	-	-
Total	-	-
Total	74,42,571	10,83,177

* Deposit with banks include ₹ 0.45 crore (December 31, 2019: ₹ 4.32 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

A. Investments in India		
i) Government securities	1,51,06,856	79,39,772
ii) Other approved securities	-	-
iii) Shares	7,547	-
iv) Debentures and bonds	-	-
v) Subsidiaries / joint ventures	-	-
vi) Others (Certificate of Deposit)	-	9,88,494
Total	1,51,14,403	89,28,266
B. Investments outside India		
i) Government securities	-	-
ii) Subsidiaries / joint ventures	-	-
iii) Others (equity shares and bonds)	-	-
Total	-	-
Total	1,51,14,403	89,28,266



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements as at December 31, 2020

(₹ in '000)

	As at December 31, 2020	As at December 31, 2019
C. Investments		
i) Gross value of investments		
a) In India	1,51,14,557	89,43,621
b) Outside India	-	-
Total	<u>1,51,14,557</u>	<u>89,43,621</u>
ii) Provision for depreciation		
a) In India	154	15,355
b) Outside India	-	-
Total	<u>154</u>	<u>15,355</u>
iii) Net value of investments		
a) In India	1,51,14,403	89,28,266
b) Outside India	-	-
Total	<u>1,51,14,403</u>	<u>89,28,266</u>

SCHEDULE 9 - ADVANCES

A.			
i) Bills purchased and discounted	-	-	
ii) Cash credits, overdrafts and loans repayable on demand	13,61,709	8,84,155	
iii) Term loans	3,64,60,925	3,27,24,872	
Total	<u>3,78,22,634</u>	<u>3,36,09,027</u>	
B			
i) Secured by tangible assets	96,10,153	76,62,162	
ii) Covered by Bank / Government guarantees	-	-	
iii) Unsecured	2,82,12,481	2,59,46,865	
Total	<u>3,78,22,634</u>	<u>3,36,09,027</u>	
C. I. Advances in India			
i) Priority sectors (Refer note - 22)			
ii) Public sector	1,10,95,313	75,01,812	
iii) Banks	5,000	1,15,610	
iv) Others	2,67,22,321	2,59,91,605	
	<u>3,78,22,634</u>	<u>3,36,09,027</u>	
C. II. Advances outside India			
i) Due from banks	-	-	
ii) Due from others	-	-	
(a) Bills purchased and discounted	-	-	
(b) Syndicated loans	-	-	
(c) Others	-	-	
Total	<u>-</u>	<u>-</u>	

(Advances are net of provisions & IBPC)



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements as at December 31, 2020

(₹ in '000)

	As at December 31, 2020	As at December 31, 2019
SCHEDULE 10 - FIXED ASSETS		
A. Premises		
At cost on March 31 of preceding year	31,872	31,872
Additions during the period	-	-
Deductions during the period	-	-
Total	31,872	31,872
Depreciation		
As at March 31 of the preceding year	7,881	5,363
Charge for the period	1,717	1,892
Deductions during the period	-	-
Total	9,598	7,255
Net Block	22,274	24,617
B. Other Fixed assets (including furniture and fixtures)		
Gross Block		
At cost on March 31 of the preceding year	5,17,755	2,97,692
Additions during the period	90,672	24,971
Deductions during the period	-	(5,628)
Total	6,08,427	3,17,035
Depreciation		
As at March 31 of the preceding year	2,36,807	1,48,307
Charge for the period	96,838	48,106
Deductions during the period	-	(5,397)
Total	3,33,645	1,91,016
Net Block	2,74,782	1,26,019
C. Assets given on lease	-	-
D. Capital work in progress	1,36,534	1,56,708
Total	4,33,590	3,07,344
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	5,36,652	5,40,861
III. Tax paid in advance/tax deducted at source (net of provision for tax)	-	34,136
IV. Stationery and stamps	7	420
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred tax assets (net)	5,96,773	2,31,952
VII. Others	6,68,454	4,14,715
Total	18,01,886	12,22,084
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts - taxation	38,651	33,128
II. Claims against the bank not acknowledged as debts - others	338	-
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	9,765	80,909
Total	48,754	1,14,037



Suryoday Small Finance Bank Limited
Schedules forming part of the financial statements for the period ended December 31, 2020

(₹ in '000)

Period ended
December 31, 2020

Period ended
December 31, 2019

SCHEDULE 13 - INTEREST EARNED

I	Interest/discount on advances/bills	54,42,139	51,55,481
II	Income on investments	5,98,340	3,88,249
III	Interest on balances with Reserve Bank of India and other inter-bank funds	1,99,532	86,791
IV	Other interest	3,478	1,632
Total		62,43,489	56,32,153

SCHEDULE 14 - OTHER INCOME

I	Commission, exchange and brokerage	1,73,076	3,63,317
II	Profit on sale of investments (net)	2,43,331	55,058
III	Profit/(Loss) on sale of revaluation of investments	-	-
IV	Profit/(Loss) on sale of fixed assets (net)	-	119
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	2,32,834	2,12,930
Total		6,49,241	6,31,424

SCHEDULE 15 - INTEREST EXPENDED

I	Interest on deposits	17,75,650	12,90,734
II	Interest on Reserve Bank of India/ inter-bank borrowings	89,404	43,535
III	Other interest	8,45,675	6,90,581
Total		27,10,729	20,24,850

SCHEDULE 16 - OPERATING EXPENSES

I	Payments to and provisions for employees	13,35,666	12,11,484
II	Rent, taxes and lighting	2,04,095	1,58,326
III	Printing and stationery	17,496	17,476
IV	Advertisement and publicity	9,006	34,027
V	Depreciation on Bank's property	98,555	49,998
VI	Director's fees/remuneration, allowances and expenses	7,200	3,219
VII	Auditors' fees and expenses	4,130	6,641
VIII	Law charges	10,376	15,351
IX	Postage, telegrams, telephones, etc.	12,002	18,174
X	Repairs and maintenance	3,51,488	1,63,182
XI	Insurance	48,217	34,515
XII	Other expenditure (includes professional fees)	2,18,099	1,71,329
Total		23,16,330	18,83,722



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the year period ended December 31, 2020

Schedule 17 – Significant accounting policies appended to and forming part of the financial statements for the year ended December 31, 2020

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 operates with 477 banking outlets.

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 special purpose interim financial statements have been prepared under the historical cost convention, on the accrual basis of accounting and on going concern basis, unless otherwise stated and in conformity with Generally Accepted Accounting Principles (GAAP), which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India ("the RBI"), Banking Regulation Act 1949 and in accordance with the recognition and measurement principles laid down under Accounting Standard 25 "Interim Financial Reporting" specified under Section 133 of Companies Act, 2013, in so far as they apply to the Banks and the current practices prevalent within the Banking industry in India.

The Bank has applied its significant accounting policies in the preparation of these special purpose interim financial statements with those followed in the annual financial statements for the year ended March 31, 2020.

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.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020

Significant accounting policies (Contd.)

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.

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.



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

Significant accounting policies (Contd.)

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.

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.

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".

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.

Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

Significant accounting policies (Contd.)

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 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 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.

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.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020

Significant accounting policies (Contd.)

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.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020

Significant accounting policies (Contd.)

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.

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.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020

Significant accounting policies (Contd.)

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 post approval from RBI 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.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

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 period indicated, computation of capital adequacy as per operating guidelines.

Particulars	As at December 31, 2020	As at December 31, 2019
Common Equity Tier 1 Capital ratio (%)	36.94%	39.61%
Tier 1 capital ratio (%)	36.94%	39.61%
Tier 2 capital ratio (%)	4.23%	1.02%
Total capital ratio (CRAR) (%)	41.17%	40.63%
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 December 31, 2020 is ₹ 140 crores (December 31, 2019 : ₹ 60 crores).

The Bank has applied 100% risk weight on advances charged as security against grandfathered borrowing on the date of conversion into a small finance bank. The Bank has applied to the RBI for approval of capital risk charge on advances secured against grandfathered borrowings.

Further as per 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 period has been restated accordingly.

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 period ended December 31, 2020, the Bank allotted 2,00,788 (December 31, 2019 : 2,29,392) equity shares having face value of ₹ 10 each aggregating to ₹ 2.90 crores including share premium (December 31, 2019 : ₹ 2.85 crore) in respect of stock options exercised.

Pursuant to Shareholders' approval, the Bank has issued 23,90,020 (December 31, 2019 : 45,00,000) equity shares having face value of ₹ 10 each aggregating to ₹ 62.14 crores including share premium (December 31, 2019 : ₹ 63.00 crore).

Details of movement in the paid up equity share capital are as below:

Particulars	December 31, 2020		December 31, 2019	
	Equity shares	Amount	Equity shares	Amount
Equity shares at the beginning of the year	8,65,94,131	86.59	8,15,82,482	81.58
Addition pursuant to stock options exercised	2,00,788	0.20	2,29,392	0.23
Addition pursuant to equity shares issued during the period	23,90,020	2.39	45,00,000	4.50
Equity shares outstanding at the end of the period	8,91,84,939	89.18	8,63,11,874	86.31

2. Earnings per equity share

Particulars	December 31, 2020	December 31, 2019
Net profit after tax (in crores)	54.87	126.42
Weighted average number of equity shares in computing the basic earnings per share	8,86,14,794	8,17,62,698
Basic earnings per share #	6.19	15.46
Weighted average number of equity shares in computing the diluted earnings per share	9,06,77,709	8,21,23,452
Diluted earnings per share #	6.05	15.39
Nominal value per Share (₹)	10.00	10.00

Not annualised.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

2.1 Reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	December 31, 2020	December 31, 2019
Weighted average number of equity shares in computing the basic earnings per share	8,86,14,794	8,17,62,698
Effect of potential equity shares outstanding	20,62,915	3,60,754
Weighted average number of equity shares in computing the diluted earnings per share	9,06,77,709	8,21,23,452

Basic earnings per equity share is computed by dividing the net profit or loss after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share is computed by dividing the net profit or loss after tax for the period attributable to equity shareholder by weighted average number of equity shares including potential equity shares outstanding as at the end of the period, except when results are anti dilutive.

3. Drawdown of Reserves

3.1 Statutory Reserve

The Bank appropriates Net Profit towards various regulatory reserves only at the year end hence no transfers are made for the nine month ended December 31, 2020 and December 31, 2019.

3.2 Capital Reserve

During the period ended December 31, 2020, the Bank has appropriated ₹ Nil (net of taxes and statutory reserves) (December 31, 2019: ₹ Nil) 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 Share Premium

During the period ended December 31, 2020, the Bank has appropriated ₹ Nil (December 31, 2019: ₹ Nil) from Balance in profit and loss account to Share Premium account on receipt of the RBI approval to debit to shares premium account in accordance with RBI/2006-07/132 DBOD.BP.BC No. 31 / 21.04.018/ 2006-07.

3.4 Investment Reserve

During the period ended December 31, 2020, the Bank has appropriated ₹ Nil (net of taxes) (December 31, 2019: ₹ Nil) from Profit and Loss Account to Investment Reserve as per the RBI guidelines.

3.5 Investment Fluctuation Reserve

The Bank appropriates Net Profit towards various regulatory reserves only at the year end hence no transfers are made for the nine month ended December 31, 2020 and December 31, 2019.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

4. Employees Stock Option Scheme

The Bank has share-based payment schemes for its employees. Schemes in operation for last 3 years are Employee Stock Option Scheme 2014, Employee Stock Option Scheme 2016 and Employee Stock Option Scheme 2019. During the period-ended December 31, 2020, the Bank has issued Nil options (December 31, 2019 : 18,72,100) under the Employee Stock Option Scheme 2019.

The details of the Employee Stock Option Scheme are as under:

Particulars	Employee stock option scheme 2014		Employee stock option scheme 2016			Employee Stock Option Scheme 2019			
	June 26, 2014	As at December 31, 2014	January 19, 2017	July 27, 2017	March 1, 2018	July 16, 2018	February 5, 2019	November 6, 2019	January 10, 2020
Grant Date		5,21,500	15,10,000	5,50,000	3,06,950	4,07,000	7,24,000	18,72,100	1,95,000
Number of Options granted									
Method of Settlement		Equity			Equity			Equity	
Vesting		40% after one year from the date of grant i.e. July 1, 2015			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.	
		30% after two years from the date of grant i.e. July 1, 2016							
		balance 30% after three years from the date of grant i.e. July 1, 2017							
Exercisable period		3 years from the Vesting date			3 years from the Vesting date				
Vesting Conditions		No vesting conditions has been prescribed			From second vesting tranche onwards, based on performance rating of the employee				
Exercise Price Per Option		₹ 36	₹ 108	₹ 125	₹ 127	₹ 140	₹ 173	₹ 196	₹ 196

Following are the outstanding options as at period end:

Particulars	Employee stock option scheme 2014		Employee stock option scheme 2016		Employee stock option scheme 2019	
	As at December 31, 2019	As at December 31, 2019	As at December 31, 2019	As at December 31, 2019	As at December 31, 2019	As at December 31, 2019
Total Options granted and outstanding at the beginning of the year	-	-	14,27,891	23,01,972	20,67,100	-
Add: Options granted during the period	-	-	-	-	-	18,72,100
Less: Options forfeited / lapsed during the Period	-	-	1,56,532	2,88,491	2,30,250	-
Less : Options exercised during the Period	-	-	1,52,563	2,29,392	48,225	-
Options Outstanding as at end of the Period	-	-	11,18,796	17,84,089	17,88,625	18,72,100
- Vested	-	-	2,54,619	2,27,111	3,83,175	-
- Yet to Vest	-	-	8,64,177	15,56,978	14,05,450	18,72,100

The value of options have been estimated on the date of the grant using Black-Scholes model.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

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 2014		
	Tranche 1	Tranche 2	Tranche 3
1.Risk Free Interest Rate	8.65%	8.65%	8.65%
2.Expected Life (in years)	2.56	3.56	4.56
3.Expected Volatility	38.00%	39.00%	37.00%
4.Dividend Yield	0.00%	0.00%	0.00%
5.Fair value of the option on the grant date (₹)	18.99	21.91	23.80

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

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



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

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

Effect of the share based payment plans on the Profit and Loss Account and on its financial position:

Particulars	For the period ended December 31, 2020		For the period ended December 31, 2019	
	December 31, 2020	December 31, 2020	December 31, 2019	December 31, 2019
Employee stock option expenditure (Included in schedule 16 (I))		5.00		2.42
Particulars	As at December 31, 2020		As at December 31, 2019	
Employee stock options outstanding account (Included in schedule 2 (V))		10.94		6.19

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.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

5. Investments

5.1 Particulars of Investments and movement in provision held towards depreciation on Investments

Particulars	December 31, 2020	December 31, 2019
1) Value of Investments		
i) Gross value of investments		
- In India	1,511.46	894.37
- Outside India	-	-
ii) Provisions for depreciation on investments		
- In India	0.02	1.54
- Outside India	-	-
iii) Net value of investments		
- In India	1,511.44	892.83
- Outside India	-	-
2) Movement of provisions held towards depreciation on investments:		
i) Opening balance	-	-
ii) Add: Provision made during the period	8.71	1.54
iii) Less: Write back of excess provision during the Period	8.69	-
iv) Closing balance	0.02	1.54

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 December 31, 2020		As at December 31, 2019	
	₹ in crores	%	₹ in crores	%
Held to Maturity	531.19	35.14%	398.41	44.62%
Available for Sale	980.25	64.86%	484.10	54.22%
Held for Trading	-	-	10.32	1.16%
Total	1,511.44	100%	892.83	100%

5.2 Repo/ Reverse Repo Transactions

The Details relating to repo/reverse repo transactions (in face value terms) during the period ended December 31, 2020 are as follows:

	Minimum outstanding	Maximum outstanding	Daily average outstanding	As at December 31, 2020
				Outstanding
Securities sold under repo	5.00	405.80	128.87	224.48
Government Securities	5.00	405.80	128.87	224.48
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	368.00	1,058.00	688.64	718.00
Government Securities	368.00	1,058.00	688.64	718.00
Corporate Debt Securities	-	-	-	-

The Details relating to repo/reverse repo transactions (in face value terms) during the Period ended December 31, 2019 are as follows:

	Minimum outstanding	Maximum outstanding	Daily average outstanding	As at December 31, 2019
				Outstanding
Securities sold under repo	5.00	176.31	62.62	96.63
Government Securities	5.00	176.31	62.62	96.63
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	3.00	140.00	56.68	3.00
Government Securities	3.00	140.00	56.68	3.00
Corporate Debt Securities	-	-	-	-



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

5.3 Sale and Transfer to /from HTM Category

During the period ended December 31, 2020 and December 31, 2019, 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.

5.4 Issuer-wise composition of non-SLR investments

Balance as at December 31, 2020

Issuer	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	6.32	0.77	-	0.77	0.77
7.Provision held towards depreciation	(0.02)	(0.02)	-	(0.02)	(0.02)
Total	6.30	0.75	-	0.75	0.75

Balance as at December 31, 2019

Issuer	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	98.85	-	-	-	-
4.Private corporate	-	-	-	-	-
5.Subsidiaries / Joint ventures	-	-	-	-	-
6.Others	-	-	-	-	-
7.Provision held towards depreciation	-	-	-	-	-
Total	98.85	-	-	-	-

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 December 31, 2020, there are no non performing Non - SLR investments (December 31, 2019 : ₹ Nil).

5.6 Details of investment in Security Receipt (SRs)

As at December 31, 2020, there are no investment in SRs (December 31, 2019 : ₹ Nil).

6. Derivatives

During the period ended December 31, 2020; the Bank has not undertaken any derivative transaction and there is no outstanding position as at the period end (December 31, 2019 : ₹ Nil). Hence, disclosure related to Forward Rate Agreement / Interest Rate Swap/ Credit default Swap and Exchange Traded Interest Rate Derivatives are not provided.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

7. Asset quality

7.1 Non Performing Assets (NPAs)

The following table sets forth, for the periods indicated, the details of movement of gross non-performing assets (NPAs), net NPAs and provisions.

Particulars	As at December 31, 2020	As at December 31, 2019
(i) Net NPAs to Net Advances (%)	0.33%	0.52%
(ii) Movement of NPAs (Gross)		
Gross NPA's as on April 1 of particular year	101.25	49.62
Additions (fresh NPAs) during the period	0.05	82.34
Sub Total (A)	101.30	131.96
Less :-		
- Upgradation	5.60	2.19
- Recoveries (excluding Recoveries made from upgraded accounts)	3.15	2.24
- Technical / Prudential Write offs	62.64	16.08
- Write offs other than mentioned above	0.00	15.89
Sub Total (B)	71.39	36.40
Gross NPAs (A-B)	29.91	95.56
(iii) Movement of Net NPAs		
(a) Opening balance	20.37	12.01
(b) Additions during the period ***	(1.28)	8.39
(c) Reductions during the period	6.28	2.78
(d) Closing balance	12.81	17.62
(iv) Movement of provisions for NPAs (excluding provision on standard assets)		
(a) Opening balance	80.88	37.61
(b) Provision made during the period *	1.33	73.95
(c) Write off/ write back of excess provision **	65.11	33.62
(d) Closing balance	17.10	77.94

* Include Floating Provisions as at period end to the extent eligible. (Refer note - 7.4)

** Provision made for write off account in the current period have been net off.

*** Refer note below for classification of NPA during the period ended December 31, 2020. Additions during the period is adjusted for provision made against GNPA as at March 31, 2020.

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"), has directed banks that accounts which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Pending the finality, the Bank has not classified any account which was not NPA as of August 31, 2020 as per the RBI IRAC norms, as NPA after August 31, 2020. Further, in light of the Interim Order, even accounts that would have otherwise been classified as NPA post August 31, 2020 have not been and will not be, classified as NPA till such time that the Hon'ble SC rules finally on the matter.

However, 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 would have been 9.28% at December 31, 2020 (at September 30, 2020: 2.58%) and 5.38% at December 31, 2020 (at September 30, 2020: 0.42%) respectively. Pending disposal of the case, the Bank, as a matter of prudence has, in respect of these accounts made a contingent provision, which is included in Provisions and Contingencies".



Suryoday Small Finance Bank Limited**Schedules to the Financial Statements for the period ended December 31, 2020**

(All amounts are in Indian Rupees in crore unless otherwise stated)

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 ₹ 62.64 crores during the period ended December 31, 2020 (December 31, 2019 : ₹ 16.08 crores).

The following table sets forth, for the periods indicated, the details of movement in technical/ prudential write-off .

Particulars	As at December 31, 2020	As at December 31, 2019
Opening balance as on April 1 of particular year	31.65	-
Add : Technical / Prudential write offs during the period	62.64	16.08
Sub total (A)	94.29	16.08
Less : Recoveries made from previously technical / prudential written off accounts during the period (B)	1.19	-
Closing balance as at December 31 (A-B)	93.10	16.08

7.3 Details of Non Performing Financial Assets Purchased / Sold

The Bank has not purchased or sold any non performing financial assets during the period ended December 31, 2020 (December 31, 2019 : ₹ Nil).

7.4 Floating provision

Particulars	As at December 31, 2020	As at December 31, 2019
Opening balance as on April 1 of particular year	53.22	32.32
Provision made during the period	0.55	5.29
Drawdown made during the period	-	-
Closing balance as at December 31	53.77	37.61

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.



Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

The Bank has restructured the following accounts during the period ended December 31, 2019.

Sr.no	Type of Restructuring Assets Classification	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total						
		Standard	Sub-standard	Doubtful	Standard	Sub-standard	Doubtful	Standard	Sub-standard	Doubtful	Standard	Sub-standard	Doubtful	Loss	Total		
1	Restructured Accounts as on April 1 of the FY (opening figures)	-	-	-	-	-	-	174	1	62	-	237	174	1	62	-	237
	Amount outstanding	-	-	-	-	-	-	0.34	0.00	0.04	-	0.38	0.34	0.00	0.04	-	0.38
	Provision there-on	-	-	-	-	-	-	0.04	0.00	0.03	-	0.07	0.04	0.00	0.03	-	0.07
2	Fresh restructuring during the period	-	-	-	-	-	-	54	3	51	-	108	54	3	51	-	108
	Amount outstanding	-	-	-	-	-	-	0.13	0.00	0.06	-	0.19	0.13	0.00	0.06	-	0.19
	Provision there-on	-	-	-	-	-	-	0.03	0.00	0.07	-	0.10	0.03	0.00	0.07	-	0.10
3	Upgradations to restructured standard category during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the period	-	-	-	-	-	-	(0.17)	-	(0.02)	-	(0.19)	(0.17)	-	(0.02)	-	(0.19)
	Amount outstanding	-	-	-	-	-	-	(0.01)	-	(0.02)	-	(0.03)	(0.01)	-	(0.02)	-	(0.03)
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Down gradations of restructured accounts during the period	-	-	-	-	-	-	(47)	4	43	-	-	(47)	4	43	-	-
	Amount outstanding	-	-	-	-	-	-	(0.06)	0.01	0.05	-	-	-0.06	0.01	0.05	-	-
	Provision there-on	-	-	-	-	-	-	(0.06)	0.00	0.06	-	-	-0.06	0.00	0.06	-	-
7	Write-offs/Recovery of restructured accounts during the period	-	-	-	-	-	-	(32)	(4)	(68)	-	(104)	(32)	(4)	(68)	-	(104)
	Amount outstanding	-	-	-	-	-	-	(0.03)	(0.00)	(0.05)	-	(0.08)	(0.03)	(0.00)	(0.05)	-	(0.08)
	Provision there-on	-	-	-	-	-	-	(0.00)	(0.00)	(0.06)	-	(0.06)	(0.00)	(0.00)	(0.06)	-	(0.06)
8	Restructured Accounts as on March 31 of the FY (closing figures)	-	-	-	-	-	-	21	4	88	-	241	21	4	88	-	241
	Amount outstanding	-	-	-	-	-	-	0.21	0.01	0.08	-	0.30	0.21	0.01	0.08	-	0.30
	Provision there-on	-	-	-	-	-	-	0.00	0.00	0.08	-	0.08	0.00	0.00	0.08	-	0.08



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

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:

- (a) the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and/or
 (b) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

There has been no divergence observed by 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 period ended December 31, 2020, (December 31, 2019 : ₹ 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 December 31, 2020, (December 31, 2019 : ₹ Nil)

7.9 Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advance

The Bank has not restructured any account as per the RBI Circular DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018 and DBR.No.BP.BC.108/21.04.048/2017-18 dated June 6, 2018 and RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 as on December 31, 2020 (December 31, 2019 : ₹ Nil)

7.10 Details of factoring exposure

The factoring exposure of the Bank as at December 31, 2020 is ₹ Nil (December 31, 2019 : ₹ Nil)

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.

Particular	December 31, 2020	December 31, 2019
(i) No. of accounts sold during the period	-	-
(ii) Aggregate value of accounts sold during the period	-	-
(iii) Aggregate Consideration received during the period	-	-
(iv) Additional Consideration realised in respect of account transferred in earlier years	-	-
(v) Aggregate gain over net book value during the period	-	-
(vi) MRR	-	-
(vii) First Loss	-	-
(viii) Outstanding Balance	-	-
(ix) No. of SPV transaction for securitisation transaction	-	-

8.2 Details of Direct assignment transactions

Particular	December 31, 2020	December 31, 2019
(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 December 31, 2020 is ₹ 50.00 crores (December 31, 2019: ₹ 135.40 crores)



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

9. Exposure

9.1 Exposure to Real Estate Sector

Category	December 31, 2020	December 31, 2019
A) Direct exposure	267.81	180.90
(i) Residential mortgages	258.12	170.85
(of which housing loans eligible for inclusion in priority sector advances)	210.86	135.57
(ii) Commercial real estate	9.69	10.05
(iii) Investments in mortgage backed securities (MBS) and other securitised	-	-
a) Residential	-	-
b) Commercial real estate	-	-
B) Indirect exposure	5.59	9.12
Fund based and non-fund based exposures on National Housing Bank and housing finance Company (HFCs).	5.59	9.12
Total Exposure to Real Estate Sector	273.40	190.02

9.2 Capital Market Exposure

As at December 31, 2020, the Bank has Capital Market Exposure of ₹ Nil (December 31, 2019 : ₹ Nil).

9.3 Risk Category wise Country Exposure

The Bank's exposures are concentrated in India, hence country risk exposure as at December 31, 2020 is ₹ Nil. (December 31, 2019 : ₹ Nil)

9.4 Intra Group Exposure

The Bank does not have any group entities, hence intra group exposure as at December 31, 2020 is ₹ Nil. (December 31, 2019 : ₹ Nil)

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 period and outstanding as at December 31, 2020. (December 31, 2019: ₹ Nil)

9.6 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank

During the period ended December 31, 2020, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed as per the extant RBI guidelines. (December 31, 2019 : ₹ Nil)

10. Concentration of Deposits, Advances, Exposure and NPA's

10.1 Concentration of deposits

Particulars	December 31, 2020	December 31, 2019
Total deposits of twenty largest depositors	997.71	987.21
Percentage of deposits of twenty largest depositors to total deposits of the Bank	29.84%	39.63%

10.2 Concentration of advances

Particulars	December 31, 2020	December 31, 2019
Total advances to twenty largest borrowers *	273.56	269.87
Percentage of advances of twenty largest borrowers to total advances of the Bank	7.10%	7.84%

*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	December 31, 2020	December 31, 2019
Total exposure to twenty largest borrowers / customers*	271.99	292.66
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	7.11%	8.47%

* 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.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

10.4 Concentration of NPAs

Particulars	December 31, 2020	December 31, 2019
Total gross exposure to top four NPA accounts	4.29	5.04

11. Sector-wise advances

	December 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	291.32	0.03	0.01%
2. Advances to industries sector eligible as priority sector lending	4.91	0.51	10.39%
3. Services	747.94	9.77	1.31%
-Transport operators	46.77	8.15	17.43%
4. Personal loans	101.05	0.71	0.70%
Sub total (A)	1,145.22	11.02	0.96%
B. Non Priority Sector			
1. Agriculture and allied activities	1,119.00	0.35	0.03%
2. Industry	24.98	0.34	1.36%
3. Services	1,287.20	16.82	1.31%
-Transport operators	330.04	7.38	2.24%
4. Personal Loans	276.70	1.38	0.50%
Sub total (B)	2,707.88	18.89	0.70%
Total (A+B)	3,853.10	29.91	0.78%

	December 31, 2019		
	Outstanding total gross advances	Gross NPAs	Percentage of gross NPAs to Total advances in that sector
A. Priority Sector *			
1. Agriculture and allied activities	182.40	4.51	2.47%
2. Advances to industries sector eligible as priority sector lending	10.81	1.11	10.27%
3. Services	436.46	19.84	4.55%
-Transport operators	113.10	9.45	8.36%
4. Personal loans	135.57	6.51	4.80%
Sub total (A)	765.24	31.97	4.18%
B. Non Priority Sector			
1. Agriculture and allied activities	1,141.96	24.25	2.12%
2. Industry	4.49	0.42	9.35%
3. Services	1,394.53	37.49	2.69%
-Transport operators	234.34	7.58	3.23%
4. Personal Loans	135.23	1.43	1.06%
Sub total (B)	2,676.21	63.59	2.38%
Total (A+B)	3,441.45	95.56	2.78%

* PSLCs sold during the period has been classified as non-priority sector advances



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

12. Asset Liability Management (ALM)

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

(₹ in crore)

	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 December 31, 2020												
Deposits	11.74	36.46	34.20	115.92	230.96	116.22	375.48	893.51	986.94	540.19	2.22	3,343.84
Advances	10.73	51.85	59.28	71.11	202.61	397.24	583.30	1,078.47	1,015.08	42.49	270.10	3,782.26
Investments	907.52	8.70	7.58	28.36	17.17	12.15	51.36	117.82	222.08	131.85	6.85	1,511.44
Borrowings	225.48	-	1.19	-	50.17	88.62	209.90	195.38	453.62	162.73	99.99	1,487.08
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 December 31, 2019												
Deposits	3.19	93.36	29.53	62.42	72.54	139.18	425.11	517.46	1,120.19	28.22	0.16	2,491.36
Advances	20.44	46.26	58.15	86.58	198.69	205.73	582.84	896.00	1,008.28	87.88	170.05	3,360.90
Investments	393.01	17.92	7.82	41.55	12.55	94.86	40.88	46.75	229.56	7.75	0.18	892.83
Borrowings	97.63	0.00	0.83	-	40.90	70.50	70.51	182.48	384.05	40.03	-	886.93
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.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

13. Contingent liabilities

Contingent liabilities *	December 31, 2020	December 31, 2019
Service tax liability	0.60	0.57
Income tax liability	3.27	2.74
Undrawn commitments	0.30	0.48
Others	0.71	0.68
The Bank is contingently liable to financial institutions with respect to securitisation of loans and advances to the extent of cash collateral and credit enhancements	-	6.93

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	December 31, 2020	December 31, 2019
Provision towards standard assets	14.00	9.85

15. Break up of 'Provisions and Contingencies' shown under the head 'Expenditure' in Profit and Loss Account

The following table sets forth, for the periods indicated, the break-up of provisions and contingencies included in Profit and Loss Account:

Particulars	December 31, 2020	December 31, 2019
Provision towards NPA (Net off write off)	38.50	46.19
Provision towards Income tax	32.18	51.02
Deferred Tax Benefit	(16.99)	0.52
Provision for Standard Assets	2.41	2.47
Provision for depreciation on Investment	0.02	1.54
Other provision and contingencies *	75.59	7.34
Total	131.71	109.08

* Since the quarter 4 of FY2020, the COVID-19 pandemic has impacted most countries, including India. The Government of India initiated a nation-wide lock-down from March 25, 2020 which was further extended until May 31, 2020. A gradual and calibrated easing of lock-down measures has started from June 2020. Since the easing of lockdown measures, there has been a gradual pickup in economic activity and growth in high frequency economic indicators is improving. During nine month period ended December 31, 2020, the loan growth was impacted due to lower credit demand and fee income declined due to lower borrowing and investment activity by customers. The slowdown in the economy is expected to result in higher additions to non-performing loans and increase in provisions.

In the current financial year, the Bank made an additional COVID provision related provision of ₹ 74.72 crores and held a total of ₹ 140.71 crores as at December 2020. This additional provision made by the Bank is more than the requirement as per RBI guidelines dated April 17, 2020.

In order to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses, RBI through its circulars dated March 27, 2020 and April 17, 2020, permitted banks to grant a moratorium, on the payment of installments and / or interest, falling due between March 1, 2020 and May 31, 2020, to their borrowers classified as standard even if overdue, as on February 29, 2020. This period was extended by RBI till August 31, 2020 through its circular dated May 23, 2020. The Bank accordingly extended the moratorium option to its borrowers in accordance with its Board approved policies. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past- due shall exclude the moratorium period for the purposes of determining whether an asset is non-performing).

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 for borrowers as at March 31, 2020, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the circular ¹	106.59
(ii) of the above, Respective amount where asset classification benefits is extended ¹	106.59
(iii) Provisions made during the period	-
(iv) Provisions adjusted during the respective accounting periods against slippages	-
(v) Residual provisions held at period end ²	10.87

1. Outstanding balance as at December 31 2020.

2. Total COVID-19 related provision held at December 31, 2020 ₹ 140.71 crores (March 31, 2020: ₹ 65.99 crore). The provision made by the Bank was more than the requirement under RBI guidelines.



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

16. Business ratio

Particulars	December 31, 2020	December 31, 2019
Interest income as a percentage to working funds ^{1,2}	10.63%	13.09%
Non-interest income as a percentage to working funds ^{1,2}	1.11%	1.47%
Operating profit ³ as a percentage to working funds ^{1,2}	3.18%	5.47%
Return on assets (average)	0.93%	2.94%
Business ⁴ (deposit plus net advances) per employee ⁵ (₹ in crore)	1.39	1.18
Profit per employee ⁵ (₹ in crore)	0.01	0.03
Provision coverage ratio ⁶	89.58%	84.22%

- 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,
- Working funds is the monthly average of total assets during the previous year.
- Operating profit is net profit for the period 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 - 7.4)

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, 2019: ₹ 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.

Expenses recognised in the Profit and Loss Account	December 31, 2020	December 31, 2019
Current service cost	1.46	1.13
Interest cost on benefit obligation	0.24	0.19
Past Service Cost	-	-
Expected return on plan assets*	(0.01)	(0.03)
Net actuarial (gain)/ loss recognized in the period	0.05	0.43
Employer Expenses	1.74	1.72

* Represents expected returns determined by the actuary

Net Liability/ (Asset) recognised in the Balance Sheet	December 31, 2020	December 31, 2019
Present value of Defined Benefit Obligation	7.30	5.32
Fair value of plan assets	0.11	0.47
Net liability recognized in balance sheet	7.19	4.85
Less: Unrecognised Past Service Cost	-	-
Liability recognized in balance sheet	7.19	4.85

Reconciliation of Defined Benefit Obligation (DBO)	December 31, 2020	December 31, 2019
Present Value of DBO at start of year	5.82	3.81
Interest cost	0.24	0.19
Current service cost	1.46	1.13
Past Service Cost	-	-
Benefits paid	(0.27)	(0.26)
Actuarial loss	0.05	0.45
Present Value of DBO at end of period	7.30	5.32

Reconciliation of Fair Value of Plan Assets	December 31, 2020	December 31, 2019
Fair Value of Plan Assets at start of year	0.37	0.69
Expected return on plan assets	0.01	0.03
Contributions by the employer	-	-
Benefits paid	(0.27)	(0.26)
Actuarial (loss)/ gain	0.00	0.02
Fair value of plan assets at end of period	0.11	0.48
Estimated employer contributions for the next year	0.10	0.10
Actual return on plan assets	0.01	0.05

The principal assumptions used in determining gratuity obligations for the Bank's plan are shown below:	December 31, 2020	December 31, 2019
Discount rate	4.50%	6.10%
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

Percentage break-down of total plan assets

	December 31, 2020	December 31, 2019
Insurer Managed Funds (non unit-linked)	31.00%	86.00%
Insurer Managed Funds (unit-linked)	69.00%	14.00%
Total	100.00%	100.00%



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

Planned Asset Break up for Unit Linked Fund

	December 31, 2020	December 31, 2019
Debentures and Bonds	65.35%	76.52%
Government Securities	32.58%	20.01%
Deposits, Money market instruments and net current assets	2.07%	3.47%
Total	100.00%	100.00%

Planned Asset Break up for Non Linked Fund

	December 31, 2020	December 31, 2019
Government Securities	98.22%	93.19%
Corporate Bonds	0.78%	4.61%
Cash and Deposit	1.00%	2.20%
Total	100.00%	100.00%

Experience Adjustments

Experience Adjustments	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Present Value of DBO	7.30	5.32	5.82	3.81	2.62	2.07	1.40
Fair Valuation of Plan Assets	0.11	0.48	0.37	0.69	0.87	1.08	1.11
Funded Status [Surplus/(Deficit)]	(7.19)	(4.84)	(5.45)	(3.12)	(1.75)	(0.99)	(0.29)
Experience adjustment on plan liabilities : (Gain) / Loss	(0.28)	(0.31)	0.20	0.04	(0.16)	(0.02)	-
Experience adjustment on plan Assets : Gain / (Loss)	0.00	0.02	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 December 31, 2020 is ₹ 1.00 Crores (December 31, 2019: ₹ 0.73 Crores).

Assumption used :

Discount rate : 4.5%

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 ₹ 7.12 crore for the period ended December 31, 2020 (December 31, 2019: ₹ 6.19 crore).



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

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 December 31, 2020, 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 December 31, 2020 was 4,770.

(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.

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.

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.

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.



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

(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.

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 per the extant ESOP Scheme.

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.



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

18. Disclosure on Remuneration

B) Quantitative Disclosure

Sr. No	Subject	December 31, 2020	December 31, 2019
(a)	Number of meetings held by the NRC during the financial period and remuneration paid to its members	Number of meetings : 6 Remuneration paid : ₹ 0.042 crores	Number of meetings : 4 Remuneration paid : ₹ 0.026 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 period	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* : ₹ 0.98 crore Variable pay : ₹ 0.00 crore (Board has approved Rs. 32 lakhs subject to RBI approval which is awaited)	Fixed Pay* : ₹ 0.98 crore Variable pay : ₹ 0.25 crore (non-deferred)
(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 period 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

* Fixed pay includes basic salary, contribution to provident fund and reimbursements



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

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 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

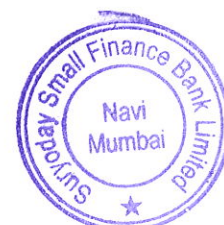
The business operations of the Bank are concentrated in India hence the Bank is considered to operate only in domestic segment.

Segment reporting for the period ended December 31, 2020 is given below:

Particular	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	116.64	640.18	24.91	2.63	784.36
Segment Result *	17.12	53.12	1.83	-	72.07
Unallocated expenses					(2.01)
Operating Profit					70.06
Income taxes					(15.19)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					54.87
Other information:					
Segment assets	2,325.41	3,581.14	380.77	3.42	6,290.74
Unallocated assets					59.67
Total assets					6,350.41
Segment Liabilities	1,390.26	3,705.93	44.69	6.79	5,147.67
Unallocated liabilities					11.78
Total liabilities					5,159.45
Capital employed					1,190.96
Capital expenditure					9.07
Depreciation					9.86

Segment reporting for the period ended December 31, 2019 is given below:

Particular	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	52.68	596.46	19.37	4.14	672.65
Segment Result	4.35	172.16	3.26	-	179.77
Unallocated expenses					(1.81)
Operating Profit					177.96
Income taxes					(51.54)
Extraordinary profit/loss					-
Net Profit					126.42
Other information:					
Segment assets	1,033.58	3,225.66	295.09	8.21	4,562.54
Unallocated assets					26.61
Total assets					4,589.15
Segment Liabilities	966.53	2,502.20	38.92	5.70	3,513.35
Unallocated liabilities					0.49
Total liabilities					3,513.84
Capital employed					1,075.32
Capital expenditure					2.50
Depreciation					5.00





Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

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	
	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 Total High Quality Liquid Assets (HQLA)		1,361.40		1,944.42		2,090.73
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
(i) Stable deposits	-	-	-	-	-	-
(ii) Less stable deposits	1,052.39	105.24	1,279.56	127.96	1,489.34	148.93
3 Unsecured wholesale funding, of which:	779.78	640.72	843.21	683.33	863.31	696.47
(i) Operational deposits (all counterparties)	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	164.54	25.48	191.99	32.11	200.55	33.71
(iii) Unsecured debt	615.24	615.24	651.22	651.22	662.76	662.76
4 Secured wholesale funding		56.58		52.72		49.11
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
7 Other contingent funding obligations	-	-	-	-	-	-
8 Total cash outflows		970.73		1,039.52		1,046.18
Cash Inflows						
9 Secured lending (e.g. reverse repo)	592.08	-	685.48	-	760.99	-
10 Inflows from fully performing exposures	180.24	158.87	310.51	207.71	333.63	203.17
11 Other cash inflows	80.44	40.22	88.77	44.39	109.97	54.98
12 Total cash inflows	852.76	199.09	1,084.76	252.10	1,204.59	258.15
21 Total HQLA		1,361.40		1,944.42		2,090.73
22 Total Net Cash Outflows		771.64		787.42		788.03
23 Liquidity Coverage Ratio (%)		176.43		246.94		265.31



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

Particulars	Quarter ended June 30, 2019		Quarter ended September 30, 2019		Quarter ended December 31, 2019	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
1 Total High Quality Liquid Assets (HQLA)		442.53		616.55		661.64
Cash Outflows						
2 Retail deposits and deposits from small business customers, of which:	536.01	53.60	685.37	68.54	798.00	79.80
(i) Stable deposits	-	-	-	-	-	-
(ii) Less stable deposits	536.01	53.60	685.37	68.54	798.00	79.80
3 Unsecured wholesale funding, of which:	370.96	310.73	421.39	357.09	573.86	479.84
(i) Operational deposits (all counterparties)	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	73.55	13.32	74.38	10.08	114.44	20.42
(iii) Unsecured debt	297.41	297.41	347.01	347.01	459.42	459.42
4 Secured wholesale funding		80.02		83.80		73.43
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
7 Other contingent funding obligations	-	-	-	-	-	-
8 Total cash outflows		576.42		667.47		757.31
Cash Inflows						
9 Secured lending (e.g. reverse repo)	9.54	-	35.01	-	53.63	-
10 Inflows from fully performing exposures	410.85	297.15	425.14	305.79	412.06	287.77
11 Other cash inflows	72.30	36.15	71.49	35.74	70.00	35.00
12 Total cash inflows	492.69	333.30	531.64	341.53	535.69	322.77
21 Total HQLA		442.53		616.55		661.64
22 Total Net Cash Outflows		243.12		325.94		434.54
23 Liquidity Coverage Ratio (%)		182.02		189.16		152.26

Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

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 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 estimated net cash outflows over a stressed 30 day period as per RBI Guidelines. Minimum LCR requirement for small finance banks is 90% upto 31 March 2021 and 100% by April 1, 2021. As per RBI circular on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) dated April 17, 2020, the LCR requirement for Banks is reduced 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 inflows from assets maturing within 30 days.

The average LCR for the quarter ended December 31, 2020 was at 265.29% as against 152.26% for the quarter ended December 31, 2019, and well above the present prescribed minimum requirement of 90%. The average HQLA for the quarter ended December 31, 2020 was ₹ 2,090.7 crores, as against ₹ 661.6 crores for the quarter ended December 31, 2019.

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.

Reason for increase in LCR during the period:

1. Maintaining excess liquidity in HQLA to meet fund requirement and funding for contingencies.

The major sources of funding are deposits, inter-banks borrowing and refinance from financial institutions.

The liquidity management of the Bank is centralised at Treasury. Treasury Front Office shall, depending upon the expected outflows and inflows for the day, decide to borrow or lend to maintain optimal liquidity.



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

21. Deferred Tax Assets

As at December 31, 2020, the Bank has recorded net deferred tax asset of ₹ 59.68 crore (December 31, 2019 : ₹ 23.20 crore), included in other assets. The composition of Deferred Tax Assets (DTA) is as under :

Particulars	December 31, 2020	December 31, 2019
Deferred tax asset arising out of:		
Loan loss provision and COVID provision	55.60	20.42
Employee benefits	2.08	1.27
Depreciation	1.96	1.47
Others	0.04	0.04
Total (a)	59.68	23.20
Deferred tax liability arising out of:		
Total (b)	-	-
Deferred tax asset (net) (a-b)	59.68	23.20

22. Sale of PSLC

Type of PSLCs	December 31, 2020	December 31, 2019
Agriculture	-	-
Small and Marginal Farmers	1,100.00	1,135.00
Micro Enterprises	-	1,025.00
General	850.00	-
Total	1,950.00	2,160.00

PSLC sold have been netted under priority sector category in schedule 9 and classified under non- priority sector.

Purchase of PSLC

Type of PSLCs	December 31, 2020	December 31, 2019
Agriculture	-	-
Small and Marginal Farmers	-	-
Micro Enterprises	20.00	-
General	-	-
Total	20.00	-

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 December 31, 2020 the Bank holds standard asset provisions of ₹ 1.35 crore (December 31, 2019: ₹ 0.00 crore) and maintains capital of ₹ 38.15 crore (December 31, 2019: ₹ Nil 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	December 31, 2020	December 31, 2019
Not later than one year	5.76	7.24
Later than one year but not later than five years	4.45	10.19
Later than five years	0.09	0.23
Total	10.30	17.66
The total lease payments recognised in the Statement of Profit and Loss account for the period	18.52	14.06

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.

25. Customer Complaints

Particulars	December 31, 2020	December 31, 2019
(a) No. of complaints pending at the beginning of the year	12	17
(b) No. of complaints received during the period	1,615	683
(c) No. of complaints redressed during the period	1,561	680
(d) No. of complaints pending at the end of the period	66	20

ATM related customer complaints included in the above

Particulars	December 31, 2020	December 31, 2019
(a) No. of complaints pending at the beginning of the year	-	2
(b) No. of complaints received during the period	189	166
(c) No. of complaints redressed during the period	184	162
(d) No. of complaints pending at the end of the period	5	6



Suryoday Small Finance Bank Limited

Schedules to the Financial Statements for the period ended December 31, 2020

(All amounts are in Indian Rupees in crore unless otherwise stated)

26. Award passed by the Banking Ombudsman

Particulars	December 31, 2020	December 31, 2019
(a) No. of unimplemented Awards at the beginning of the year	-	-
(b) No. of Awards passed by the Banking Ombudsmen during the period	-	-
(c) No. of Awards implemented during the period	-	-
(d) No. of unimplemented Awards at the end of the period	-	-

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

b) Amount spent during the period on:

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	0.09	1.96	2.05
Total	0.09	1.96	2.05

Amount spent during the previous period on:

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	0.11	1.13	1.24
Total	0.11	1.13	1.24

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 (December 31, 2019: 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 period ended December 31, 2020, no amount has been transferred to Depositor Education and Awareness Fund. (December 31, 2019: Nil)

32. Bancassurance Business

The details of fees / brokerage earned in respect of insurance broking undertaken by the Bank are as under:

Nature of income	December 31, 2020	December 31, 2019
For selling life insurance policies	2.19	2.68
For selling non-life insurance policies	0.43	1.46
Total	2.62	4.14

33. Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas assets / NPA as at December 31, 2020 and no overseas operations were undertaken for the period ended December 31, 2020. Hence revenue from overseas operation is Nil.(December 31, 2019: Nil)

34. Fraud cases

Particulars	December 31, 2020	December 31, 2019
No. of fraud cases reported during the period	98	61
Amount involved in fraud	0.27	0.13
Provisions created against fraud cases (adjusted for recovery)	0.14	0.02

35. Penalties levied by the RBI

During the period ended December 31, 2020, no penalty was imposed by the RBI on the Bank (December 31, 2019: Nil).

36. Letter of Comfort

The Bank has not issued letter of comfort during the period ended December 31, 2020 (December 31, 2019: Nil).

37. Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank for the period ended December 31, 2020 (December 31, 2019: Nil).

38. Proposed dividend

As per the RBI circular dated April 17, 2020, the Banks shall not make any further dividend pay-outs from profits pertaining to the period ended December 31, 2020 until further instruction, with a view that Banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. The Board of Directors of the Bank has not proposed any dividend for the period ended December 31, 2020.



Suryoday Small Finance Bank Limited
Schedules to the Financial Statements for the period ended December 31, 2020
(All amounts are in Indian Rupees in crore unless otherwise stated)

Comparatives:

Figures for the previous period have been regrouped wherever necessary to conform with the current period's presentation.


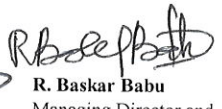



As per our report of even date
For MSKC & Associates
(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration No: 001595S


Tushar Kurani
Partner

Membership No: 118580

Place: Navi Mumbai
Date: February 08, 2021

For and on behalf of the Board of Directors

 R. Ramachandran Chairman DIN-01953653	 R. Baskar Babu Managing Director and Chief Executive Officer DIN-02303132	 Jyotin Mehta Director DIN-00033518
 Geeta Krishnan Company Secretary	 Bhavin Damania Chief Financial Officer	