



SURYODAY

A BANK OF SMILES

**Suryoday Small Finance Bank
Annual Report 2019-20**

THE CORNERSTONES OF OUR GROWTH

**Strong Fundamentals
Calibrated Digitalisation
Seamless Inclusion**

Contents

INTRODUCTION

02	About Us
04	Our Journey So Far
06	Our Presence
08	Product Portfolio
10	Board of Directors
12	Management Team

PERFORMANCE REVIEW AND STRATEGY

14	Operational Highlights
16	Key Performance Indicators
18	Chairperson's Message
20	MD & CEO's Message
22	Strong Fundamentals
24	Calibrated Digitalisation
26	Seamless Inclusion
28	Strategic Priorities

HOLISTIC GROWTH

30	Customer Success Stories
32	People
34	CSR

STATUTORY REPORTS

36	Directors' Report
57	Management Discussion and Analysis
86	Corporate Governance Report

FINANCIAL STATEMENTS

97	Independent Auditors' Report
104	Balance Sheet
105	Profit and Loss Account
106	Cash Flow Statement
108	Schedules to the Financial Statements

Performance Highlights: FY 2019-20

Assets Under Management (AUM)

₹ 3,711
crores

⬆️ 24.9%

Deposits

₹ 2,849
crores

⬆️ 78.8%

Total Income

₹ 854
crores

⬆️ 43.1%

Profit After Tax (PAT)

₹ 111
crores

⬆️ 23.1%

Capital Adequacy Ratio

29.6%

Vis-a-vis 35.0%
in FY 2018-19

Cost-to-Income Ratio

47.1%

Vis-a-vis 48.0%
in FY 2018-19

⬆️ YoY growth

THE CORNERSTONES OF OUR GROWTH

Strong Fundamentals
Calibrated Digitalisation
Seamless Inclusion

At Suryoday Small Finance Bank (Suryoday), we strive to fulfil the aspirations of our customers. With a sharp focus on bringing the under-banked and unbanked sections of India within the ambit of formal banking, we are undertaking gradual expansion of our product portfolio. Our aim is to provide holistic solutions and steer seamless inclusion through calibrated digitalisation.

Our perseverance and commitment to serve our customers makes us one of the steady and consistent Small Finance Banks (SFBs) in the country. Over the last four years of operations as an SFB, we have managed to diversify our portfolio cater to new customer segments and deepen our relationships with the existing base.

As a part of our DNA, we have always focused on fundamentals to deliver smiles to our customers. Since the conversion of an NBFC-MFI to an SFB in January 2017, focus has been on digitalising operations by offering simple yet effective tools to our customers thereby achieving seamless inclusion which form the cornerstones of our growth.

Over the last four years, we have created a strong deposit franchise with retail deposits comprising 54% of the overall deposit base. We have been able to build a robust and scalable business model to ensure granularity and longevity in our deposit base. Our balance sheet strength, focus on business continuity and safety of our teams and communities, transparent, ethical and sustainable business practices, and above all emphasis on financial inclusion will continue to fuel our future growth.

About Us

EMPOWERING ASPIRATIONS, SPREADING SMILES



For us at Suryoday, it has been a long and eventful journey as a financial institution, having disbursed our first loan in 2009. Interestingly, the evolution since then has been swift. From a pureplay microfinance institution, we became a small finance bank in just eight years.

We are the only financial institution from Maharashtra (total 10 in India) to have received the licence from the Reserve Bank of India (RBI) to set up and operationalise an SFB. Our diverse banking solutions cater to the financially underserved and unserved sections of society. This is just the beginning, we have a long way to go, but financial inclusion will always remain our priority.

We provide a range of offerings across both asset and liability side. These include secured and unsecured loans, deposits for both personal and business purposes. We partner leading players in the life and general insurance sectors, along with several government schemes to distribute their products at our banking outlets. Our digital banking facilities include internet/mobile banking, Aadhaar biometric Identification system, paperless loan processing and NPCI's payment systems.

Employees

4,695

Customers

14 lakhs

Banking Outlets

477

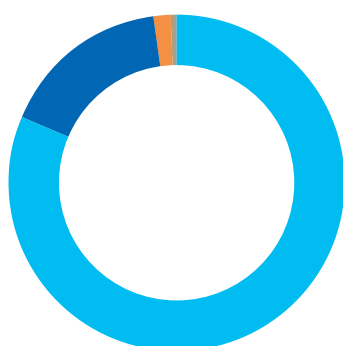
Across 12 States and Union Territories

Our Credit Ratings

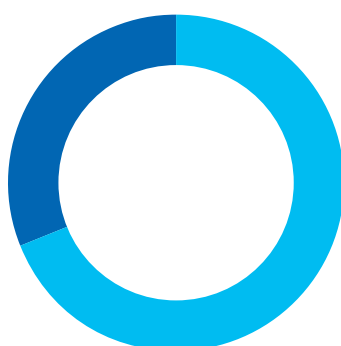
Agency	Category	Rating
CRISIL	Certificate of Deposit (CD)	A1+
ICRA	Certificate of Deposit (CD)	A1+
ICRA	Non-Convertible Debentures (NCDs)/Subordinated Debt	A (Stable)



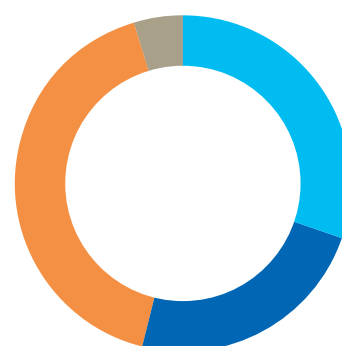
Loan Mix (%)**



Funding Mix (%)**



Shareholding Pattern (%)**



- Microfinance **81.4**
- Retail Assets **16.5**
- Financial Intermediary Group (FIG) **1.6**
- Others **0.5**

- Deposits **69**
- Borrowings **31**

- Promoters **30.5**
- Domestic Institutional Investors **23.4**
- Foreign Institutional Investors **41.4**
- Others **4.7**

*Note: Others include OD and Staff Loan

** As on March 31, 2020

Our Journey So Far

SOLIDITY IN FOUNDATION AND GROWTH STRATEGY

2008-09

- Suryoday, co-founded by Baskar Babu Ramachandran, was incorporated as a private limited company
- Received RBI licence to commence NBFC operations
- Aavishkar Goodwell invested in the company
- Opened branches in Maharashtra and Andhra Pradesh

2009-14

- Expanded operations across Maharashtra, Andhra Pradesh, Odisha, Tamil Nadu, Karnataka, Gujarat and Rajasthan, widening the network to 70 outlets with 274,000 active customers
- Launched several new products
- Received investments from Lok Capital, HDFC Holdings, HDFC Life and IFC
- Accorded NBFC-MFI status by RBI

2014-15

- Network expanded to Madhya Pradesh
- Total number of banking outlets reached 145 with 5,62,000 active customers

AUM

₹ 327 crores

Net worth

₹ 88 crores

AUM

₹ 582 crores

Net worth

₹ 132 crores

2015-17

- Received in-principle approval from RBI for setting up Small Finance Bank (September 2015)
- Received final licence from RBI to operationalise Small Finance Bank (August 2016)
- Launched operations as Small Finance Bank (January 2017)

AUM

₹ 985 crores

Net worth

₹ 198 crores

2017-18

- Received status of 'Scheduled Commercial Bank'
- Launched partnership-led outlets (among the first in the space)
- Started a new cluster of Retail Assets to provide finance for commercial vehicles, housing, MSME, loan against property
- Opened 26 banking outlets focused on deposit mobilisation, taking the total banking outlet count to 241
- New investors - IDFC First Bank, Gaja Capital, ASK Pravi, Responsibility

Deposits

₹ 750 crores

AUM

₹ 1,760 crores

Net worth

₹ 540 crores

2018-19

- Diversified into the secured loan segment
- Received investments from DEG – a KfW Group Company and Kotak Life
- Banking outlet count increased to 382
- Long-term rating of 'A' by ICRA and short-term rating of 'A1+' by CRISIL and ICRA

Deposits

₹ 1,593 crores

AUM

₹ 2,970 crores

Net worth

₹ 881 crores

2019-20

- Digitalised JLG loans
- Total employees stood at 4,695
- 477 banking outlets across 12 states and UTs

Deposits

₹ 2,849 crores

AUM

₹ 3,711 crores

Net worth

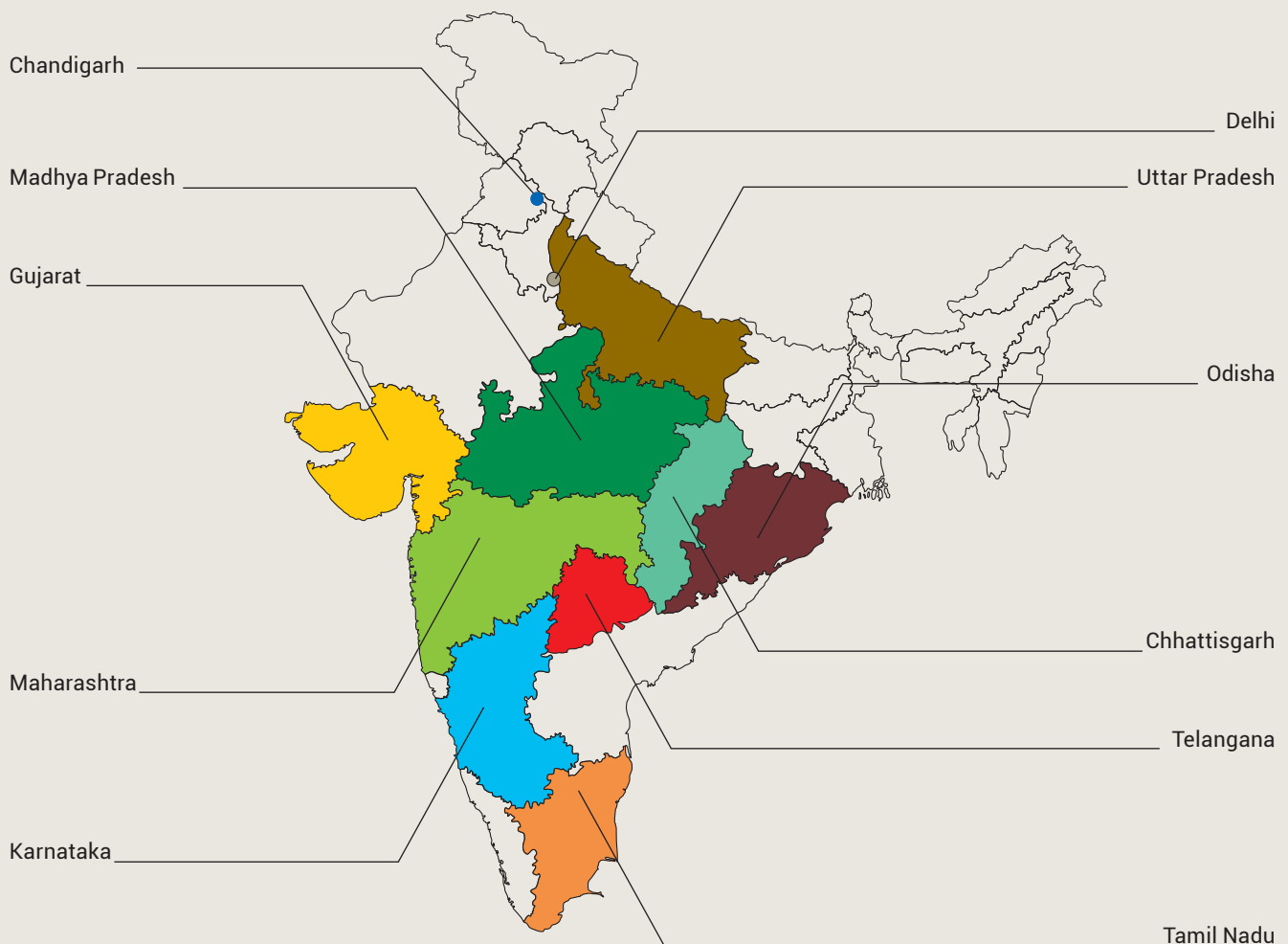
₹ 1,066 crores

Our Presence

REACHING FURTHER, GROWING STRONGER

We are aggressively expanding our presence across India. Headquartered in Navi Mumbai, Maharashtra, we have 477 banking outlets (powered by 4,695 employees) spanning 12 States and Union Territories. These outlets provide customers access to all our products providing a carefully curated blend of digital and physical offerings to the consumers.

Other delivery channels include ATMs, phone banking, mobile banking, tablet banking and internet banking services. We also work with business correspondents to drive mutual growth and seize available opportunities.



Map not to scale. For illustrative purposes only

State	Number of banking outlets
Maharashtra	152
Tamil Nadu**	93
Odisha	79
Karnataka	55
Gujarat	38
Delhi	3
Uttar Pradesh*	14
Madhya Pradesh	33
Telangana	2
Chandigarh	1
Chhattisgarh	7
Total	477

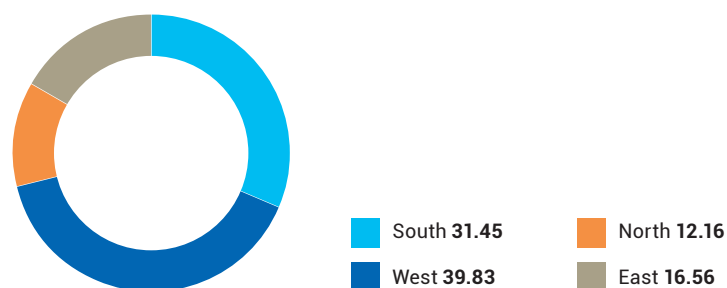
Notes:

*Excludes banking outlets with BC partners

**Includes banking outlets in Puducherry

Of the total banking outlets, 294 are asset focused, 70 are liability focused, 21 offer both asset and liability products and 133 are Unbanked Rural Centres (URCs).

Banking Outlets by Region (%)#



As on March 31, 2020

Our Product Portfolio

PROVIDING NEED-BASED, RELEVANT BANKING SOLUTIONS

Advances



JOINT LIABILITY GROUP (JLG) LOANS

- Group loans for business purposes to women customers under JLG model



COMMERCIAL VEHICLES LOANS

- Funding primarily new medium and heavy commercial vehicles (MHCV), construction equipment (CE), buses, among others
- Primary focus on high quality retail customers and fleet operators and gradual expansion into used CV



AFFORDABLE HOUSING LOANS

- Funding primarily for affordable housing segment to salaried/self-employed customer segment



MICRO BUSINESS LOANS (BRANDED AS 'T-NAGAR')

- Unsecured working capital loans to small businesses such as kirana shops, medical stores, small manufacturing/service units



FINANCIAL INTERMEDIARY GROUP (FIG)

- Term loans to financial institutions primarily NBFCs, NBFC-MFIs and housing finance companies



SECURED BUSINESS LOANS

- Secured business loans to SME/ MSME/ corporate entities for growth/expansion, capital expenditure, and working capital



UNSECURED MSME/SME LOANS

- Unsecured business loans to MSMEs/SMEs for working capital, capacity expansion and more

Deposits & Third-party products



SAVINGS ACCOUNT

- Attractive interest rates
- Monthly interest pay-out
- Option for getting account number of choice
- Debit card with attractive features
- Discounts and cashbacks
- Airport lounge access on Savings Supreme Variant
- Flight insurance cover on Savings Supreme Variant



CURRENT ACCOUNT

- For sole proprietors, companies, LLPs, clubs, trust, associations and NGOs
- Lower pricing on RTGS/NEFT/IMPS
- Corporate internet banking facility
- Sweep facility



FIXED DEPOSIT

- Competitive rate of interest
- Tax Saver Fixed Deposit
- Fixed Deposit for Non-Resident customers (NRE/NRO)



RECURRING DEPOSIT

- Competitive rate of interest
- Flexible options
- Minimum instalment amount: ₹100 and thereafter in multiple of ₹1



JOINT LIABILITY GROUP RECURRING DEPOSIT

- A unique offering well suited to the underbanked and unbanked customers
- A customer can pay both, the instalment for loan and recurring deposit once a month, enabling doorstep banking facility



CORPORATE SALARY ACCOUNTS

- Zero Balance
- 25% off on locker charges
- Monthly interest pay-out
- Option for getting account number of choice
- Corporate Net Banking facility for ease of salary processing



OTHER OFFERINGS

- Tie-ups with leading companies for Life Insurance and General Insurance business
- Mutual fund investments
- Bill payment services
- UPI payments
- Safe Deposit Locker facility

Board of Directors

SOUND GOVERNANCE TO DRIVE GROWTH



Mr. R. Ramachandran
Non-Executive Chairperson and
Independent Director



Mr. Mrutyunjay Sahoo
Independent Director



Mr. Jyotin Mehta
Independent Director



Mrs. Meena Hemchandra
Independent Director



Mr. Arun Diaz
Independent Director



Mr. Venkatesh Natarajan
Investor Director





Mr. Ranjit Shah
Investor Director



Mr. Aleem Remtula
Investor Director



Mr. Baskar Babu Ramachandran
MD & CEO



Committees

- Audit Committee
- Customer Service Committee
- Credit Committee
- IT Strategy Committee
- Nomination and Remuneration Committee
- Corporate Social Responsibility Committee
- Stakeholders' Relationship and Investors' Grievance Committee
- Risk Management Committee
- Committee for Review of Wilful defaulters and Monitoring High Value Frauds
- IPO Committee
- Ⓒ Chairman / Chairperson
- Ⓜ Member

Management Team

ENHANCING EFFICIENCY, MANAGING CHANGE



Baskar Babu Ramachandran
MD & CEO

Co-founder MD & CEO of Suryoday Small Finance Bank, he is a BE and MBA with more than 25 years of experience in banking and financial services. He has worked in organisations like Cholamandalam, HDFC Bank and GE Capital in various leadership positions.



Narayan Rao
Chief Services Officer

He holds a Bachelor's Degree in Economics from Loyola College, Madras and a Master's Degree in Business Administration from Symbiosis Institute of Business Management, Poona. He has over 30 years of professional experience spanning Business, Operations and Technology including 6 years in USA. He has worked in organisations like Motorola-Pagepoint, Intelligroup and Pinc.



Sominder Singh
Chief Business Officer – Retail Assets

An Engineer with post graduate degrees in Management and Law with over 23 years of work experience, he has held responsible roles in organisations like Consortium Finance, Citi, ICICI Bank, GE Capital, Daimler Financial Services and Daimler India Commercial Vehicles.



Bharath Sondur
Chief Business Officer – Retail Banking

A post graduate in Computer Applications having 26 years of experience in Retail and Consumer Banking. He has held responsible positions in Janalakshmi SFB, IndusInd Bank, Bank of Bahrain & Kuwait, ING Vysya Bank, HDFC Bank, Global Trust Bank and State Bank of Travancore.



Sudhakar Mogera
Head – FIG

A post graduate in Business Management with over 18 years of experience, he has held responsible roles in organisations like UGRO Capital, Reliance Commercial Finance, HDFC Bank, IndusInd Bank, NKGSB Co-op Bank, U Ramdas & Sanjit Ramdas (Advocate), M M Barvalia (Share & Stockbroker).



Vanamali Sridharan
Chief Information Officer

He holds a Master's degree in Business Administration with specialisation in Finance & Marketing. He carries with him a rich experience of around 26 years and has held responsible roles in Equitas Small Finance Bank, RBS Development Services, RAKBANK, Accenture Services, Scope International, Cholamandalam Investment and Finance Company, Tata Consultancy Services and Escorts Financial Services.

Note: Management Team as on September 3, 2020



Vaman Kamat

Chief Credit Officer

He is a Chartered Accountant. He carries with him a rich experience of more than 20 years and has held responsible roles in HDFC Bank and Cholamandalam.



Dhara Vyas

Chief People Officer & Head - CSR

A post graduate in Commerce and Business Administration with over 16 years of work experience, she has held responsible roles in organisations like ANZ Grindlays Bank, HDFC Bank, Kotak Mahindra Bank, Swadhaar Finserve, Lupp Middle East LLP, Accion International and Grameen Foundation.



Vipr Bhardwaj

Chief Distribution Officer

He holds a Bachelor's degree in Technology. He carries with him a rich experience of over 20 years and has held responsible roles in organisations like Fino Payments Bank, Fino Finance, Fino Paytech, ICICI Bank, Silverbyte Solutions.



Vishal Singh

Chief Technology Officer

A BE with specialisation in Chemical Engineering, he carries with him a rich experience of around 17 years and has held responsible roles in Fidelity Information Services and Ansoft Technologies.



Bhavin Damania

Chief Financial Officer

A Chartered Accountant with over 13 years of work experience in Banking and Financial services, he has worked in organisations like ICICI Bank, Credit Suisse and KPMG.



Yogesh Dixit

Chief Risk Officer

ME, MFM and CAIIB with over 26 years of work experience in banking & finance sector, he has worked with organisations like Care Ratings, CRISIL, SBI Capital Markets, Credit Guarantee Fund Trust for Small Industries, SIDBI, NABARD, National Institute of Technology.



R. Mohan

Head – Legal

He is a Doctorate in law and has worked in the legal department of State Bank of India for over 30 years and the last position he held in SBI was General Manager -Law. He has also been a practicing Advocate in the High Court of Madras.



Viswanathan Krishnamoorthy

Chief Compliance Officer

An MFM, CAIIB, BGL, DPM (BCP) with over 34 years of work experience in Banking & Financial Services, he has worked in organisations like Dena Bank, The Fuji Bank, Abu Dhabi Commercial Bank, ING Vysya Bank and India Factoring & Finance Solutions.



Vibha Gawde

Chief Audit Officer

She holds a diploma in Treasury & Risk Management. She carries with her a rich experience of over 32 years and has held responsible roles in organisations like The Bank of Tokyo – Mitsubishi, IndusInd Bank, Kotak Mahindra Bank.



Geeta Krishnan

Company Secretary

An ACS, CAIIB and BGL with over 25 years of experience in secretarial functions and corporate governance in prestigious industrial groups.

Note: Management Team as on September 3, 2020

Operational Highlights

DEEPENING AND WIDENING SERVICES

We continue to implement several growth initiatives by fostering strategic partnerships with select players in the financial services and Fintech sectors.

EXPANSIONS, NEW PRODUCT LAUNCHES

As on March 31, 2020, we conducted our operations through 477 banking outlets in 12 states and union territories in India. While historically our operations were focused in Maharashtra, Tamil Nadu and Odisha, we have expanded our operations to Gujarat, Karnataka, Madhya Pradesh, Chhattisgarh, Puducherry, Telangana, Uttar Pradesh and Delhi. We will continue to expand network of banking outlets to drive greater and deeper penetration in these states while focusing on low and middle-income individuals and small businesses that have limited or no access to formal banking channels, spread across urban and semi-urban markets.

In May 2020, we launched an overdraft facility for our MFI customers to enable them to meet their liquidity needs amid the lockdown. We have set the limit of ₹ 5,000 for our existing customers who wish to avail the overdraft facility.

Initially, the working capital product was available in two banking outlets in Trichy (Tamil Nadu) and Cuttack (Odisha) and was subsequently rolled out to all 100 banking outlets across India.

In April 2020, we commenced offering digital payment facilities for all our customers to pay their loan instalments digitally.

We have recently begun offering overdraft facilities targeted at small and medium size fleet owners, retail transporters to facilitate them in their working capital management. Our focus is on adding as many customers as possible to be among the early beneficiaries once the market improves for commercial vehicles segment.

We launched natural calamity insurance for JLG customers of ₹ 50,000 per customer for a period of two years with a premium of ₹ 50 to help them tide of various natural disasters such as floods, earthquake, amongst others.

RAISING GROWTH CAPITAL

In the last quarter of FY 2019-20, we started the process to raise capital through an IPO by shortlisting four merchant bankers. Under the RBI norms, SFBs are required to list within three years of reaching network of ₹ 500 crores. In March 2019, we raised ₹ 248 crores from various institutional investors and onboarded two new investors viz. a development finance institution - 'DEG', a subsidiary of Germany's KfW Group, and Kotak Mahindra Life Insurance Company Ltd.

AS ON MARCH 30, 2020, WE HAD 20 INSTITUTIONAL INVESTORS INCLUDING DEVELOPMENT FUNDS AND PRIVATE EQUITY INVESTORS.

Some of our Key Investors

TRUSTED BY THE BEST

We have been backed by a mix of development funds, institutional investors, private equity investors and family offices since inception. These investors continue to be partners in our exciting journey.

In May 2020, we raised ₹ 62 crores from five of our existing investors, namely Gaja Capital, Kotak Mahindra Life Insurance Company, Lok Capital, Teachers Insurance and Annuity Association (TIAA), and Kiran Vyapar.

Institutional Investors



Development/Impact Funds



Private Equity and Family Offices



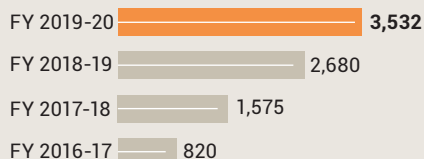
*IDFC First Bank, Kotak Mahindra Life Insurance and Americorp Ventures Limited are also investors in Suryoday.

Key Performance Indicators

SOUND FINANCIALS TO GROW SUSTAINABLY

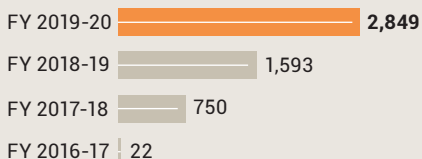
Balance Sheet

Advances (₹ in crores)



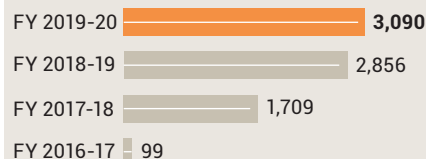
↑ 62.7%

Deposits (₹ in crores)



↑ 405.4%

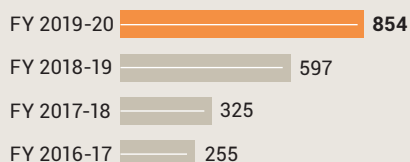
Disbursements (₹ in crores)



↑ 215.2%

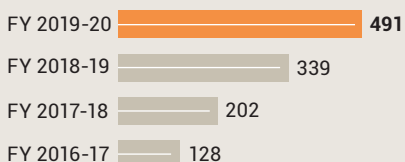
Profit and Loss

Net total Income (₹ in crores)



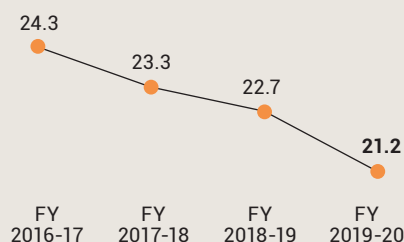
↑ 49.7%

Net Interest Income (₹ in crores)

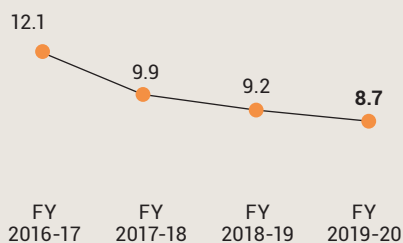


↑ 56.3%

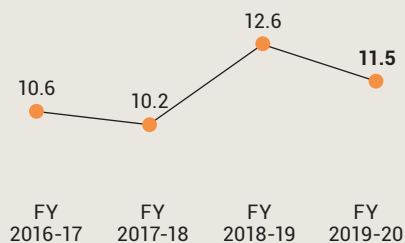
Yield on Advances (%)



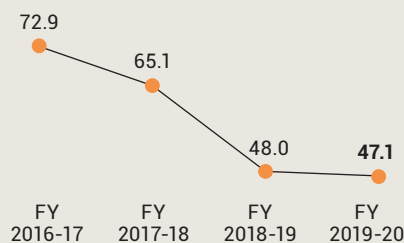
Cost of Funds (%)



Net Interest Margin (%)

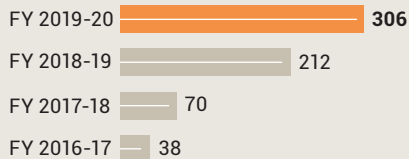


Cost to Income Ratio (%)



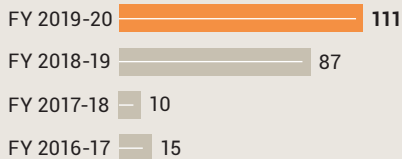
↑ 4-year CAGR

Pre-Provisioning Operating Profit (₹ in crores)



↑ 100.8%

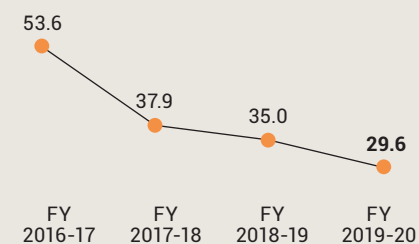
Profit After Tax (₹ in crores)



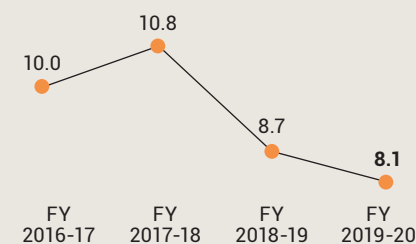
↑ 94.4%

Key Ratios

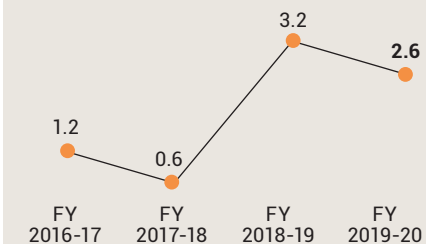
CRAR (%)



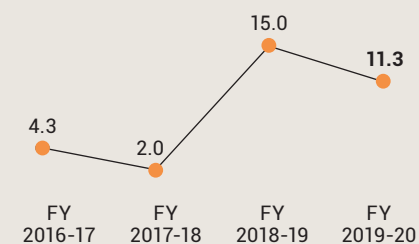
Operating Expense Ratio (%)



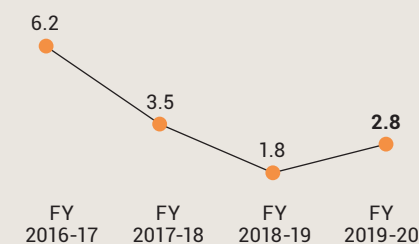
RoA (%)



RoE (%)



GNPA (%)

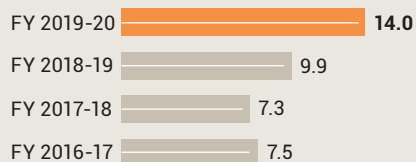


NNPA (%)

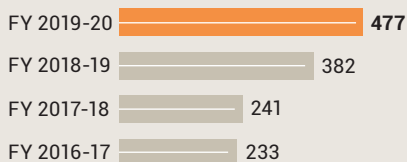


Non-financial Metrics

Customer Base (lakhs)



Branches (numbers)



Chairperson's Message

ACCELERATING INCLUSIVE GROWTH



“

Our engagement levels with our customers are now definitely higher; and these bonds of mutual respect and trust will hold us in good stead, as we contribute to financial inclusion for the nation. We are committed to help build an economically empowered Atmanirbhar Bharat.”

– R. RAMACHANDRAN

Dear Members,

Let me wish you all the very best of health and safety. We are living through unprecedented health crisis of global magnitude, which is disrupting our economies, businesses, lives and livelihoods. As a conscientious and responsible bank, we believe, these testing times have further strengthened our resolve to serve the underserved and unserved sections of society, who have been affected the most.

Notwithstanding challenges, we are taking all relevant measures to focus on business continuity and ensure the safety of our people and customers. Our engagement with our customers enquiring about their safety and wellbeing and addressing their needs have helped us build a stronger bond with them. We believe that these bonds of mutual respect and trust will hold us in good stead, as we contribute to the cause of financial inclusion. and to help build an empowered 'Atmanirbhar Bharat.'

Our journey as a Small Finance Bank spanning about four years has been extremely rewarding, as we continue to deliver superior customer experience by putting our best foot forward. During the year, we made swift progress towards our goals as demonstrated by our performance on all key parameters. We created a stronger asset and liability franchise during the year, and our profitability too registered impressive growth owing to healthy top-line and higher operational efficiencies. We have managed to keep our asset quality ratios within reasonably comfortable levels.

As a responsible corporate citizen, we work closely with our communities in providing financial literacy, driving health awareness, and spearheading environment stewardship in the locations where we operate. It is pertinent to mention in this context that we provided the underprivileged sections of society with food and other necessities to tide over the crisis. We remain committed to serve our communities and play an important role in their prosperity.

At Suryoday, our fair, simple and transparent manner of conducting business is the pivot of our relationships with all stakeholders. We will continue to benchmark our governance practices with industry-best practices and enhance them further. I want to take this opportunity to thank our Board of Directors who continue to empower and guide our Bank on the pathway of progress.

Before I conclude, my heartfelt gratitude goes to all our people, customers, business partners, investors, communities, regulator and other stakeholders for their constant faith and belief in our abilities. We seek your continued support and encouragement in the years to come.

With Best Wishes,

R. RAMACHANDRAN

MD & CEO's Message

STRONG FUNDAMENTALS DRIVING SUSTAINABLE VALUE



Our performance this year demonstrates the inherent strength, resilience and scalability of our business model.”

– BASKAR BABU RAMACHANDRAN

Dear Members,

I am pleased to share with you our performance for FY 2019-20. Even in a year of several macroeconomic challenges, we have done well on most key parameters. Our performance this year demonstrates the inherent strength, resilience, and scalability of our business model.

As Robert Collier has said “Success is the sum of small efforts, repeated day in and day out”. This reflects for the year gone by. The team was focused on execution, while being fully aware of the challenges that we encountered. We continuously seek to learn from the ever-changing environment. We, as an

institution, have been through various challenges this past year and looking back, we feel proud that we have steered through these phases with reasonable success, reinforcing that prudence and governance are key at all points of time. Challenging times lie ahead and we as a team are geared more than ever before to face these uncertain times with sharpened focus on customer experience and execution.

Escalating stress in the external environment

The global economy witnessed sluggish growth of 2.9% in 2019 vis-à-vis 3.6% in the previous year. Against this backdrop, India's economy also saw

significant deceleration in growth owing to weak consumption demand, low private sector capex, slowdown in credit flow and also weakening of a few other indicators.

The banking sector too witnessed the pressure with credit growth halving from 13% in FY 2018-19 to 6% in FY 2019-20. Also, NBFCs continued to struggle with liquidity issues and asset quality remained a serious concern.

Towards the end of the last financial year we had to face the impact of COVID and the resultant lockdowns which were imposed to contain the virus spread. While the economic ramifications of the

lockdown are yet to play out fully, it has led to several job losses especially with the disadvantaged sections of society also severely impacted.

The Government of India has announced an economic stimulus package of ₹ 20 lakh crores, which is focused on mitigating the negative impacts of the pandemic. The RBI announced various measures on moratorium and enhancing liquidity into the economy and support the ailing sectors. However, benefits from these will accrue only gradually. The Government of India's focus on reducing dependence on imports and enhancing self-reliance by encouraging indigenous manufacturing, services and supply chains will help accelerate economic recovery in the coming months. Sectors such as agriculture, food processing units and MSMEs, in particular, would continue to need short-term and long-term credit.

Raising the performance curve

Our constant endeavour to serve our customers in the best possible manner enabled us to deliver robust, all-round performance in the year under review. In FY 2019-20, our total income increased 43.1% to ₹ 854 crores. Net interest income grew 44.8% to ₹ 491 crores. In our third full year as an SFB, we continued to achieve critical mass in our deposit base which grew 78.8% to ₹ 2,849 crores.

The healthy traction in retail deposits and CASA was a key driver of the robust deposit growth. The momentum in the top-line trickled down to the bottom-line with PAT growing 28.1% to ₹ 111 crores. Gross NPA and Net NPA ratios inched up slightly compared to FY 2018-19 to 2.79% and 0.57%, respectively. The provision coverage ratio though improved to 84.7% from 75.8% in the preceding year. With CRAR of 29.6%, we have adequate capital buffer to tide over the crisis and grow sustainably.

We continue to focus on expanding our asset base ending the year with

₹ 3,711 crores of AUM recording a growth of 24.9%. In line with our long-term strategy to diversify our asset base and holistically serve our targeted customer segments. At the end of March 2020, our non-microfinance book stood at 24.1% of the overall book as compared to 18.6% last year.

Focused execution of strategy, enhanced efforts to contain fresh slippages and drive recoveries and our ability to cater to the financial needs of our customers in a swift and efficient manner have been the primary drivers of our growth.

During the year, we continued to add several unserved consumers into the ambit of formal banking and grow the share of wallet with our existing customers.

Looking forward to the future with enthusiasm

Even amid these uncertain times, we stand together with the underserved and unserved segments of the society and are committed to catering to their financial needs and empowering their aspirations. We are working on further expanding and enriching our banking solutions to our wide customer spectrum to become a one-stop destination for all their banking needs.

Amidst the rising external challenges, it is imperative for us to step-up our efforts to enhance customer connect and we believe that these initiatives will help us protect our asset quality. We are also progressing well on the proposed Initial Public Offering of our Bank during FY 2020-21 and this is another key focus for us.

Over the medium term, growing our physical as well as digital footprint will remain one of our key priorities. We believe, there is significant potential to leverage our existing digital capabilities and building new ones. Necessary investments in people and processes are a pre-requisite for our future growth.

Supporting stakeholders in the hour of need

Ever since our inception, we have believed in creating holistic value for all stakeholders and we remain committed to this single most important objective. During the pandemic, we did our best in supporting all our key stakeholders including customers, business partners, communities and the society.

During the year, we participated actively towards driving community development in the areas of financial literacy, healthcare, environmental initiatives and so on. Further, we supported the state and central governments in their fight against the pandemic not just via monetary donations but also by initiating various activities like distributing food packets to migrants and masks and protection kits to the corona warriors including police forces and healthcare workers. We are committed to serve our communities and partner them actively in their journey towards better health and prosperity.

Before concluding, I want to thank each and every member of Team Suryoday for their dedication and efforts especially during the lockdown. While our teams help us drive our part in the financial inclusion initiatives for the nation, our customers, business partners, investors, regulators, Board of Directors and the communities act as important pillars of our growth. I extend our heartfelt gratitude to all of them and seek their continued support. We are cognisant of our responsibility towards all stakeholders and are committed to fulfil them in a consistent manner in the future.

With Best Wishes,

BASKAR BABU RAMACHANDRAN



STRONG FUNDAMENTALS



After starting our journey in FY 2008-09, we have faced many headwinds along the way, but those have only served to make us stronger and more resilient.

We strive to push the bar higher on achieving excellence across our operations on all parameters. Our focus on serving our customers better, all-round initiatives to build capabilities of our people help us create value for all stakeholders.

Since our inception, strong governance practices, ethical, fair and transparent manner of conducting business have been ingrained deeply in our DNA. As a result, we have built a healthy brand recall and trust-based relationships not just with our customers, but with all stakeholders.

Our balance sheet is well capitalised and reflects the efficiency of our operations.

Over the years, we have built a solid and scalable business model, which will serve as the foundation for our next level of growth.

What sets us apart?

- Undeterred focus on operational efficiency
- Strong customer-connect and curated products tailored to their requirements
- Conforming to best industry practices
- Localised approach to branch banking to make hyper-local clusters
- Higher capital adequacy
- Focus on business analytics to give key insights on all business verticals



**CALIBRATED
DIGITALISATION**

Our digital strategy helps us provide our customers a seamless, secured and hassle-free user experience. It also helps us know our customers better in terms of their preferences, requirements or concerns and serve them accordingly. Digitalisation is enabling us to achieve higher efficiencies across all our processes and become a leaner, future-ready organisation. We will continue to enhance our digital footprint to attain better operational efficiencies and provide our customers smarter banking solutions.

Initiatives During FY2019-20

- Encouraged majority of our customers to embrace digital payments by adopting UPI
- Further enhanced our internet banking and mobile banking platforms
- Set up integration to payment gateways which has enabled the digital collections process from our borrowers
- Commenced the creation of an API layer, which facilitates easy integration with third parties and empowers open banking platform
- Joined hands with multiple payments banks for real-time integration to garner deposits

Road Ahead

Over the next two to three years, we will be making significant investments to further digitalise our operations. We are open to fostering strategic collaborations with Fintech players to offer best-in-class solutions to our customers.

Value of digital banking transactions undertaken during FY 2019-20

₹ 1,038
crores

Note: Digital Banking includes mobile banking, internet banking and debit card transactions



SEAMLESS INCLUSION

We are dedicated to the cause of financial inclusion in line with the Government of India's focus on economic empowerment from grassroots.

Over the years, we have made our overall portfolio more granular and have always travelled the extra mile to serve those who are deprived of formal channels of banking and finance.

Our Bank's hyper-local cluster approach and ability to provide better banking experience to customers will continue to hold us in good stead, going forward.

Our deep local insight, frequent engagements with customers, ability to provide bespoke solutions help us build long-lasting relationships with our customers.

First-time users of formal banking services*

3.75 lakhs

* Above figures are for the portfolio active on March 31, 2020 and funded first time in credit industry by Suryoday Small Finance Bank

Unbanked Rural Centres (URCs) formed 28% of our total banking outlets as on March 31, 2020

Strategic Priorities

STRONG ROOTS, SOLID STRATEGY

Our approach is to analyse the operating scenario, map the opportunities and inherent risks and build an agile response mechanism. Our priorities undergo course-correction, basis our assessment of what needs urgent attention and what does not.

We have defined short-term and long-term strategic priorities.

Key priorities for the short term (1-2 Years)

Ensure business continuity in the face of evolving COVID-19 scenario

Continue to engage closely with our customers to provide superior services

Razor-sharp emphasis on improving collections and restricting delinquencies

Facilitate ease of transactions for our deposit holders

Maintain strong balance sheet on consistent basis

Key priorities for the medium to long term (3-5 years)

Grow geographical reach with key focus on financial inclusion and leverage existing customer base to cross sell and upsell products

Increase share of secured loan portfolio and build granular retail deposit franchise

Implement digitalisation across all aspects of operations

Launch curated products to cater to the needs of the customers and provide full suite of service offerings

High focus on risk management framework - both strategy and execution

Deploy new-age technology in a prudent manner to ensure cost optimisation

Besides these, we are also working on further strengthening our governance culture, drive operational efficiencies, reducing dependence on market borrowings and leveraging analytics for decision-making.

Customer Success Stories

HAPPIER CUSTOMERS ENSURE FASTER GROWTH

At Suryoday, it is our constant endeavour to provide our customers with seamless, convenient experiences and enhance our service quality. With the objective of addressing their queries in clear, concise and fastest possible time, across our banking outlets and all other customer touchpoints, we undertake regular training and product updates for our people. Our focus is to empower them with comprehensive understanding of our products and processes, so that they can serve customers with high efficacy and efficiency.

Our customer-facing teams depict superior soft skills like active listening, empathy, problem-solving and communication to ensure that the customers have a good experience with us. We, at Suryoday, analyse the queries/complaints and take customer feedback seriously. We also encourage our customers to adopt our digital channels for a seamless, simple experience to carry out banking transactions, and hand-hold them, wherever necessary.

We go beyond the call of duty to ensure a smiling customer, because she/he remains precious to us.

Words of Appreciation from Our Customers

1

Dear Team Suryoday,

I am writing this mail after having a delightful experience of 5 months with your bank. It was in February 2020, I was in dire need of a Platinum Rupay card urgently for my wife and called various banks. None of them was ready to provide it within 10 days, that is when I called Suryoday. I was assured of a card within a week, but I was pleasantly surprised to get it a record 3 days. No bank can ever deliver a personalised card within 3 days. Banks, both public ltd and private, only assure delivery of insta cards at such short notice.

I am thankful to Mr Muthukrishnan, Ms Aasha Shenoy and Mr Goldy from Vile Parle Branch for such an exemplary service. I express my gratitude to all other officials also who have made tremendous efforts to meet my need.

ASHISH KUMAR

A Delighted Customer

On behalf of my wife Aditi Chauhan.

Ville Parle, Mumbai

2

Thank you so much. Providing fast and best service during the lockdown period is indeed appreciated.

Thank you and wishing you best of luck

KOMAL PARDESHI
Ghatkopar

3

Dear Sir

It is gratifying to state that I and my wife are among the early customers of your sole branch in Lucknow, UP.

I am lucky that your Lucknow branch was opened in my neighbourhood in January this year. I walked into the branch early February and met Rupali Sree.

I was Impressed by her lucid presentation, on the bank and its products. I and my wife paid a second visit to open SB accounts. The process was very smooth and Rupali was to help me through.

I am highly satisfied with the customer services of your branch and the helpful attitude of Rupali.

I wish your bank and your Lucknow branch and its staff all the best.

Your bank will scale greater heights so long you have staff like Rupali.

Thanks
Sincerely

AMARESH KUMAR
Executive Director (Retd.) NABARD
Lucknow

4

Dear Suryoday Team

I would like to record a line of appreciation from my end to Mr. Nitin of Noida Branch who helped me to open an account in your branch and encouraged me to have deposit in the bank.

He was also involved in coordinating the opening of the Savings Account for my spouse. It was our wish to have a fixed deposit in my spouse's name apart from the fixed deposit in my account.

Towards this end Mr Nitin helped me in closure of another instrument that had matured.

We look forward to long association with Suryoday.

My Best Wishes to Mr. Nitin.

RAMNATH SHODANGI
Lucknow

5

I am a customer of Suryoday Small Finance Bank, Lucknow branch.

This email is to thank the officers of Suryoday Small Finance Bank in helping me execute my banking transactions during Covid lockdown period. I have recently initiated a fixed deposit with your Lucknow and am thankful to the branch manager Mr. Suraj Pratap Singh. He came down to my residence to get the formalities done for executing the initiation of fixed deposit. I am highly thankful to being so considerate and helpful in these testing times.

Thanks a lot for all your cooperation and support.

Regards
Lucknow

People

PROVIDING A WORLD OF OPPORTUNITIES

Our people are the driving force behind our strategies and play a crucial role in our success. We are committed to provide them with a growth-oriented work environment, undertake regular trainings, learning & development activities, performance-based rewards, and engage with them proactively. Our clear and well-defined people policies eliminate ambiguity and saves time.

To this end, we undertook several initiatives during FY 2019-20.





Training

We have a mix of following modes of training covering all our teams in corporate and regional offices, across all functions, products, technology and skills. These programmes are conducted by both internal and external trainers. These sessions are conducted via a healthy mix of classroom trainings, online programmes and on-the-job training. We also arrange training programme basis career progression plan for employees.



Employee Engagement

Besides celebrating various functions and events together in office, we also undertake regular CEO connects where employees can directly interact with the CEO. During COVID-19 crisis, our HR team constantly contacted employees across banking outlets to identify and address issues faced by them on SOS phone & email, arranged to send mask & sanitiser to banking outlets, and

so on. We encourage our people to volunteer for the community & social development projects undertaken by the Suryoday Foundation.

Gender Diversity

We are an equal opportunity provider and our policies ensure protection of interests of our women employees.

Road Ahead

Over the next couple of years, our focus will be on automating our people related processes by deploying Workline, a unique SaaS-based HR management system, across the board. This system will help us automate our recruitment process, enable paperless records of personal files and all letters issued to employees, generate on-demand MIS across various HR functions, and so on. We are also working on a 'Train & Hire' model to reduce cost of talent and improve productivity of new recruits.

Women Employees at Suryoday

7.2%

Of field force

21.5%

Of corporate and
controlling offices

11.8%

Middle and senior
management roles

13.3%

Management committee

*Above figures are as on March 31, 2020



Corporate Social Responsibility

NURTURING COMMUNITY ASPIRATIONS

At Suryoday, we have been engaged in community initiatives right since our inception. Our core lending activity itself focuses on powering the aspirations of the economically weaker sections of society. Our community initiatives are conducted across all states that we are present in. We also collaborate with local health care providers, grass root level NGOs and civil society organisations to conduct our community programmes.



Financial Literacy Programmes

Financial literacy is a key step toward achieving full financial inclusion. Our financial literacy programmes aim to educate women from low-income households to improve their ability to manage their personal and household finances and empowers them to become informed consumers of financial services. The training programmes are delivered in vernacular languages to reach out to the maximum number of people.

In FY 2019-20, 6,300+ programmes were conducted training 1,18,000+ people on various aspects of financial literacy.



Health Camps

We undertake preventive health camps covering preliminary health screening, eye checks, dental checks and mammograms. Health Awareness and healthy literacy programmes are also undertaken regularly across our communities.

In FY 2019-20, our CSR team conducted 330+ health camps, benefitting more than 93,000 community members.



Environmental Initiatives

One of the initiatives with local communities on environmental protection is planting of tree saplings where participation from youth is encouraged.

In FY 2019-20, we planted ~12,000 saplings through several initiatives.



Community Engagement Programmes

These programmes are aimed at creating awareness around prominent social issues and are conducted on special days such as Children's day, Women's Day, World Environment Day, Global Handwashing day, among others.

In FY 2019-20, we reached out to ~30,000 people through these programmes.



COVID-19 Relief Measures

Our CSR team along with Suryoday Foundation supported our communities proactively as a part of our COVID-19 response mechanism from the beginning of the lock-down period.

Major initiatives include:

- Contribution of ₹ 20 lakhs to the PM CARES Fund
- Contribution of ₹ 5 lakhs to the Chief Minister's Maharashtra State Relief Fund
- 20,000 policemen and public enforcement employees provided with masks and sanitisers across the area of operations

- 600 Personal Protection Equipment kits provided to Government Hospitals treating COVID patients in Chennai
- 1,600 food packets delivered to policemen on duty at Navi Mumbai
- 10,000 food packets delivered to migrant workers in Chennai
- 100 Tablets provided to high school students to continue education during the school lockdowns at Cuddalore

Road Ahead

Going forward, we plan to take our financial literacy programmes to government schools and undertake additional programmes to facilitate rural development across our communities.

Directors' Report

DEAR MEMBERS,

Your Directors have pleasure in presenting the Twelfth Annual Report of the Bank together with the Audited Financial Statements for the year ended March 31, 2020.

FINANCIAL HIGHLIGHTS

The Bank's performance during the year ended March 31, 2020 as compared to the previous financial year, is summarised below:

Particulars	₹ in crore)	
	FY 2019-20	FY 2018-19
Advances	3531.94	2679.58
Deposits and borrowings	4113.33	2717.65
Total Income	854.14	597.03
Operating Expenses	548.30	384.22
Operating Profit	305.84	212.21
Provisions and Contingencies (including tax)	194.90	125.61
Profit for the year	110.94	86.60
Add: Surplus brought forward from previous year	126.10	63.13
Amount available for appropriation	237.04	149.73
Statutory Reserve under section 17 of the Banking Regulation Act,1949	27.73	21.65
Investment Fluctuation Reserve	7.10	1.94
Capital Reserve	0.15	0.04
Surplus carried to Balance Sheet	202.04	126.10
EPS (Basic)	13.38	12.79
EPS (Diluted)	13.27	12.61

HIGHLIGHTS

The profit before tax for the year ended March 31, 2020 at ₹ 154 crore showed a 11% increase over the previous year and the profit after tax at ₹ 111 crore improved by 28% as compared to the previous year.

The net interest income for the year was ₹ 491 crore as compared to ₹ 339 crore in the previous year registering a 45% increase.

The Gross Loan Portfolio at ₹ 3,742 crore (excluding the impact of write-off) grew by 26% over that of the previous year and the total deposits at ₹ 2,849 crore grew by 79% over that of the previous year.

The Capital Adequacy Ratio (CRAR) was 29.6 % as at March 31, 2020 as compared to the minimum required 15%. Cost to income ratio improved to 47.1% for the year ended March 31, 2020 as compared to 48% for the previous year. Return on assets (RoA) declined from 3.2% in FY19 to 2.6% in FY20. Decline in ROA is primarily on account of higher provisioning on account of COVID related impact on the business of the Bank.

The number of banking outlets increased from 382 in March 2019 to 477 in March 2020 including 133 Unbanked Rural Centres.

OVERVIEW OF OPERATIONS

The Bank offers a suite of deposit and loan products catering to various customer segments.

The loan products include JLG Microfinance loans; Commercial Vehicle loans; Micro/Small/Medium Enterprise loans; Secured/Unsecured Business loans; Affordable Home loans and Financial Intermediary Group loans. Further, the Bank also offers third-party Life and General Insurance products and Mutual Fund products.

The deposit products include current accounts, savings accounts, corporate salary accounts, recurring deposit and fixed deposit accounts. The Bank also has a partnership with three Payment Banks through which their customers are given a sweep-in facility for their account balances above ₹ 1 lakh – all done digitally in a seamless manner.

The Bank extensively uses technology for improved productivity, efficiency and customer experience. The Bank has implemented various digital technology solutions for the entire customer lifecycle – from acquisition to sanction to disbursement to repayments to closure. The Bank has equipped its frontline staff with Tablets/Mobile devices in order to be able to provide the entire gamut of services – leading to better efficiencies and customer service.

	31-March-2019	31-March-2020	Growth
Gross Loan Portfolio (In ₹ Million)	₹ 29,704.01	₹ 37,108.42	24.9%
Deposits (In ₹ Million)	₹ 15,934.25	₹ 28,487.15	78.8%
Retail Deposits as % of Overall Deposits		54%	
CASA as % of Retail Deposits		11.5%	

CHANGE IN NATURE OF BUSINESS

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

DIVIDEND

To retain profits for working capital purposes, the Board has not recommended any dividend for the year.

SHARE CAPITAL

- Authorised capital: During the year under review, there was no change in the authorised share capital of the Bank.
- The paid-up Capital increased as follows:

Particulars	Number of shares	Amount (₹ in crore)
Subscription under the Employee Stock Option Scheme	5,11,559	6.67
Preferential Allotment to key promoter	45,00,000	63.00
TOTAL	50,11,559	69.67

As on March 31, 2020, the paid-up share capital of the Bank stood at ₹ 86,59,41,000 divided into 8,65,94,100 equity shares of ₹ 10 each.

LISTING OF EQUITY SHARES OF THE BANK

In accordance with RBI's terms and conditions for grant of licence as a Small Finance Bank, the Bank is required to list its Equity Shares within three years of achieving the net worth of ₹ 500 crore. Accordingly, the Bank is required to list its shares on or before November 29, 2020. However, in view of the Covid-19 situation, the Bank has applied to the RBI for extension of this deadline by six months and response from RBI awaited.

In compliance with the RBI's guidelines and in accordance with the provisions of the Companies Act, 2013 and Securities Exchange Board of India (Issue of Capital and Disclosure Requirements), 2018, the members of the Bank have, at the Extra Ordinary General Meeting (EGM) held on July 27, 2020, approved the issue of up to 150,00,000 Equity Shares of the face value of ₹ 10 each to the public and increase in Authorised Share Capital of the Bank from ₹ 100,00,00,000 (Rupees One hundred crore only) divided into 10,00,00,000 (Ten crore only)

equity shares of ₹ 10 (Rupees Ten only) each to ₹ 125,00,00,000 (Rupees One hundred twenty five crore only) divided into 12,50,00,000 (Twelve crore Fifty lakh only) equity shares of ₹ 10 (Rupees Ten only) each.

The Bank plans to file the Draft Red Herring Prospectus (DRHP) for its proposed Initial Public Offer (IPO) with the Securities Exchange Board of India (SEBI) in September 2020.

CREDIT RATINGS

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

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

CAPITAL ADEQUACY

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

As on March 31, 2020, the CAR of the Bank stood at 29.57%, well above the regulatory minimum requirement of 15%. Tier I CAR of the Bank stood at 28.61% well above regulatory requirement of 6% and Tier II CAR was at 0.96%.

SUBSIDIARY, ASSOCIATE AND JOINT VENTURE COMPANIES

The Bank does not have any subsidiary, associate or joint venture company.

EXTRACT OF ANNUAL RETURN

In accordance with Section 92 (3) of the Companies Act, 2013, the extract of the Annual Return is attached as **Annexure 1** to this Report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

During the year under review, (Dr.) Mrs. Sheela Bhide [DIN 01843547], Independent Director & Part Time Chairperson of Bank, retired on January 22, 2020. The Board places on record its sincere appreciation of the guidance and support received from Dr. Bhide during her tenure as Director & Chairperson of the Bank. The Board appointed Mr. R. Ramachandran [DIN 01953653] as the Part time Chairperson of the Board which was approved by the RBI with effect from March 19, 2020 up to December 31, 2021.

Pursuant to the provisions of Section 152(6) of the Companies Act, 2013, Mr. Ranjit Shah, being the Investor Director longest in

Directors' Report

office, retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

During the year under review, Mr. John Arunkumar Diaz [DIN 00493304] was appointed as Independent Director on the Board with effect from December 16, 2019. Mr. Diaz was associated with the Bank from March 2017 to August 2018 as an Investor Director. In the opinion of the Board, Mr. Diaz is a person of integrity and has relevant experience and expertise for being appointed as Independent Director of the Bank for a period of 5 (five) years. Accordingly, his appointment as Independent Director for five years wef December 16, 2019 was proposed and passed with requisite majority at the EGM of the Bank held on July 27, 2020.

Mr. R Ramachandran's current term as Independent Director of the Bank expires on September 23, 2020. In the opinion of the Board, Mr. Ramachandran is a person of integrity and has the necessary knowledge and experience for being re-appointed as an Independent Director. The RBI had also approved his appointment as Part time Chairperson of the Bank with effect from March 19, 2020 to December 31, 2021. Accordingly, his re-appointment as Independent Director for three years wef September 24, 2020 was proposed and passed with requisite majority at the EGM of the Bank held on July 27, 2020.

Mr. Baskar Babu Ramachandran was re-appointed as Managing Director and Chief Executive Officer (MD & CEO) by the Board at its meeting held on November 7, 2019 subject to the approval of RBI and the shareholders of the Bank. The RBI granted its approval on January 14, 2020 for the re-appointment of Mr. Baskar Babu Ramachandran as MD & CEO for a period of three years wef January 23, 2020. During Mr. Baskar's tenure as MD & CEO, the Bank has achieved consistent growth across key parameters like Balance Sheet size, Total Deposits, Advances, Net Revenues, EPS and Net Profit. Accordingly, his re-appointment as MD & CEO for three years wef January 23, 2020 was proposed and passed with requisite majority at the EGM of the Bank held on July 27, 2020.

There is no change in the Key Managerial Personnel of the Bank.

COMMITTEES OF THE BOARD

The composition of the Committees of the Board underwent changes on July 31, 2019 and February 1, 2020 consequent to changes in the Board of directors. During the year under review, the Board constituted the IPO Committee in view of the proposed IPO. Details of all the ten Committees are provided in the Corporate Governance Report. The Board has since constituted another Committee viz. the Board Strategy Committee to discuss and recommend to the Board the business strategy for the Bank.

MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, seven Board Meetings were held and the gap between any two meetings were well within

the statutorily permissible limits. The dates of meetings together with the attendance are detailed in the Corporate Governance Report.

DECLARATION BY INDEPENDENT DIRECTORS

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

POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS, KMPs AND SENIOR MANAGEMENT

The Bank has a Board approved the Policy on Appointment and Remuneration of Directors, KMPs and Senior management personnel. This Policy has been disclosed on the Bank's website [https://suryodaybank.com/regulatory_disclosures]

BOARD EVALUATION

Pursuant to the provisions of section 178(2) of the Companies Act, 2013 and the manner for evaluation recommended by the Nomination and Remuneration Committee, the annual evaluation of Board/ Committee performance and that of individual directors was carried out for the FY 2019-20.

Assessment questionnaires with respect to self-evaluation, evaluation of Board performance and performance of each of the Board Committees covering various aspects including composition, competency, Board procedures, processes, functioning and effectiveness were circulated to each of the Directors. Each of the Committees evaluated its own performance at the respective Committee meetings and the Chairpersons of the Committees conveyed the evaluation results to the Chairperson of the Board.

At a separate meeting of the Independent Directors, the performance of non-independent Directors including the Managing Director & CEO and the performance of the Board as a whole were reviewed.

The Board evaluated the performance of every Director including the Chairperson. The evaluation process was concluded to the satisfaction of all the members of the Board and the management was directed to take necessary actions as recommended by the Board.

EMPLOYEES STOCK OPTION SCHEME

The applicable disclosure with regard to Employee Stock Option Scheme is provided in **Annexure 2** to this report. With the new ESOP 2019 Scheme approved at the Annual General Meeting of the Bank held on September 26, 2019, further grants under the ESOP 2016 Scheme were discontinued in FY 2019-20. In view of the impending public issue, the ESOP 2019 Scheme has been amended to bring the same in line with the relevant SEBI Regulations vide special resolution passed by the shareholders at the EGM held on July 27, 2020.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

RELATED PARTY TRANSACTIONS

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

RISK MANAGEMENT FRAMEWORK

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

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

INTERNAL FINANCIAL CONTROLS (IFC) WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Board of Directors confirms that the Bank has laid down set of standards, processes and structure which enables it to implement Internal Financial controls across the organisation with reference to Financial Statements and that such controls are adequate and are operating effectively. During the year under review, no material or serious observation has been observed for inefficiency or inadequacy of such controls.

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

There are no material changes affecting the financial position of the Bank subsequent to the close of the financial year 2019-20 except the impact of COVID-19 pandemic and the lockdown on the business of the Bank, details of which are covered under Management Discussion & Analysis, forming part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. it has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2020 and of the profit of the Bank for the year ended on that date ;
- c. it has taken sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- d. the annual accounts are prepared on a going-concern basis;
- e. the requisite internal financial controls followed by the Bank are adequate and were operating effectively;
- f. proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion & Analysis Report for FY 2019-20 forms part of this Annual Report.

CORPORATE GOVERNANCE

The Report on Corporate Governance forms part of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

The Bank undertakes CSR initiatives directly as well as through a not-for-profit company viz. Suryoday Foundation. During the year under review, the Bank has been conducting programs on preventive healthcare, environment sustainability, community engagement programs for creating awareness on socially relevant subjects besides holding financial literacy training programs.

The details of CSR activities in FY 2019-20 in the prescribed format is attached as **Annexure 3** to this Report.

The Bank initiated various CSR activities during the COVID-19 period which includes providing 20,000 policemen and public enforcement employees with masks and sanitisers, providing 600 Personal Protection Equipment kits to Government Hospitals treating COVID patients and providing over 10,000

Directors' Report

food packets to migrant workers and policeman on duty. 100 Tablets were provided to high school students to continue education during lockdown. The Bank also contributed ₹ 20 lakh to the PM Cares Fund.

STATUTORY AUDITORS

The report of the Statutory Auditors on the Financial Statements for the year 2019-2020 forms part of the Annual Report. The said Report does not contain any qualification, reservation, adverse mark or disclaimer. Further, no frauds have been reported by the auditors under section 143(12) of the Companies Act, 2013.

M/s. MSKC & Associates, Chartered Accountants, Mumbai (Formerly known as R.K. Kumar & Co.) were appointed as Statutory Auditors of the Bank with the approval of the Reserve Bank of India at the Annual General Meeting held on September 26, 2019 up to the conclusion of the ensuing Annual General Meeting.

The Audit Committee and the Board have recommended the appointment of M/s MSKC & Associates, Chartered Accountants Mumbai [Firm Regn No.: 001595S] as Statutory Auditors of the Bank for a period of one year (i.e. for FY 2020-2021) from the conclusion of the ensuing Annual General Meeting, subject to the approval of the Reserve Bank of India and the shareholders of the Bank. The resolution for their appointment is being put up for Shareholders' approval at the ensuing Annual General Meeting.

SECRETARIAL AUDITORS

The report of the Secretarial Auditors, Tushar Shridharani, Practising Company Secretary, Mumbai, for FY 2019-20 is attached as **Annexure 4** to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

DEPOSITS

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

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

The Bank has adopted a Policy for Prevention of Sexual Harassment at the workplace under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Policy). An Internal Complaints Committee (ICC) has been constituted in compliance with the provisions of the Act and the POSH Policy to review, investigate and take suitable actions on complaints. An Appellate Committee has also been constituted under the Policy before whom a complainant who is not satisfied with the decision of the ICC can prefer an appeal. Details of complaints received and resolved by the ICC during the FY 2019-20 are as follows:

Number of complaints pending at the beginning of the year	1
Number of complaints received during the year	2
Number of complaints disposed during the year	3
Number of complaints pending at the end of the of the year	0

VIGIL MECHANISM

The Bank has in place a Whistle Blower Policy which has been formulated as part of corporate governance norms and transparency where employees, customers and other stakeholders of the Bank including Non-Governmental Organisations (NGOs) are encouraged to refer any complaint which has not been resolved or satisfactorily resolved within the usual applicable protocols. The Policy provides a framework to promote responsible and secure whistle blowing and protects the Whistle Blower wishing to raise a concern about irregularities within the Bank.

Please refer <https://www.suryodaybank.com/regulatorydisclosures> for text of the Policy. The functioning of the Whistle Blower mechanism is subject to review by the Audit Committee.

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

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

The provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to banking companies.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, there were no earnings or outgo in foreign exchange.

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

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

PARTICULARS OF EMPLOYEES

The employee strength of your Bank is growing and as of now, the Bank has over 4,500 employees on its pay roll. The disclosures pursuant to section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as **Annexure 5** to this Report. Disclosures under section 197 of the Companies Act, 2013 read with Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in Annexure 6. In terms of Section 136(1) of the Companies Act, 2013, the annual report and the financial statements are being sent to the

members excluding the aforesaid Annexure. The Annexure will be made available for the inspection. Any member interested in obtaining a copy of the Annexure may write to the Company Secretary of the Bank.

SECRETARIAL STANDARDS

Your Bank is in compliance with the Secretarial Standards on Meetings of the Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India for the financial year ended March 31, 2020.

ACKNOWLEDGEMENTS

The Board of Directors would like to place on record their gratitude for the guidance and co-operation received from the Reserve Bank of India and other government and regulatory authorities and thank all the stakeholders of the Bank including

its investors, customers, bankers, shareholders, debenture holders, trustees and others for their continued support. The Board also wishes to express their appreciation for the hard work and dedicated efforts put in by all the employees of the Bank at all levels and look forward to their continued contribution in building this 'Bank of Smiles' into a world class organisation.

For and on behalf of the Board of Directors

Sd/-

Ramachandran Rajaraman

*Part-time Chairperson &
Independent Director*

[DIN 01953653]

Date: August 27, 2020

Place: Mumbai

Sd/-

Baskar Babu Ramachandran

Managing Director & CEO

[DIN 02303132]

Directors' Report

ANNEXURE 1**EXTRACT OF ANNUAL RETURN IN FORM MGT-9 AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2020**

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

I. REGISTRATION AND OTHER DETAILS:

CIN	: U65923MH2008PLC261472
Registration Date	: November 10, 2008
Name of the Company	: Suryoday Small Finance Bank Limited
Category / Sub-Category of the Company	: Company Limited by Shares/Indian Non-Government Company
Address of the Registered office and contact details	: 1101, Sharda Terraces, Plot No.65 Sector 11, CBD Belapur, Navi Mumbai-400614
Whether listed company	: Yes; Non-Convertible Debentures of the Bank are listed on the Wholesale Debt Segment of BSE Ltd. However, Equity shares are not listed.
Name, Address and Contact details of Registrar and Transfer Agent, if any:	: KFin Technologies Private Limited (Formerly known Karvy Fintech Private Limited) Selenium Tower B Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad 500 032 Telangana, India Email: einward.ris@kfintech.com support@kfintech.com Contact No. Tel: +91 40 3321 1000

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

The Company does not have any holding, subsidiary or any associate company.

IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY):**i. Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	21909732	0	21909732	26.86	26409732	0	26409732	30.50	3.64
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total(A)(1):	21909732	0	21909732	26.86	26409732	0	26409732	30.50	3.64

Category of Shareholders	No. of Shares held at the beginning the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
(2) Foreign									
a) NRIs – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other–Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A)(2):	0	0	0	0.00	0	0	0	0.00	0.00
Total shareholding of Promoter (A)-(A)(1)+(A)(2)	21909732	0	21909732	26.86	26409732	0	26409732	30.50	3.64
B. Public Shareholdings									
(1) Institutions									
a) Mutual Funds	0	0		0.00	0	0	0	0.00	0.00
b) Banks / FI	3168386	1723286	4891672	6.00	4891672	0	4891672	5.65	-0.35
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	11504738	0	11504738	14.10	12079738	0	12079738	13.95	-0.15
f) Insurance Companies	3659884	0	3659884	4.49	3659884	0	3659884	4.23	-0.26
g) FIs	4563229	3333333	7896562	9.68	11278804	0	11278804	13.02	3.34
h) Foreign Venture Capital Funds	6341414	0	6341414	7.77	6341414	0	6341414	7.32	-0.45
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(1):	29237651	5056619	34294270	42.04	38251512	0	38251512	44.17	2.13
(2) Non-Institutions									
a) Bodies Corp.									
i) Indian	3099385	0	3099385	3.80	2170783	0	2170783	2.50	-1.30
ii) Overseas	14985487	4317682	19303169	23.66	15920927	0	15920927	18.39	-5.27
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	728003	36117	764120	0.94	1075813	13983	1089796	1.26	0.32
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	2111156	0	2111156	2.59	2586881	0	2586881	2.99	0.40
c) Others (specify) NRI/NRN	100650	0	100650	0.12	164500	0	164500	0.19	0.07
Sub-total(B)(2):	21024681	4353799	25378480	31.11	21918904	13983	21932887	25.33	-5.78
Total Public Shareholding (B)=(B)(1)+(B)(2)	50262332	9410418	59672750	73.14	60170416	13983	60184399	69.50	-3.65
C. Shares held by Custodian for GDRs & ADRs	0	0		0.00	0	0	0	0.00	0.00
Total (C)	0	0		0.00	0	0	0	0.00	0.00
(A+B+C)	72172064	9410418	81582482	100.00	86580148	13983	86594131	100.00	0.00

Directors' Report

ANNEXURE 1

ii. Shareholding of Promoters:

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year			Shareholding as on 31.03.2020			
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	% change
1	Mr. Baskar Babu Ramachandran	47,03,578	5.77	3.80	92,03,578	10.63	81,50,000	4.86
2	Mr. P. Surendra Pai	1,35,23,215	16.58	0	1,35,23,215	15.62	0	NIL
3	Mr. P.S.Jagdish	32,23,378	3.95	0	32,23,378	3.72	0	NIL
4	Mr. G.V. Alankara	4,59,561	0.56	0	4,59,561	0.53	0	NIL
TOTAL		2,19,09,732	26.86	3.80	2,64,09,732	30.50	81,50,000	4.86

iii. Change in the Promoters' shareholding (please specify, if there is no change):

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year		Date	Reason	Increase/Decrease in shareholding		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company			No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Mr. Baskar Babu Ramchandran	47,03,578	5.77						
	Allotment of Shares			December 27,2019	Preferential Allotment	45,00,000	-	92,03,578	10.63
	At the end of the year							92,03,578	10.63
2	Mr. P.Surendra Pai	1,35,23,215	16.58		-	-		1,35,23,215	15.62
	At the end of the year							1,35,23,215	15.62
3	Mr. P.S.Jagdish	32,23,378	3.95		-	-		32,23,378	3.72
	At the end of the year							32,23,378	3.72
4	Mr. G.V. Alankara	4,59,561	0.56		-	-		4,59,561	0.53
	At the end of the year							4,59,561	0.53

iv. SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS AND HOLDERS OF GDRS AND ADRS):

Sr. No.	Name of Top 10 Shareholders	Date wise increase/decrease in shareholding during the year	Shareholding during the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	DWM (INTERNATIONAL) MAURITIUS LIMITED					
	At the beginning of the year	01.04.2019	52,47,865	6.43		
	At the end of the year				52,47,865	6.06
2	INTERNATIONAL FINANCIAL CORPORATION					
	At the beginning of the year	01.04.2019	43,87,888	5.38		
	At the end of the year				43,87,888	5.07
3	RESPONSABILITY PARTICIPATIONS MAURITIUS					
	At the beginning of the year	01.04.2019	40,71,693	4.99		
	At the end of the year				40,71,693	4.70
4	GAJA CAPITAL FUND II LIMITED					
	At the beginning of the year	01.04.2019	38,67,700	4.74		
	At the end of the year				38,67,700	4.47

Sr. No.	Name of Top 10 Shareholders	Date wise increase/decrease in shareholding during the year	Shareholding during the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
5	Evolve India Fund II Limited					
	At the beginning of the year	01.04.2019	36,69,656	4.50		
	At the end of the year				36,69,656	4.50
6	DEG-DEUTSCHE INVESTITIONS -UND ENTWICKLUNGSGESELLS					
	At the beginning of the year	01.04.2019	35,08,674	4.30		
	At the end of the year				35,08,674	4.05
7	TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA					
	At the beginning of the year	01.04.2019	-	-		
	Acquisition by Transfer				33,82,242	3.90
	At the end of the year				33,82,242	3.90
8	HDFC LIFE INSURANCE COMPANY LIMITED					
	At the beginning of the year	01.04.2019	31,04,328	3.59		
	At the end of the year				31,04,328	3.59
9	ASK PRAVI PRIVATE EQUITY OPPORTUNITIES FUND					
	At the beginning of the year	01.04.2019	29,69,656	3.64		
	At the end of the year				29,69,656	3.43
10	TVS SHRIRAM GROWTH FUND					
	At the beginning of the year	01.04.2019	28,96,098	3.55		
	At the end of the year				28,96,098	3.34

v. INDEBTEDNESS:

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

(₹ in lakh)

	Secured Loans (Net) excluding deposits	Unsecured (Gross) Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	4,388	1,08,035	-	1,12,423
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	170	2,947	-	3,117
Total (i+ii+iii)	4,558	1,10,982	-	1,15,540
Change in Indebtedness during the financial year				
Addition	9,556	45,800	-	55,356
Reduction	387	40,930	-	41,317
Net Change	9,169	4,870	-	14,039
Indebtedness at the end of the financial year				
i) Principal Amount	13,557	1,12,905	-	1,26,462
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	28	2,060	-	2,088
Total (i+ii+iii)	13,585	1,14,965	-	1,28,550

Directors' Report

ANNEXURE 1

V. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Managing Director & CEO:

Sr. No.	Particulars of Remuneration	Name of the Managing Director	
		Mr. Baskar Babu Ramachandran	
		(₹ in lakh)	
1	Gross Salary*	154.99	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act,		
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		
2	Stock Option		
3	Sweat Equity		
4	Commission		
	- as % of profit		
	- others, specify		
5	Others, please specify (Provident fund)	6.24	
	Total (A)	161.23	

* includes performance incentives of ₹ 25 lakh

B. Remuneration to other Directors:

Sr. No.	Particulars of Remuneration	Name of Directors					Total Amount
		Dr. (Mrs.) Sheela Bhide* (up to 22-01-2020)	Mr. R. Ramachandran	Mr. Mrutunjay Sahoo	Mr. Jyotin Mehta	Mrs. Meena Hemchandra	
1	Independent Directors						
	Fees for attending Board/ Committee Meetings	5.30	7.10	5.00	8.50	7.70	3.05
	Commission	Nil	Nil	Nil	Nil	Nil	-
	Others, please Specify	Nil	Nil	Nil	Nil	Nil	-
	Total (1)						36.65
2	Other Non-Executive Directors						
	Fees for attending Board/ Committee Meetings	2.80	Nil	5.20			8.0
	Commission	Nil	Nil	Nil			Nil
	Others, please Specify	Nil	Nil	Nil			Nil
	Total (2)						8.0
	Total (B)= (1+2)						44.65
	Total Managerial Remuneration						
	Overall Ceiling as per the Act	Sitting fees payable to a director for attending Board/ Committee Meeting shall not exceed ₹1,00,000/- per Meeting and the Company is well in compliance of the same.					

*Dr. (Mrs.) Sheela Bhide retired wef January 23, 2020

C. Remuneration to Key Managerial Personnel other than MD & CEO:

(₹ in lakh)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Mr. Bhavin Damania – CFO	Ms. Geeta Krishnan – CS	
1	Gross salary	53.97	31.66	85.63
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	23.44	2.62	26.06
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961			
2	Stock Option			
3	Sweat Equity			
4	Commission			
	- as % of profit			
	- others, specify			
5	Others (provident fund)	2.54	1.49	4.03
	Total (A)	79.95	35.77	115.72

VI. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD /NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment			NIL		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			NIL		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			NIL		
Compounding					

Directors' Report

ANNEXURE 2**EMPLOYEES STOCK OPTIONS AS ON MARCH 31, 2020**

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

ESOP Scheme	Opening balance of options (1.4.2019)	Options granted during the year	Options vested during the year	Options forfeited/ lapsed during the year	Options exercised and shares allotted during the year	Amount Received* (₹ in lakh, inclusive of premium)	No. of options outstanding at the end of the year	No. of outstanding options at the end of the year (vested)	No. of outstanding options at the end of the year (yet to be vested)
ESOP Scheme 2016	23,01,972	nil	5,56,729	3,62,432	5,11,649	667.19	14,27,891	2,87,628	11,40,263
ESOP Scheme 2019	nil	20,67,100	nil	nil	nil	nil	19,32,900	-	19,32,900
Total	23,01,972	20,67,100	5,56,729	3,62,432	5,11,649	667.19	33,60,791	2,87,628	30,73,163

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

Employee-wise details of options granted during the year:

1. Key Managerial Personnel:

Employee Name	Designation	Number of options
Mr. Bhavin Damania	Chief Financial Officer	50,000
Ms. Geeta Krishnan	Company Secretary	15,000

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

Employee Name	Designation	Number of options
Mr. Vaman Kamat	Chief Credit Officer	1,50,000
Mr. Vanamali Sridharan	Chief Information Officer	1,25,000

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

ANNEXURE 3

- (i) Web-link to the Bank's CSR Policy and programs: (<https://www.suryodaybank.com/assets/pdf/policies/Suryoday-Corporate-Social-Responsibility-Policy.pdf>)
- (ii) The Composition of the CSR Committee:
Mr. R Ramachandran (Independent Director): Chairman
Mr. Mrutunjay Sahoo (Independent Director): Member
Mr. Baskar Babu (MD & CEO) : Member
Mr. Venkatesh Natarajan (Investor Director): Member
Mr. Aleem Remtula (Investor Director): Member
- (iii) Average net profit of the Bank for last three financial years: ₹ 5932.14 lakh
- (iv) Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 118.64 lakh
- (v) Details of CSR spent during the financial year:
(a) Total amount to be spent for the financial year: ₹ 124.39 lakh
(b) Amount unspent, if any: Nil
(c) Manner in which the amount spent during the financial year is detailed below.
- (vi) The details of CSR expenditure in FY 2019-20 in the prescribed format is as follows:

S. No.	CSR Project or activity identified	Sector in which the project is covered	Project or programmes local area or other Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects Direct Expenditure on projects and programs was undertaken or Overheads: (₹ in lakh)	Cumulative Expenditure up to the reporting period: (₹ in lakh)	Amount spent Direct or Through implementing agency
1	Promoting Preventive health care	Health care, nutrition, sanitation, and safe drinking water	Limkheda, Aurangabad, Chalisgoan, Nagpur, PCMC, Chinchwad, Bhosari, Shivajinagar, Yerwada, Dattawadi, Pune City, Hadapsar, Nashik, Ghoti, Pimpalgaon, Devla, Dhule, Akkalkot, New Damani Nagar, Asara, Latur, Kolhapur, Rankala, Ichalkaranji, Sangli, Akluj, Amravati, Paratwada, Daryapur, Morshi, Dhamangaon, Arvi, Rajeandera Nagar, Vijay Nagar, Jabalpur, Madanmahal, Hosagbad, Seoni, Balaghat, Cuttack, Jajpur, Keonjhar, Lewis Road, Balangir, Titlagarh, Tambaram, Alandur, SP Koil, Palavakkam, Thirupporur, Avadi, Mint, Miniur, Thiruvallur, Kachipuram, Pondicherry, Chidambaram, Kadalur, Panruti, Viluppuram, Thiruvannamalai, Vellore, Woraiyur, Kattur, Tollgate, Madurai, Namakkal, Dindigul, Thanjavur, Mayiladuturai, Thiruvarur, Pattukottai, Karaikudi, Sainganallur, Thudiyalur, Udumalpet, Erode, Edapadi, Salem, Harsthampatti, Gopichettipalayam, Tirunelveli, Tenkasi, Thuckalay, Thoothukudi, Valliyoor, Rajapalayam, Nagercoil, Kalaburagi, Bidar, Raichur, Yadgir, Vijayappur, Shahapur, Basavakalyan, Humnabad, Belgavi, Hubli, Gadag, Dharwar, Ranebennur, Athani, Gokak, Bagalkot Kolhapur, Sangali, Solapur, Nashik, Dhule, Jalgaon, Pune, Thane, Nagpur, Amravati, Yawatmal, Khurda, Jajpur, Cuttack, Balangir, Sambalpur, Shimoga, Yadgir, Mandya, Mysore, Ranipeth, Pudukottai, Nilagiri Dindigul, Tenkasi	-	4.10	4.10	Direct

Directors' Report

ANNEXURE 3

S. No.	CSR Project or activity identified	Sector in which the project is covered	Project or programmes local area or other Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects Direct Expenditure on projects and programs was undertaken or Overheads: (₹ in lakh)	Cumulative Expenditure up to the reporting period: (₹ in lakh)	Amount spent Direct or Through implementing agency
2	Environmental Sustainability	Planting of Saplings	Limkheda, Nadiyad, Morva Hadaf, Kapdwanj, Himmatnagar, Talod, Aurangabad, Paithan, Chalisgoan, Pachora, Bhusawal, Jalgaon, Nagpur, Higanghat, Yevatmal, Pusad, Narayangaon, Daund, Nasik, Ghoti, Pimpalgaon, Lasalgaon, Devla, Kopargaon, Akkalkot, New Damani Nagar, Asara, Kolhapur, Rankala, Ichalkaranji, Akluj, Paratwada, Morshi, Arvi, Rajeandera Nagar, Neemuch, Madanmahal, Balaghat, Cuttack, Jajpur, Keonjhar, Dhenkanal, Narsinghpur, Rasgovindpr, Rairagpur, Baripada, Lewis Road, Daspalla, Adaspur, Sakhigopal, Puri, Kalapathar, Brahmapur, Balangir, Titlagarh, Bhawanipatna, Padmapur, Dunguripalli, Boudh, Tambaram, Alandur, SP kovil, Palavakkam, Thirupporur, Avadi, Mint, Minjur, Thiruvallur, Kanchipuram, Pondicherry, Chidambaram, Kadalur, Panruti, Viluppuram, Thiruvannamalai, Vellore, Woraiyur, Kattur, Tollgate, Madurai, Namakkal, Dindigul, Thanjavur, Kumbakonam, Thiruvarur, Tirunelveli, Tenkasi, Nagercoil, Kalaburagi, Bidar, Yadgir, Basavakalyan, Humnabad	-	0.33	0.33	Direct
3	Promoting education	Imparting financial literacy trainings through Financial Literacy Centr	Godhra, Limkheda, Vadodara, Chhani, Morva Hadaf, Halol, Nadiyad, Santarmpur, Lunawada, Balasinor, Modasa, Kapdwanj, Himmatnagar, Talod, Bayad, Paldi, Memco, Gota, Sarkhej, Kadi, Mehsana, Ramol, Udhna, Katargam, Navsari, Ankleshwar, Valsad, Vyara, Rajpipla, Aurangabad, Paithan, Chalisgaon, Vaijapur, Pachora, Jamner, Bhusawal, Jalgoan, Nagpur, Higanghat, Deoli, Wani, Yevatmal, Pusad, PCMC, Chinchwad, Bosari, Shivajinagar, Yerwada, Narayangaon, Dattawadi, Pune, Mundhwa, Hadapsar, Daund, Nasik, Ghoti, Pimpalgaon, Lasalgaon, Dhule, Akkalkot, New Damani Nagar, Asara, Barshi, Latur, Udgir, Ambajogai, Umarga, Thane, Ghatkopar, Dharavi, Govandi, Wadala, Kalyan, ambernath, Titwala, Badlapur, Karjat, Kolhapur, Rankala, Ichalkaranji, Sangli, Pandharpur, Akluj, Amravati, Paratwada, Daryapur, Morshi, Dhamangaon, Arvi, Rajendra Nagar, Vijay Nagar, Shujalpur, Mandsaur, Ujjain, Dhar, Neemuch, Jaora, Jabalpur, Madanmahal, Deori, Katni, Sagar, Satna, Hosangabad, Chindwad, Seoni,	-	5.21	5.21	Direct

S. No.	CSR Project or activity identified	Sector in which the project is covered	Project or programmes local area or other Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects Direct Expenditure on projects and programs was undertaken or Overheads: (₹ in lakh)	Cumulative Expenditure up to the reporting period: (₹ in lakh)	Amount spent Direct or Through implementing agency
			Betul, Obedullaganj, Balaghat, Cuttack, Jajpur, Keonjhar, Dhenkanal, Narsinghpur, Rasgovindpur, Rairagpur, Baripada, Lewis Road, Daspalla, Adaspur, Sakhigopal, Puri, Kalapathar, Brahmapur, Chatrapur, Pralakhemundi, Polasara, Bhanjanagar, Phulbani, Balangir, Titlagarh, Bhawanipatna, Padmapur, Dunguripalli, Sambalpur, Bargarh, Jharsuguda, Sundergarh, Rourkela, Jeypore, Nabrangpur, Jagdalpur, Tambaram, Aladur, SP Kovil, Palavakkam, Thiruporur, Avadi, Mint, Mimjur, Thiruvallur, Kanchipuram, Pondicherry, Chidambaram, Kadalur, Panruti, Viluppuram, Thiruannamalai, Vellore, Woraiyur, Kattur, Tollgate, Madurai, Namakkal, Dindigul, Thanjavur, Kumbakonnam, Mayiladuthurai, Thiruvarur, Pattukottai, Pudukottai, Karaikudi, Singanallur, Thudiyalur, Erode, Edapadi, Salem, Harsthampatti, Gopichettipalayam, Thirunelveli, Tenkasi, Thuclalay, Thoothukudi, Valliyoore, Rajapalayam, Nagercoil, Kalaburagi, Bidar, Raichur, Yadgir, Vijayappur, Shahapur, Basavakalyan, Humnabad, Belgavi, Hubli, Gadag, Dharwar, Ranebennur, Athani, Athani, Gokak, Bagalkot, Kolhapur, Sangali, Solapur, Nashik, Dhule, Jalgaon, Pune, Thane, Nagpur, Amravati, Yawatmal, Khurda, Jajpur, Cuttack, Balangir, Sambalpur, Shimoga, Yadgir, Mandya, Mysore, Ranipeth, Pudukottai, Nilagiri Dindigul, Tenkasi				
4	Community Engagement Programs	Creating awareness on socially relevant subjects across different segments of society	Kolhapur, Sangali, Solapur, Pune, Thane, Nashik, Aurangabad, Jalgaon, Amravati, Nagpur, Bhubaneshwar, Balangir, Sambhalpur, Brahmapur, Cuttack, Jajpur, Indore, Hoshangabad, Seoni, Jabalpur, Chindwara, Ahmedabad, Belgavi, Gulbarga, Hubli, Kalaburgi, Thiruneveli, Kanyakumari, Trichy, Dindigul, Madurai, Karur, Thirupur, Coimbatore, Erode, Nilgiri, Salem, Singanallur, Thanjavur, Pudukkottai, Saivagangai, Viluppuram, Thiruvannamalai, Velur, Thoothukudi	-	1.32	1.32	Direct

Directors' Report

ANNEXURE 3

S. No.	CSR Project or activity identified	Sector in which the project is covered	Project or programmes local area or other Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects Direct Expenditure on projects and programs was undertaken or Overheads: (₹ in lakh)	Cumulative Expenditure up to the reporting period: (₹ in lakh)	Amount spent Direct or Through implementing agency
5	Donation to PM Cares Fund	Health Care	PAN India		20.00	20.00	Direct
6	Covid 19 Related Initiatives	Health Care	Navi Mumbai, Chennai		3.43	3.43	Direct
7	Contribution to Suryoday Foundation	Education, Healthcare, Rural and Community Development	PAN India		90.00	90.00	
TOTAL					124.39	124.39	

We confirm that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and CSR Policy of the Bank.

Sd/-

R Ramachandran
Chairman, CSR Committee

Sd/-

Baskar Babu Ramachandran
Managing Director and CEO

Date: August 27, 2020

ANNEXURE 4

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2020

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

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

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

Based on my verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the period covering the financial year ended on March 31, 2020 (“Audit Period”) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 according to the provisions of:

- (i) The Companies Act, 2013 (“the Act”) and the rules made thereunder;
- (ii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent applicable to the Foreign Direct Investment;
- (iii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2016 to the extent applicable to debt listing;
- (iv) Secretarial Standards issued by The Institute of Company Secretaries of India.

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

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

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

I report that during the Audit Period; the following Acts, Rules, Regulations etc. were not applicable to the Company:

- (i) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
- (ii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992:
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as applicable to securities other than debt listing;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

Directors' Report

ANNEXURE 4

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.
- (i) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

I further report that:

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

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

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

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

I further report that during the Audit period The Company has initiated the procedure required in order to offer its securities to the public through the 'Initial Public Offer' and for this purpose, an IPO Committee has been constituted to advise the Board on the relevant actions to be taken. Apart from this there was no specific event/action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

(Tushar Shridharani)

Place: Mumbai
Date: August 27, 2020

Practicing Company Secretary
FCS: 2690 / COP: 2190

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

ANNEXURE A

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

This letter is an integral part of the Secretarial Audit Report of even date for F.Y. 2019-20 submitted to the Suryoday Small Finance Bank Limited (“the Bank”) in pursuance of provisions of section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Members of the Bank are informed as follow.

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

Place: Mumbai
Date: August 27, 2020

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

Directors' Report

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

Sr No.	Particulars									
1	The ratio of the remuneration of the MD & CEO (Whole time Director) to the median remuneration of the employees of the Bank for FY 2019-2020	57.17 : 1								
2	The percentage increase in remuneration of MD & CEO, Chief Financial Officer, Chief Executive Officer, Company Secretary in FY 2019-20	<table border="1"> <thead> <tr> <th>KMP</th> <th>% increase</th> </tr> </thead> <tbody> <tr> <td>MD&CEO</td> <td>29.70%</td> </tr> <tr> <td>CFO</td> <td>30.37%</td> </tr> <tr> <td>CS</td> <td>26.81%</td> </tr> </tbody> </table>	KMP	% increase	MD&CEO	29.70%	CFO	30.37%	CS	26.81%
KMP	% increase									
MD&CEO	29.70%									
CFO	30.37%									
CS	26.81%									
3	The percentage increase in the median remuneration of employees in FY 2019-2020	5.63%								
4	The number of permanent employees on the rolls of Bank as at March 31, 2020	4695								
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	(i) Average Percentile Increase in salaries of employees other than managerial personnel: 9.04% (ii) Avg. Percentile Increase in salaries of managerial personnel: 17.79%								
6	Affirmation that the remuneration is as per the Remuneration Policy of the Bank	Yes								

Management Discussion and Analysis

ECONOMIC OVERVIEW

India's Gross Domestic Product (GDP) grew by 4.2% during FY 2019-20, compared to a growth of 6.1% during FY 2018-19, while inflation rose sharply in the second half of the fiscal year. The Government of India invoked the clause available under the Fiscal Responsibility and Budget Management (FRBM) Act to exceed its budgeted FY 2019-20 fiscal deficit by 0.5% of GDP (to 3.8%).

To improve economic activity, the government, in H1FY 2020, announced a slew of measures that included reducing the tax rate to 22% from 30% for domestic companies, and proposed a competitive 15% rate for new manufacturing units in September 2019.

The Reserve Bank of India (RBI) also cut the policy rate sharply by 110 basis points during April-October 2019 from 6.25% in end-March 2019 to 5.15% in October 2019. The policy stance was changed from neutral to accommodative in June 2019. However, the policy rate was maintained till March 2020, when a sharp reduction of 75 basis point to 4.40% was announced as a measure to combat the impact of the COVID-19 pandemic.

While economic activity was beginning to show some signs of improvement in early 2020, the lockdown imposed to contain the spread of COVID-19 dented economic activity sharply and led to the tightening of financial conditions.

Growth and fiscal metrics deteriorated in the last quarter of the year, given the focus on containing the COVID-19 pandemic and the ensuing fiscal policy measures. Consumption demand, too, remained muted. Current inflation trends remain elevated, driven by higher food prices around the start of the calendar year. A good monsoon and high levels of sowing bode well for agricultural output, though unseasonal rains and unavailability of labour pose risks to this.

On June 1, 2020, Moody's downgraded India's sovereign rating to 'BBB-' with a negative outlook. On June 10, 2020, S&P Global Ratings affirmed its BBB- long-term sovereign ratings on India with a stable outlook. In light of the recent regulatory measures announced by the government to combat the pandemic and to increase economic growth, coupled with healthy demographics and a more favourable corporate tax regime, India is expected to recover with the support from prudent fiscal and monetary policy.

BANKING SECTOR OVERVIEW

The financial sector, which was already reeling with the liquidity crisis in the non-banking financial sector, saw financial institutions turn cautious towards corporate lending and shift

their focus towards the retail segment. While this shift has caused retail credit to drive overall credit growth, the financial sector witnessed a moderate growth. Slowdown in economic activity coupled with heightened risk aversion among lenders has further tightened the overall credit growth. Private sector banks continue to outpace their counterparts in the public sector.

In FY 2019-20, with slowdown in the economy, deposits growth was higher compared to credit growth, though there was a drop in growth at end-March 2020. Growth in total deposits remained above 9.0% through the year in FY 2019-20, but dropped to 7.9% at March 27, 2020. Demand deposits grew by 7.0% and time deposits grew by 8.1% at March 27, 2020 compared to growth of 10.3% in demand deposits and 10.0% in time deposits at March 29, 2019.

Challenges continued for non-banking financial companies (NBFCs) and housing finance companies (HFCs) during FY 2019-20, with subdued growth and moderation in available market funding. Several measures were announced by the government and the RBI to enhance availability of funds to the sector in terms of additional liquidity support and partial credit enhancement. However, a large HFC defaulted on its repayments during the year. In March 2020, the RBI imposed a moratorium restricting deposit withdrawals from a private sector bank, followed by the implementation of a scheme of reconstruction involving change in management and equity capital infusion by several Indian banks.

The government announced the amalgamation of 10 public sector banks into four big banks. This merger was effective from April 1, 2020. Together with the past mergers, the latest drive has brought down the total count of public sector banks from 27 (including the State Bank of India and its associates) to 12 banks.

Regulatory measures

During FY 2019-20, especially from March 2020, in order to combat the impact of COVID-19 pandemic, the RBI acted proactively and kept announcing several measures to support the growth as well as stability of the financial sector. Some of these measures included:

- Lowering risk weights for personal and consumer loans (excluding credit card loans) from 125% to 100%.
- Measures aimed at ensuring transmission of lower policy rates to the end borrowers – making it compulsory for banks to link all new floating rates for personal loans, retail loans, micro, small and medium-sized enterprises (MSMEs) loans to an external benchmark.
- Announcing Liquidity Coverage Ratio (LCR) requirements for NBFCs and reduced LCR requirements for banks to 80% until September 2020 and 90% from October 1, 2020 to March 2021.

Management Discussion and Analysis

- Reduction in Cash Reserve Ratio (CRR) requirement to 3% from 4% earlier. This was effective from March 28, 2020 for a period of one year up to March 26, 2021. The minimum daily CRR balance requirement was reduced from 90% to 80% effective from the fortnight beginning March 28, 2020 up to September 25, 2020.
- The limit for borrowing overnight under the Marginal Standing Facility (MSF) by dipping into the Statutory Liquidity Ratio (SLR) was raised to 3.0% of Net Demand and Time Liabilities (NDTL) from the earlier 2.0%, up to September 30, 2020.
- The RBI extended the window for one-time restructuring of standard accounts of MSMEs registered for Goods and Services Tax (GST) without an asset classification downgrade for those in default as on January 1, 2020. The deadline for restructuring under the scheme was extended to December 31, 2020 from the earlier deadline of March 31, 2020.
- Moratorium on term loans/working capital announcements during March–May 2020 by the RBI
 - Banks and other lending institutions were allowed to provide a moratorium on all term loans (including agriculture term loans, retail and crop loans). Initially, the moratorium was permitted for three months on payment of instalments falling due between March 1, 2020 to May 31, 2020, which was subsequently extended by another three months to August 31, 2020. Interest would continue to accrue on the outstanding portion of the term loan during the moratorium period. Instalments include principal and/or interest component, bullet repayments, equated monthly instalments and credit card dues.
 - Banks were permitted to convert the accumulated interest for the deferment period, from March 1, 2020 to August 31, 2020, on working capital facilities into a funded interest term loan which would be repayable by March 31, 2021.
 - A standstill in asset classification for accounts availing the moratorium was provided from March 1, 2020 to August 31, 2020. For all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, was to be excluded by the lending institutions from the number of days past-due for the purpose of asset classification.
- From March 27, 2020, the repo rate was reduced by 75 basis points (bps) from 5.15% to 4.40%, and then by another 40 bps to 4.0% from May 22, 2020. Accordingly, the reverse repo rate was reduced by 90 bps from 4.90% to 4.00% from March 27, 2020, and then by another 25 basis points to 3.75% and further to 3.35% on May 22, 2020.
- Banks were restricted from making dividend payouts from their profits pertaining to FY 2019-20.
- The RBI announced Targeted Long Term Repo Operations (TLTRO), which were auctions of targeted long term repos of up to three-years tenor at a floating rate linked to the repo rate. Liquidity availed by banks under the TLTRO had to be deployed in investment grade corporate bonds, commercial paper and non-convertible debentures, over and above the outstanding level of investments in these bonds at March 27, 2020. Investments made by banks under this facility can be classified as held-to-maturity (HTM) even in excess of the 25.0% of total investment permitted as part of the HTM portfolio. The RBI subsequently also announced a second phase of TLTRO on April 17, 2020, wherein 50.0% of funds had to be deployed to microfinance institutions (MFIs) and NBFCs.
- The initiation of fresh insolvency proceedings was suspended for up to one year. COVID-19 related debt outstanding would be excluded from the definition of default for the purpose of triggering insolvency proceedings.

Government Measures

- The Government of India announced several measures to mitigate the impact of the COVID-19 pandemic led economic slowdown, which included a guarantee programme for collateral-free loans aggregating up to ₹ 3.00 trillion to MSMEs. A special liquidity facility of up to ₹ 300 billion was provided for NBFCs, HFCs and MFIs. Liquidity infusion of ₹ 900 billion was announced for power distribution companies through a central public sector enterprise.
- Several policy reforms were announced, including introduction of commercial mining in the coal sector, increasing private investments and reforms in the mineral sector, enhancing foreign direct investment limit in the defence sector from 49.0% to 74.0%, privatisation of airports, encouraging private participation in the space sector, enhancing viability gap funding for social sector projects, and measures for infrastructure and capacity building in the agriculture sector.
- The government also announced a new public sector enterprise policy to limit the presence of public sector units only to the strategic sectors.

Outlook

The economic conditions remain challenging going forward, considering the uncertainties with regard to the impact of the global health crisis and the slowdown in economic activity. There has been a significant rise in risks in the operating environment along with the lack of clarity on the timeline for conditions to normalise and economic activity to fully revive. Current estimates by various agencies and analysts indicate

a contraction in India's GDP growth for FY 2020-21. While systemic liquidity is abundant, the economic weakness caused by the pandemic and uncertainty regarding normalisation may impact banking sector loan growth, margins, asset quality and credit costs. Based on certain high frequency indicators and economic indicators published in the last couple of months, the economy is seen picking up from June 2020 as compared to April and May 2020, especially given that demand from rural India showed significant resilience with agriculture leading the way.

SMALL FINANCE BANKS

In 2014, the RBI introduced guidelines to set up Small Finance Banks (SFBs) in India with the primary objective of facilitating financial inclusion in the country. SFBs are primarily expected to meet the financial needs of the unbanked and under-banked sections of the economy. SFBs are technologically driven, in order to reduce the cost of operations and also to ensure faster reach to the underserved markets. Their loan book has grown at a CAGR of 26% from FY 2015-16 to FY 2018-19.

In a short span of time, SFBs have grown rapidly and have also maintained sound profitability, demonstrating that lending to this hitherto perceived riskier sector is feasible.

As a result of the early signs of positive outcomes from the SFB model, the RBI introduced on-tap licensing guidelines for SFBs during FY 2019-20.

SFBs' Share in Banking Sector Deposits and Credit (%)

Share in banking sector	March 2019	March 2020
Deposits	0.3	0.5
Credit	0.6	0.9
Reporting offices	1.5	2.8

Source: RBI

The SFB segment holds immense potential, given the significant credit appetite in several underserved segments. With growth in the number of branches and enhanced visibility for SFBs, benefits from improving operating leverage could improve core profitability.

Growth Drivers for SFBs

- **Sizeable Market Opportunity and Credit at Affordable Rates**

Due to the size of India's population and the lack of formal banking services for a significant section of India's population, financial inclusion has been a key priority for the government. It has also undertaken various initiatives to widen financial inclusion. The key growth drivers for SFBs include the size of India's market in terms of financially excluded households. SFBs offer sustainable credit to the poor at affordable rates. They are also diversifying their product portfolio beyond microfinance into unsecured loans, auto loans, affordable housing loans and MSME loans.

- **Customised Products Aided by Technology and Availability of Information**

Increase in the use of technology has enabled lenders to provide customised products at much lower turnaround times. Multiple data points are available to lenders that facilitate quick lending decisions by firms - within a few minutes - by using data-driven automated models. These models help supply credit to small business units and the unorganised sector at low cost. Use of technology also enables such players to expand their reach to the under-penetrated population in remote areas at a lower operating cost.

- **Availability of Funds at Cheaper Rates**

CASA and other retail deposits provide SFBs a cheap source of funding, which would help them expand their product portfolio and provide lower rates in comparison to NBFCs. In addition, with the further expansion of SFBs in underserved regions, the deposit base is expected to further widen and help SFBs expand their asset side portfolio. SFBs will thus hold an advantage over NBFCs.

- **Target Audience**

SFBs aim to cater to the low-income segment. SFBs have the chance to expand vertically and deep, which will enable them to have a good range of medium and low value customers and, as a result, help them increase their business. Further, rural and microfinance borrowers have low credit penetration and migrate less between credit providers, therefore enabling SFBs to build a loyal customer base.

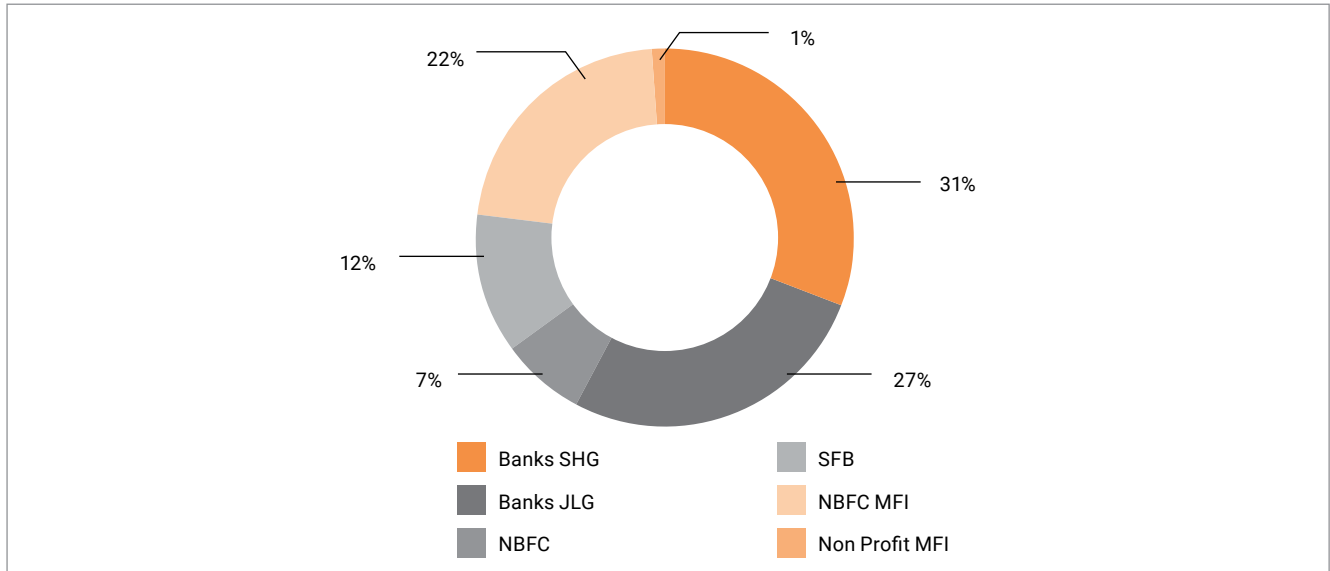
CRISIL expects SFBs to grow at a compounded annual growth rate (CAGR) of 20-24% from fiscal 2020 to 2023. Growth is despite the implications of COVID-19 pandemic in FY 2020-21.

Microfinance Sector

The microfinance industry has recorded healthy growth in the past few years. The industry's Gross Loan Portfolio (GLP) grew at a CAGR of 24% since FY 2016-17 to reach ~₹ 3.3 trillion at the end of FY 2019-20. As per CRISIL, In this fiscal year, the industry grew by 16% year on year to reach ₹ 3.3 trillion in March. As per reports of the Microfinance Institutions Network (MFIN), the industry witnessed portfolio at risk (PAR) for overdue more than 30 days at 1.79% as at March 31, 2020 compared to 0.9% as at March 2019, indicating moderate increase in delinquency over the last two years despite significant growth. Further, the total number of borrowers has reportedly increased from 30 million as at March 2018 to 76 million as at March 2020, showing healthy and balanced growth of the sector.

Management Discussion and Analysis

SFBs' Share in Micro Finance Sector



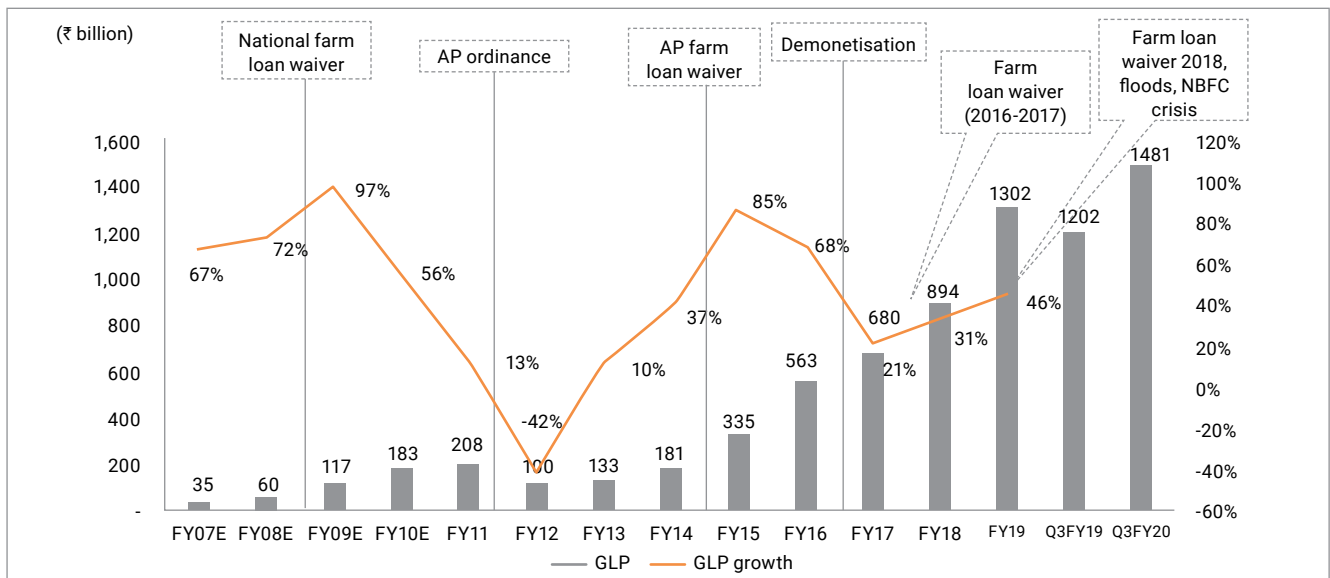
Note: Data includes data for Banks SHG, Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.
Source: CRISIL

Outlook

In the light of the COVID-19 outbreak, the microfinance sector is expected to face challenges in FY 2020-21. CRISIL Research expects the overall growth of the microfinance sector to reach ₹ 3.5 trillion owing to high sensitivity of the sector towards external shocks. However, the domestic microfinance industry has shown resilience towards external shocks in the past and is expected to gain momentum in the next two fiscals in the least penetrated areas. In the past, MFIs have recovered after periods of stress, such as post-demonetisation, floods and other local socio-political disturbances.

Q3FY20 MBFC

MFI Industry has Shown Resilience over the Past Decade



Note: Data includes values for NBFCs, NBFC-MFIs, non-profit MFIs, SFBs and Bharat Financial Inclusion
Source: CRISIL Research, MFIN, Bharat Microfinance

HOUSING SHORTAGE IN INDIA

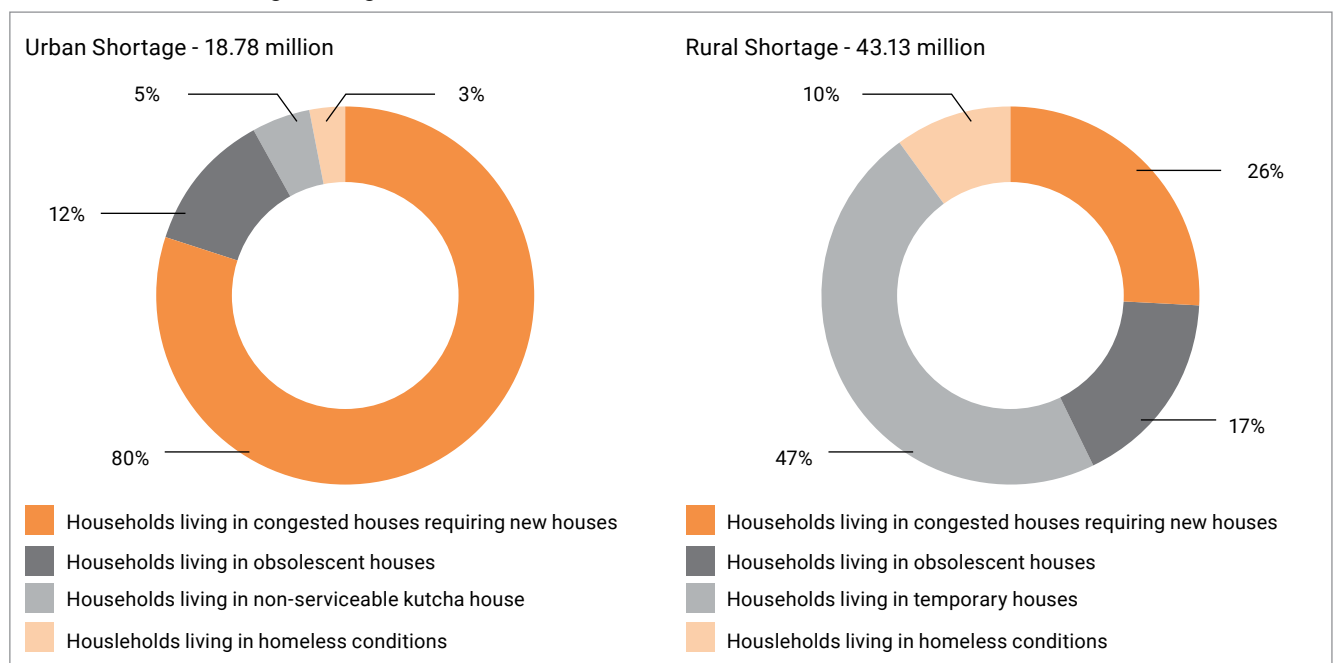
Despite the constant focus on the housing segment, housing in India has been a perpetual problem, deterring economic growth of the country.

In its 12th Five Year Plan (2012-2017), the Government of India accorded this issue utmost importance and focused on increasing the amount of housing units available both in the urban as well as the rural sector. The Plan estimated the shortage of housing in the urban sector at 18.78 million. The economically weaker section (EWS) accounts for three-fourths

of the shortage and the lower income group (LIG) approximately a quarter. In 2017, estimate of housing shortage was revised downwards to ~10 million units based on assessments carried out since 2011.

The erstwhile Planning Commission and the Ministry of Rural Development, Government of India, had taken official initiative to assess the quantum of housing shortage in rural India. The 12th Five Year Plan estimated the shortage in the rural segment of society at 43.13 million.

Urban and Rural Housing Shortage



Note: The above data is as per the estimates of the Twelfth Five Year Plan (2012-17)

Source: NHB, CRISIL Research

Indian Housing Finance Market and Outlook

The Indian housing finance market clocked a healthy ~16% CAGR (growth in loan outstanding) over fiscals 2015-2020 on account of a rise in disposable income, healthy demand and a greater number of players entering the segment. However, CRISIL Research expects housing loan outstanding to grow at a slower pace of 2-3% in FY 2020-21 owing to the economic implications of the COVID-19 pandemic. Going forward, the market is expected to witness a gradual recovery and clock 11% CAGR growth in the next two years. Despite the enormous unmet demand in the affordable housing finance market, the segment clocked ~9% CAGR from fiscal 2017-2020. As at end of FY 2019-20, outstanding loans stood at ~₹ 9.1 trillion, growing from ~₹ 8.6 trillion at 8% from the end of FY 2018-19. The momentum in the affordable housing loans slowed down in the fourth quarter of FY 2019-20 amid the turbulence due to COVID-19.

The economic slowdown due to the pandemic and consequent social distancing measures is likely to impact demand for home loans in the near term. However, the demand is likely to pick up once normalcy is restored, along with various government efforts to push demand for affordable housing.

Affordable Housing Finance: The SFB Edge

- Clear focus on and understanding of the target market: Given the target borrower's profile, players need to have a clear and deep understanding of the micro markets and develop a strong local network. The network helps players source business from the niche customer category through references from existing customers. Successful players generally focus on a few geographies where they have a good understanding and scale up gradually to manage costs and asset quality better.

Management Discussion and Analysis

- Lower cost of funds: Access to public deposits gives SFBs a pricing advantage due to lower cost of funds as compared to HFCs.
- Collection efficiency: Given that players in the segment typically cater to the lower income customer segment, many of whom may not be financially literate, a strong focus and understanding of SFBs on collections and monitoring risk of default at customer level will help them keep asset quality under check.
- NBFC crisis: SFBs have a significant growth opportunity due to liquidity issues faced by NBFCs in the last couple of years.

Commercial Vehicle Loans

Commercial Vehicles (CV) sales volume witnessed a slowdown in growth in FY 2018-19. Sales volumes grew by 18.6% as against 25.3% in the previous fiscal. In July 2018, the central government revised axle norms, wherein the gross vehicle weight for 2-axle and 3-axle vehicles was increased from 16.2 tonnes to 18.5 tonnes and from 25.0 tonnes to 28.5 tonnes, respectively. This aided an increase in the freight carrying capacity of existing CVs, thereby reducing the demand for the purchase of additional CVs, which, in turn, impacted sales. In FY 2019-20, sales plunged by ~29% due to the dual impact of increasing freight capacity and limited support from freight demand. Within the segment, sales of medium and heavy commercial vehicles (MHCVs) fell by ~48%, whereas the sales of light commercial vehicles (LCVs) fell by ~21% due to slower private consumption and weak financing availability because of lower loan-to-value (LTV) following the NBFC liquidity crunch. Weakened financial profile of the fleet operators and price rise due to BS-VI transition will further add pressure to the earnings of CV OEMs and dent disbursements.

COVID-19 Outbreak Creates Turbulence

On the supply side, the initial lockdown of the nation led to closing of all CV manufacturing and dealership units, and near zero sales offtake in April 2020. On the demand side, due to the lockdown, income generation for those in 'non-essential' industries and service providers, and those in construction has been impacted. Low income generation is expected to subsequently manifest as lower demand for goods and services. Private consumption, too, is expected to be impacted due to lower disposable income and lower propensity to spend due to uncertainty of income potential, thereby hurting LCV sale.

Outlook

Owing to the factors noted above, the demand for used commercial vehicles and refinancing of existing vehicles are likely pick up significantly in FY 2020-21. With the gradual recovery of the economy, demand for MHCVs or heavy commercial vehicles will pick up in due course. Further, demand for working capital facility for fleet operators is likely to increase

to tide over the temporary cash shortage and to keep the vehicles running.

Secured Business Loans/Loan Against Property (LAP)

A LAP is availed by mortgaging a property (residential or commercial) with the lender. It is a secured loan as it provides collateral to the financier in the form of the property. Secured business loans are primarily given for business purposes, such as for capacity expansion, diversification, capital expenditure etc., among others.

Key factors that contributed to high growth of SBL/LAP in India are:

- Quick turnaround time, lower interest rate, lesser documentation
- Greater transparency in the system and rising penetration of formal channels
- Higher comfort for lenders as they offer favourable risk-return characteristics compared with MSME and unsecured loans.

Banks are likely to gain market share due to restricted access to funds for others in the coming fiscals. After tight liquidity constraints in FY 2018-19, non-banks have started focusing more on risk and compliance. They are changing their strategies from solely opting for growth to targeting calibrated growth by taking calculated risks. In the past few years, non-banks have lost their market share to banks owing to limited access of funds, deteriorating asset quality and yield pressure. Private banks and other banks (small finance banks and other co-operative banks) were able to capture market share on account of the slowdown in PSBs and due to their aggressive market strategies, greater branch networks, lower cost of funds, and the advantage gained by the liquidity crisis in the non-bank sector. Better understanding of local markets will allow SFBs to capture the low ticket size LAP loan segment.

Outlook

LAP (banks and non-banks) grew at a CAGR of ~17% between FY 2015-16 and FY 2018-19, driven by rising penetration of formal channels and higher comfort for the lenders to lend. However, the growth has slowed down to ~12% in FY 2019-20 in the wake of the liquidity crisis and increasing asset quality concerns.

CRISIL Research expects LAP credit growth to slow to ~8% in FY 2020-21, followed by faster growth thereafter, leading to a CAGR of 10-12% until FY 2022-23.

SURYODAY SFB: OVERVIEW

The Bank commenced operations as an NBFC in 2009. For over a decade, we have been serving customers in the unbanked and under-banked segments in India and promoting financial

inclusion. Pursuant to receipt of the RBI Final Approval, we started operations as an SFB on January 23, 2017. We were included in the second schedule of the RBI Act as a scheduled commercial bank, pursuant to a notification issued by the RBI and published in the gazette of India dated September 2, 2017. Prior to commencement of operations as an SFB, we operated as an NBFC-MFI, carrying out microfinance operations. We operated in the joint liability group-lending model for providing collateral-free, small ticket-size loans to economically active poor women.

Our average “priority sector” loans as a percentage of average Adjusted Net Bank Credit (ANBC) for 2019 and 2020 was 112.10% and 103.67%, respectively.

Over the years, we have diversified our loan portfolio to include non-micro banking loans, thereby reducing our dependence on micro banking business.

The Bank has since expanded its operations across 12 states and Union territories, as of March 31, 2020. We have a customer base of over 1.4 million customers as of March 31, 2020 and serve them primarily through our 4,695 employees, 477 banking outlets that included 133 unbanked rural centres (URCs) as of March 31, 2020. Our delivery platform includes partnerships with business correspondents (BCs) for sourcing both asset and liability business, and we have expanded our network and presence through their reach to promote financial inclusion.

Our distribution network comprises our ATMs, phone banking, mobile banking, tablet banking, unified payment interface and internet banking services. Our operations are predominantly in urban and semi-urban locations due to greater income earning capabilities and employment opportunities in such areas compared to rural regions. We believe that our focus on these locations also enables us to meet the financing requirements of economically graduating customers, including providing housing finance and working capital loans for small businesses.

We currently offer a variety of asset and liability products and services designed for inclusive finance and general banking customers. Our asset products consist of our

1. inclusive finance portfolio [comprising loans to joint liability group (JLG) customers],
2. commercial vehicle loans,
3. affordable housing loans,
4. micro business loans,

5. unsecured MSME and SME loans,
6. secured business loans,
7. financial intermediary group loans and other loans.

Our Gross Loan Portfolio grew at 25% from ₹ 29,704.42 million as of March 31, 2019 to ₹ 37,108.42 million as of March 31, 2020. On the liability side, our products comprise current accounts, savings accounts, salary savings accounts and a variety of deposit accounts, including recurring deposits and fixed deposits that we source from customers across India. Our deposits have grown at 78.8% from ₹ 15,934.25 million as of March 31, 2019 to ₹ 28,487.15 million as of March 31, 2020. As of March 31, 2020, retail deposits comprised 54% of our total deposits. CASA, as a % of overall deposits, was 11.45%, as of March 31, 2020. Since commencing our operations as an SFB, we have focused on growing a stable, sustainable and well-penetrated CASA base. Our CASA was ₹ 3,260.53 million as of March 31, 2020. In addition to our loan and deposit products, we also offer other banking facilities, products and services to generate non-interest income and cater towards the additional needs of our customers. These facilities, products and services include debit cards, internet banking, mobile banking, online bill payment services and the distribution of third-party life and general insurance products and mutual fund products.

Increasing Operational Efficiency

We have leveraged technology across all aspects of our operations. In particular, we adopt digital technologies for customer acquisition and also customer lifecycle management. Our employees use tablets to service customers in the unbanked and under-banked segments, which we believe has led to greater customer convenience and improved operational efficiency. We also have a robust back-end operating system supported by our core banking system, customer relationship management system and document management system.

We are the only SFB to have a partnership with three payment banks for sweep-in facility for their customer deposits. As per the arrangement with such payment banks, balances above ₹ 100,000 in a customer account with the payment bank are transferred to customer account maintained with our Bank at the end of each day, given that payment banks are not allowed to hold more than ₹ 100,000 balance in a customer account at the end of a day.

We have a unique business correspondent model for our liability franchise, wherein we provide entrepreneurial opportunity to experienced bankers to work as a BC for us. We also provide financial support to these BCs in the initial period of setting up branch post which the arrangement is linked with payouts based on their performance.

Management Discussion and Analysis

The following table sets forth certain information relating to our financial performance in the periods specified:

Metric	As of and for the years ended March 31,	
	2019	2020
	(₹ million, except percentages)	
Net Worth	8,806.29	10,662.31
CASA Ratio	11.25%	11.45%
Total Debt / Total Equity	3.09	3.86
Net Interest Income	3,388.16	4,905.05
Net Interest Margin	12.56%	11.48%
Profit After Tax	865.98	1,109.36
Return on Assets	3.15%	2.56%
Return on Equity	14.95%	11.29%
Yield on advances	22.72%	21.22%
Cost of Funds	9.21%	8.73%
Provision Coverage Ratio	75.80%	84.71%
GNPA	1.81%	2.79%
NNPA	0.44%	0.57%
Book Value Per Equity Share	107.94	123.13

* Ratios are computed based on daily average balance wherever applicable

As of March 31, 2019 and 2020 our CRAR was 35.03% (Tier I capital of 33.67%), and 29.57% (Tier I capital of 28.61%) respectively and was the second highest among all SFBs in India as of March 31, 2020 (Source: CRISIL Report). As of March 31, 2020, our Bank's gross Non-Performing Assets (NPAs) was 2.79% of gross advances, and net NPAs was 0.57% of net advances.

Going forward, we intend to strengthen our relationship with our existing customers by leveraging our inclusive finance customer base and by offering other asset and liability products based on their requirements. Our focus will be to grow our customer base by providing quality customer service. We will continue to focus on the use of technology, explore partnerships with fintech companies, undertake data analytics to better understand the requirements of our customers, improve operational efficiency and further reduce costs. As we grow our operations, we will look to selectively expand our network of banking outlets across newer geographies and also penetrate further into our existing markets.

Strengths

Customer Centric Approach with a Focus on Financial Inclusion

We consider our customers to be the most significant stakeholders of our operations. As of March 31, 2020, we served over 1.4 million customers. During FY 2017-18 and FY 2019-20, we added 1.28 million new customers. Our inclusive finance portfolio (comprising loans to JLGs) accounted for 75.85% of our Gross Loan Portfolio, as of March 31, 2020. Given our operating history as a microfinance institution, a significant portion of our portfolio continues to qualify as 'priority sector lending' as

mandated by the RBI and helps us promote financial inclusion in India. In particular, the RBI requires (i) SFBs to locate at least 25% of their banking outlets in unbanked rural centres (URCs), and (ii) loans/advances of at least 75% of ANBC be made to 'priority sectors', which includes micro loans. Our average priority sector loans as a percentage of average ANBC for FY 2018-19 and FY 2019-20 was 112.10% and 103.67%, respectively. A significant part of our inclusive finance loans, T-Nagar loans, affordable housing loans and secured and unsecured business loans and some portion of commercial vehicle loans classify as 'priority sector' loans based on the criteria notified by the RBI. The central bank of India has recently changed the definition of MSMEs, hence our Bank will have benefit of increased share of priority sector lending (PSL) loans since certain loans classified as non-priority sector earlier may now qualify for classification as priority sector.

Our focus is to customise products that cater to the requirements of our customers. For instance, on the asset side, we offer T-Nagar loans, unsecured micro business loans offered to customers with identifiable small businesses. We provide loans to customers who run small businesses such as local grocers, who provide essential items. These inclusive finance loans help meet their working capital requirements and, we believe, promote inclusion into formal banking channels.

On the liability side, we offer our inclusive finance customers with a recurring deposit product that enables customers to earn from their savings as well as ensure that they form a part of formal banking channels. We have also introduced an insurance product for our inclusive finance customers to cover losses and damages on account of natural calamities.

In addition, we have recently begun offering overdraft facilities targeted at small and medium size fleet owners and retail transporters.

As per a survey conducted by 60 Decibels with over 500 customers, we have been credited for impacting the quality of life of customers, and our ability to reach low-income customers and a high proportion of female customers.

Bank's 24/7 call centre, 'Smile Centre', has been set up to resolve customer queries and we actively gather feedback to further improve our services. In FY 2020-21, we commenced offering digital payment facilities for all our customers to pay their loan installments digitally. We also conducted financial literacy programmes that are designed to develop the financial capabilities of low-income households. In FY 2019-20, we conducted 6,379 such training programmes that cover key concepts of savings, credit, insurance, pension, digital financial services and information services on various social security schemes provided by the Government of India.

Diversified Asset Portfolio with a Focus on Retail Operations

Over the years, the Bank has been able to diversify its product portfolio to ensure that the proportion of unsecured portfolio is reduced from 95% in FY 2016-17 to 78% in FY 2019-20. We commenced operations as a microfinance institution in 2009, and following our conversion to a SFB, we have been able to diversify into other products which broadly include commercial vehicle loans, affordable home loans, micro business loans, secured and unsecured business loans to MSME/SME and corporates and financial intermediary group loans. Our products cater to customer segments across the board. We also provide institutional credit to NBFCs and various liability products to individuals, enterprises, corporates, partnership firms, banks etc. In addition, we distribute various general and life insurance products and mutual fund products.

As of March 31, 2020, non-inclusive finance book was as follows:

Non-MicroFinance Book (%)	March 20
Commercial Vehicle Loans	9.99
Affordable Housing	4.88
Micro Business Loans	1.15
Unsecured MSME/SME Loans	1.01
Secured Business Loans	2.86
Financial Intermediary Group	2.72
Other Loans	1.54
Total	24.15

Inclusive finance loans constitute a significant portion of our Gross Loan Portfolio and as of March 31, 2019 and 2020, these loans represented 81.44% and 75.85%, respectively, of our Gross Loan Portfolio.

The Bank has leveraged our network of banking outlets that comprises 477 banking outlets across 12 states and Union territories, as of March 31, 2020 to grow our asset portfolio. Our portfolio is spread across states with high GDP growth rates such as Karnataka and Gujarat and with average GDP growth such as Maharashtra, Tamil Nadu and Odisha. (Source: CRISIL Report).

Fast Evolving Granular Deposit Franchise

The Bank has witnessed rapid growth in deposits. Our deposit base has grown at 78.78% from ₹ 15,934.25 million as of March 31, 2019 to ₹ 28,487.15 million as of March 31, 2020. As of March 31, 2020, our deposit base represented 69.26% of our overall funding profile. The Bank is among the SFBs with the highest deposit growth rate in FY 2019-20 (Source: CRISIL Report). We offer a variety of demand and time deposits and are among the few SFBs that offer monthly interest on savings deposits (Source: CRISIL Report).

The Bank's focus on productivity, better customer experience and customer acquisition along with expanding our operations has led to significant growth in our deposits. Our deposit products include a range of saving accounts, salary accounts, current accounts, recurring and fixed deposits. We also offer services such as bill pay, UPI based money transfer, safe deposit, locker facilities for our customers. We offer debit cards to our customers and also make banking services available through our mobile banking application and internet banking platform. Our liability products are targeted primarily at retail customers and include senior citizens, upper middle-class individuals, self-employed and salaried individuals and HNIs.

The Bank's retail deposit base has grown at 126.83% from ₹ 6,837.25 million as of March 31, 2019 to ₹ 15,508.88 million as of March 31, 2020, while the ratio of our retail deposits to total deposits as of March 31, 2019 and 2020 was 43% and 54% respectively. The number of our CASA accounts and term deposit accounts have grown from 22,204 and 21,473 as of March 31, 2019, respectively, to 65,676 and 63,399 as of March 31, 2020, respectively.

We have been able to strengthen our liability franchise while focusing on growing our retail deposit base in a gradual but sustainable manner, thereby providing us with a stable, low-cost source of funding. As a result, Cost of Funds has been 9.21% and 8.73% in FY 2018-19 and FY 2019-20 respectively. The Bank's average savings account, current account and term deposit account balance per account, excluding bulk deposits balance (above ₹ 20 million) was ₹ 43,556.66, ₹ 137,169.23 and ₹ 193,585.69, respectively, as of March 31, 2020. Deposit

Management Discussion and Analysis

portfolio is primarily sourced from Maharashtra and Tamil Nadu, with each state contributing to 59.54% and 21.79% respectively of the total deposit base, as at March 31, 2020. Given that a significant proportion of our banking outlets are located in these states, we have been able to leverage our understanding and experience in these locations to grow our deposit base.

The Bank has been able to leverage the experience and network of the BCs to grow its retail liability portfolio and use their expertise to expand into newer geographies. As on March 31, 2020, the Bank has four BC-led banking outlets that had a deposit balance of ₹ 1,189.5 million.

Leveraging Emerging Technologies to Enhance Digital Footprint

The Bank has made significant investments in technology to enable smooth and seamless customer experience. The Bank's digital channels such as internet banking and mobile banking have been in place since the commencement of SFB operations. It extensively uses digital technologies for the entire customer lifecycle. As of March 31, 2020, 3,125 employees used tablets/digital services for their savings account customer onboarding operations. During FY 2019-20, 14,000 savings accounts were opened using tablets.

The use of handheld devices has empowered employees to provide assisted services to our unbanked and under-banked customer segments, which has led to greater customer convenience and operational efficiency. We have been able to reduce the turn-around time for processing inclusive finance loans from 11 days in FY 2017-18 to five days in FY 2019-20.

Leveraging Fintech Partnerships to Provide Value Added Products and Services to Our Customers

Towards this end the Bank has built an enterprise integration layer which facilitates integration with partner entities through APIs. The Bank continues to invest in digital technologies to drive greater customer experience and employee empowerment. It also leverages technologies such as process automation to drive greater operational efficiencies and improve customer service through fewer errors. In addition, it has made investments to strengthen the security infrastructure given the paramount importance of information security.

Strong Credit Processes and Robust Risk Management Framework

Strong credit function comprises a team of over 90 individuals as of March 31, 2020. We have implemented credit management models such as credit history checks with various bureaus, fraud verification tools/processes on customer profile and documentation, which have enabled us to maintain a stable portfolio quality. Our credit underwriting practices include score-card based assessment for our retail asset products, segment-based and geography-based assessment policies.

The Bank has entered into partnerships with third parties and fintech companies to implement various enterprise-wide compliance and risk management tools on our platform, enhance product offerings and make our loan processes faster and more convenient for our customers. The focus is primarily to build a secured loan portfolio as part of our non-JLG businesses.

Use of data analytics has played a significant role in decision-making, particularly in the inclusive finance customer segment. Our business analytics team provides business insights and guidance to business teams based on proprietary customer and market data available from credit bureaus. Our analytics capabilities include determining customer repayment behaviour over the life cycle of a loan, estimating customer repayment capacity based on monthly obligation payable to various lenders, pin code based analysis of market to identify potential growth markets, customer behaviour, customer's leverage, delinquency analytics based on statistical methods including static pool, cohort analysis and repayment behaviour.

The Bank has a quality assurance officer at each of our banking outlets that offer inclusive finance loans. This officer's role is independent of the reporting structure at the banking outlet and is responsible for implementation of policies and processes for inclusive finance loans, customer visits and control over cash at the banking outlet.

As a part of the risk management process, the Bank has maintained a higher capital adequacy ratio than the regulatory requirement. As of March 31, 2020, capital adequacy ratio of the Bank was 29.57% against the stipulated regulatory requirement of 15% and was the second highest amongst SFBs in India as of March 31, 2020 (Source: CRISIL Report).

Bank's provision coverage ratio (including technical write-offs) was 75.80% and 84.71% in FY 2018-19 and FY 2019-20 respectively and was the second highest among SFBs in India for FY 2019-20 (Source: CRISIL Report).

Our risk management measures as well as our financial performance have also enabled us to improve our credit ratings. This has allowed us to access capital at competitive rates, as reflected in our credit ratings. Our Certificate of Deposit programme has the highest rating of A1+ by CRISIL and ICRA and our non-convertible debentures and subordinated debt programmes have both been rated A (Stable) by ICRA.

Track Record of Strong Financial Performance and Cost-efficient Operations

The Bank has been growing since our conversion to an SFB and is currently in a robust financial position that, we believe, will enable us to expand business quickly. Gross Loan Portfolio has grown at 24.93% from ₹ 29,704.42 million as of March 31, 2019 to ₹ 37,108.42 million as of March 31, 2020. Profit After Tax has

increased from ₹ 865.98 million in FY 2018-19 to ₹ 1,109.36 million in FY 2019-20. Return On Assets was 3.15% and 2.56% for the years ended March 31, 2019 and 2020 respectively, while Return On Equity was 14.95% and 11.29% during the same periods.

The Bank's cost-to-income ratio is the lowest among SFBs in India (Source: CRISIL Report). Our core strength is to perform operations in a cost efficient and effective manner without compromising on the quality of our service. Cost-to-income ratio has reduced from 48.01% in FY 2018-19 to 47.08% in FY 2019-20. Operating expense ratio as a % of average balance of Gross Loan Portfolio has reduced from 8.71% in FY 2018-19 to 8.01% in FY 2019-20. The relatively moderate size of our banking outlets has led to reduction in the overall capital expenditure and operating expenditure per banking outlet. Our cost-efficient operations are attributable to our automation and digitization of various processes, including our loan sourcing in the inclusive finance business.

Multiple Distribution Channels

The Bank's distribution and service channels comprise our banking outlets, ATMs, phone banking, mobile banking, tablet banking and internet banking services. As of March 31, 2020, the bank has 477 banking outlets that included 133 URCs across 12 states and Union territories.

Banking outlets as on 31 March 2020

Banking Outlets	March 20
North	58
South	150
East	79
West	190
Total	477

Note: As per the RBI's classification of regions. As of March 31, 2020, the Bank had a network of 26 owned ATMs.

The Bank also undertakes a part of its operations through BCs. As of March 31, 2020, the Bank had 14 asset focused BC branches across our asset and liability businesses. Our corporate BCs help promote financial inclusion including through promotion of government schemes in rural areas. The Bank has exclusive arrangements with some BC partners that help in leveraging their network and address the challenges of manpower in remote locations. These tie-ups are predominantly with partners in rural areas to open URCs. As of March 31, 2020, of the 133 URCs that were operational, 45 URCs were operated by BCs.

Investors

The Bank's operations are backed capital provided by a number of investors, including development finance institutions such as International Finance Corporation, Responsibility and DEG – KfW Group Company, private equity investors including Lok Capital, Gaja Capital, ASK Pravi and Jhelum Investment Fund,

institutional investors such as HDFC Life Insurance Company, IDFC First Bank, Kotak Mahindra Life Insurance Company and Teachers Insurance and Annuity Association of America and family offices such as Kiran Vypar, Polaris Banyan Holding and Americorp Ventures. This reflects the diversity of our business operations and corporate governance standards.

Strategies

Expanding Asset Portfolio While Focusing on Secured Lending

The growth in micro finance is expected to come from retention of existing customers, increasing presence in newer geographies, expanding the client base and increasing the ticket size gradually to match customer requirement repayment capacity (Source: CRISIL Report). The Bank aims to grow within existing geographies as well as in new geographies in a calibrated manner based on our analytics and intelligence on industry growth. The focus will continue to be on the inclusive finance segment in line with industry growth.

The Bank also intends to grow its secured portfolio, which, we believe, will grow at a higher rate compared to inclusive finance portfolio due to its comparatively small base currently. Amongst our retail asset products, the Bank is focusing on lending for home loans, secured business loans, commercial vehicles and micro business loans. In the backdrop of BS-VI transition, financing is expected to be stronger in case of used commercial vehicles in the near term as transport operators are likely to shift towards cheaper BS-IV vehicles because of a jump in prices of new BS-VI vehicles (Source: CRISIL Report). The Bank's focus will be to develop loan products for the used vehicle segment targeted at small and retail transporters with existing operations and experience. We also intend to continue to advance commercial vehicle loans to large fleet operations and OEMs to maintain and strengthen our existing relationships with these key customers. The Bank is working on digitally onboarding a potentially large customer base by offering small ticket overdraft loan facilities, in particular to the targeted customer segment, i.e. small and retail transporters.

The affordable housing finance segment will be a key focus going forward, especially with respect to the self-employed and salaried individuals who will prefer non-agricultural properties. We will leverage our existing inclusive finance distribution reach and customer base to source home loan customers.

The Bank's micro unsecured business loan portfolio is a niche product and will also be a key focus area to grow in the future. Customers in this segment primarily include retail store owners who require funds to support their businesses, including for stock fulfilment and shifting away from unorganised lenders lending at higher interest rates.

The Bank has introduced an overdraft facility for these customers to support their short-term working capital requirement, thereby partnering with them for the long term. Secured business loans are financed to MSMEs/ SMEs and to

Management Discussion and Analysis

corporates for business purposes, including for funding their growth and expansion.

Strengthening Retail Liability Franchise

The Bank is strengthening its liability franchise by growing the CASA and retail deposit base in a steady manner. Retail deposits comprised 43% of total deposits as of March 31, 2019 and grew to 54% of total deposits as of March 31, 2020. Our cost of funds has come down gradually from 9.21% in FY 2018-19 and 8.73% in FY 2019-20.

In order to grow retail deposits, the Bank has a dedicated team to reach out to individual depositors across regions, and a product development team to enhance the features of existing products and develop new products which would appeal to them. The strategy will be to build relationships across various customer segments, including with senior citizens, NRIs, educational institutions, NBFCs, corporates and co-operative banks.

As of March 31, 2020, senior citizens and NRI deposits formed 15.09% of our deposit base and ensured long-term relationship with the Bank.

The Bank's call centre provides 24/7 customer service. The Bank will deepen relationships with asset customers over the next few years and develop products and services designed for rural and urban retail customers. We would leverage our existing customer base of over 1.45 million customers, to promote inclusive finance products which, we believe, will result in a sustained and deeply penetrated deposit base.

Focus on Technology and Data Analytics to Grow Operations

The Bank's strategic focus is to use technology to remain an agile and data-driven SFB. Use of advanced, cost-effective technology has been a significant factor contributing to the growth of our operations. By enhancing our digital and technology platform further, the Bank's endeavour is to empower customers to access various facilities, products and services on their own, reduce operating costs and thereby increase operating efficiencies. As part of the digital roadmap, the Bank is also leveraging its partnerships with technology service providers and fintech companies to improve productivity

of field force, accuracy and quality of data captured, and reduce turnaround time. The Bank's endeavour going forward is to ensure that customer onboarding and deposit sourcing will be paperless through the use of 'e-KYC' and 'video-KYC'.

The Bank is in the process of implementing a new business origination system ("BOS") by engaging with multiple fintech partners. The BOS will be interfaced with a number of APIs to automate aspects of loan processing, including the disbursement of the loan.

Expand Geographic Presence and Penetrate Further into Existing Geographies

While historically our operations were focused in Maharashtra, Tamil Nadu and Odisha, we have expanded our operations to Gujarat, Karnataka, Madhya Pradesh, Rajasthan, Chhattisgarh, Puducherry, Telangana, Uttar Pradesh and Delhi. The Bank will continue to expand its network of banking outlets to drive greater and deeper penetration in these states while focusing on low and middle-income individuals and small businesses that have limited or no access to formal banking channels, spread across urban and semi-urban markets.

The Bank will also continue to penetrate further into existing geographies that have significant growth opportunities and expand into newer states to mitigate risk. All such decisions would be based on data analytics of the particular region in terms of growth, customer behaviour and delinquency.

Description of Our Business

Product Portfolio

Product portfolio includes asset products, largely advanced to customers in unbanked and under-banked segments and liability products in the form of deposits.

Asset Products

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

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

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

	As of March 31,			
	2019		2020	
	(₹ million)	% of total	(₹ million)	% of total
Inclusive Finance (JLGs)	24,191.24	81.44%	28,147.75	75.85%
Commercial Vehicle Loans	2,185.14	7.36%	3,705.49	9.99%
Affordable Housing Loans	796.76	2.68%	1,811.84	4.88%
Secured Business Loans	675.34	2.27%	1,062.51	2.86%
Micro Business Loans (T-Nagar)	273.12	0.92%	428.13	1.15%
MSME/SME Loans	966.79	3.25%	375.05	1.01%
Financial Intermediary Group (FIG) Loans	484.43	1.63%	1,004.88	2.71%
Others*	131.60	0.44%	572.75	1.54%
Gross Loan Portfolio	29,704.42	100.00%	37,108.42	100.00%

*Note: Others includes overdrafts and staff loans

Inclusive Finance (JLGs)

Under inclusive finance (JLG) business, the Bank provides group loans built on the peer-guarantee loan model (joint liability group), which enables individuals to take loans without having to provide collateral or security on an individual basis, while promoting credit discipline through mutual support within the group, prudent financial conduct among the group, and prompt repayment of their loans.

Customers of our inclusive finance (JLG) business are typically unbanked and under-banked across urban and semi-urban areas. The target customer segment for inclusive finance (JLG) loans are micro-entrepreneurial women with limited access to formal financing sources. These loans are provided essentially for use in their income generating activities such as eateries, retail trading shops like vegetable vendors, animal husbandry etc., among others.

The Bank launched various other products for its JLG customers, such as recurring deposits to help them save on a regular basis, natural calamity insurance of ₹ 50,000 per customer for a period of two years with a premium of ₹ 50. The Bank also implemented a digital origination system for JLG loans (GLOW) to fast track the entire sourcing and disbursement process.

As of March 31, 2020, Gross Loan Portfolio in this segment was ₹ 28,147.75 million, representing 75.85% of our total Gross Loan Portfolio.

These group product loans are typically offered at ticket sizes ranging between ₹ 7,000 and ₹ 50,000 to our women customers, depending on their loan cycle. In FY 2019-20, the average ticket size of these loans was ₹ 30,363.84, and they were disbursed for an average tenure of 21.74 months. The average yield for our inclusive finance (JLG) segment was 23.37% in FY 2019-20. In FY 2018-19 and FY 2019-20, disbursements under this segment were ₹ 23,851.16 million and ₹ 25,606.04 million respectively.

As of March 31, 2020, the Gross NPAs for this product segment was 2.48%. The Bank made floating provisions of 1.5% on outstanding standard JLG portfolio and this was increased to 2% in March 2020 on account of uncertainty due to potential impact of COVID-19 and the lockdown announced by central government and later on by the state government in selected states/regions. The Bank also made additional provision in March 2020 of ₹ 399 million on JLG portfolio for the reasons stated above. It carried floating provision of ₹ 532 million and an additional COVID-19 provision of ₹ 399 million, equivalent to 3.3% of the total JLG portfolio, as at March 2020.

Customer Sourcing and Credit Assessment

Acquisition of customers for inclusive finance (JLG) loans are made through our relationship officers (ROs) who meet potential customers in person. All ROs are assigned designated areas based on the extensive knowledge they possess on these areas. They interact with existing customers every month and regularly visit their designated areas for further visibility in the region. Existing customers usually refer our ROs to potential customers, enabling sourcing of new customers within these designated areas.

Customers are also sourced through business correspondents by leveraging on their existing extensive network.

Collections

Typically, repayments are made at group meetings, which are held on a monthly basis. At these meetings, if any member defaults in making payments or is absent, the other group members have a joint liability for such amount and the defaulting member subsequently repays such amount to the group. The collection process is a critical part of our inclusive finance (JLG) operations. Repayments are typically made in cash at the centre meetings.

Commercial Vehicles (CVs)

CV finance business commenced in FY 2017-18. A significant proportion of the customers of the CV portfolio comprises fleet

Management Discussion and Analysis

operators engaged in road transport for various industries who have availed finance for heavy and medium commercial goods vehicles. These are used for a range of commercial purposes, such as market loading operations, contract transportation and logistics services. Our customers also avail loans for purchase of buses, primarily for use as route buses, to fulfil contracts with municipal authorities, transportation as school buses and staff buses.

During second half of FY 2019-20, the Bank introduced a new product offering of overdraft facility to small and medium size fleet owners (CV OD) to meet their working capital requirement. This overdraft facility is used as a foot-in-the-door strategy to have a larger and longer relationship over a period of time. The objective is to add a significant number of customers through this product for potential benefits when the business cycle improves.

As of March 31, 2020, Gross Loan Portfolio in this segment was ₹ 3705.49 million, representing 9.99% of our total Gross Loan Portfolio.

The average ticket size of these commercial vehicle loans was ₹ 2.80 million, for a tenure ranging from 12 months to five years.

In FY 2019-20, these loans were disbursed for an average tenure of 49 months. The average yield for FY 2019-20 was 10.46%. In FY 2018-19 and FY 2019-20, disbursements under this segment were ₹ 2,311.58 million and ₹ 2,259.06 million respectively.

The portfolio experienced some stress due to a slowdown in the economy in FY 2019-20 and increase in axle load norms in FY 2018-19. GNPA in the portfolio increased to 4.71% for reasons stated above without considering the realisable value of the collateral for the customer where vehicles have not been repossessed. Hence the net loss on the portfolio will be lower.

Used CV loan portfolio predominantly comprises retail customers having prior vehicle ownership of at least two vehicles and significant vintage and credible repayment history.

Customer Sourcing and Credit Assessment

Customers for our CV loans are sourced based on existing relationship with them through sales executives and on a walk-in basis. CV finance operations are conducted based on extensive knowledge of working with customers possessing sufficient credit history, which is determined based on prior vehicle ownership, experience in their route of operations and stability of office/ residence in addition to satisfying other eligibility criteria, such as possessing a valid driving licence and having relevant commercial knowledge of the vehicle being purchased.

Affordable Housing Loans

Affordable housing product commenced in FY 2017-18. Housing loan offerings are aimed at self-employed/salaried

applicants for purchase of apartments or self-construction of their property with a focus on non-agricultural town planning approved property (NATP). These loans are primarily distributed from banking outlets located in urban/semi-urban areas. Loans are provided for purchase of house, construction of house, improvement/restoration/extension of home.

As of March 31, 2020, Gross Loan Portfolio in this segment was ₹ 1,811.84 million, representing 4.88% of our total Gross Loan Portfolio.

These affordable housing loans were disbursed at an average ticket size of ₹ 0.83 million for a tenure of up to 22 years. In FY 2019-20, these loans were disbursed for an average tenure of 16 years. The average yield for FY 2019-20 was 11.69%. In FY 2018-19 and FY 2019-20, disbursements under this segment were ₹ 609.46 million and ₹ 1,146.82 million respectively.

As of March 31, 2020, the GNPA for this product was 1.10%.

Customer Sourcing and Credit Assessment

Customers in this segment are required to have stable cash flows, and typically belong to the informal segment, or are involved in informal trade or commercial activity where income is not completely documented and requires field-based credit assessment by the credit team members personally at the customers' place of business or employment. Credit teams also liaise with external vendors, including with chartered accountant firms for detailed credit assessments if required. Eligibility of these customers are based on cash flows or business performance if self-employed, salary details including job stability, past banking conduct and repayment track record. The subject property, which is also a security for the loan, is put through a thorough legal and technical assessment to ascertain unambiguous title to the property and verify the valuation of the property, i.e. if it adequately secures the loan being disbursed.

Unsecured Micro and Small Enterprise ("MSME"), and Small and Medium Enterprise ("SME") Finance

Unsecured MSME/SME loans commenced in FY 2016-17. These loans are provided to entities/individuals engaged in business activities, such as those operating small shops, traders, retail stores, small manufacturing units, service establishments that maintain some formal records for credit evaluation. These loans are advanced to meet evolving business needs and working capital requirements, including expansion, renovation, improvement of shop, office, acquisition of equipment. Initially, the customer segment comprised customers without adequate documentation and credit histories. The Bank focused on developing an internal credit team, which led to a shift in our target customers for these loans, and in FY 2018-19, customers for these loans comprised individuals with adequate documentation and credit history. The Bank continues to refine the asset quality of loans advanced under this segment by monitoring compliance with end-use restrictions, with an

increased focus on secured MSME/SME loans. The Bank has de-focused unsecured SME/ MSME business loans in FY 2019-20 due to high delinquency faced in the last two years.

As of March 31, 2020, Gross Loan Portfolio in this segment was ₹ 375.05 million, representing 1.01% of the total Gross Loan Portfolio.

These MSME/SME loans were typically offered at ticket sizes ranging between ₹ 200,000 and ₹ 10,000,000, for a tenure of 12 months to three years. In FY 2019-20, the average ticket size of these loans was ₹ 2.41 million, and they were disbursed for an average tenure of 25.64 months. The average yield for FY 2019-20 was 15.98%.

Secured Business Loans

The Bank commenced providing secured business loans (SBL) in FY 2016-17. The target customer profile for this segment has evolved over the last three years based on our experience and understanding of the various customer segments the Bank has interacted with. Initially, the customer segment comprised customers without adequate documentation and credit histories. The Bank then focused on developing our internal credit team, which led to a shift in our target customers for these loans, and in FY 2018-19, customers for these loans comprised individuals with adequate documentation and some credit history. This was supported by our credit team for improved credit analysis prior to onboarding. The Bank continues to refine the asset quality of loans advanced under this segment by monitoring compliance with end-use restrictions.

Gross Loan Portfolio as of March 31, 2020 in this segment were ₹ 1,062.51 million, representing 2.86% of our total Gross Loan Portfolio.

The secured business loans under refined credit policies were offered at ticket sizes ranging between ₹ 24,200 and ₹ 71,200,000, for a tenure between three years and 15 years. In FY 2019-20, the average ticket size of these loans was ₹ 2.16 million, and they were disbursed for an average tenure of 115.46 months. The average yield for FY 2019-20 was 14.82%. In FY 2018-19 and FY 2019-20, disbursements under this segment were ₹ 404.15 million and ₹ 550.75 million respectively.

Under the new credit policy for SBL, the GNPA is 0.44%.

Customer Sourcing and Credit Assessment

Customers for this loan segment are sourced through two channels, the direct sales model and referral model. In the direct sales model, relationship managers conduct field activities to engage with potential customers for onboarding. The Bank typically assesses eligibility of these customers based on parameters including cash flows, viability of end use, past banking conduct and repayment track record.

Micro Business Loans (T-Nagar)

The micro business loans product commenced in FY 2017-18. These unsecured loans are provided to self-employed individuals operating small enterprises, typically in urban and semi-urban locations. These small business loans are advanced to individuals belonging to low income groups engaged in business activities that do not maintain formal records for credit evaluation. Customers that typically comprise this product segment include small localised retail stores, stationery shops, medical shops, garment shops, and other small scale manufacturing units. The Bank typically extends these loans to existing group loan customers of long standing for working capital or capital investment requirements for existing businesses.

As of March 31, 2020, Gross Loan Portfolio in this segment was ₹ 428.13 million, representing 1.15% of the total Gross Loan Portfolio.

These micro business loans are provided with ticket sizes ranging between ₹ 50,000 and ₹ 300,000. The repayment tenure for such loans is between 12 months and three years.

In FY 2019-20, the average ticket size of these loans was ₹ 0.10 million, and they were disbursed for an average tenure of 23 months.

The average yield for FY 2019-20 was 23.57%. In FY 2018-19 and FY 2019-20, disbursements under this segment were ₹ 282.54 million and ₹ 378.23 million respectively.

As of March 31, 2020, the GNPA = for this product segment was 4.46%.

Customer Sourcing and Credit Assessment

Customers are sourced through our sales officer by carrying out personal visits to potential customers. The Bank also participates in various seminars organised for MSMEs. It is currently exploring partnerships with fintech companies to generate leads. Other modes include digital payment channels, directories in traders' associations, and referrals from existing customers.

Financial Intermediary Group Loans (FIG loans)

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

The Bank leverages on the distribution network, technology platform and expertise of these financial intermediaries to engage with the customer segment they focus on by providing debt capital support.

Management Discussion and Analysis

As of March 31, 2020, Gross Loan Portfolio in this segment was ₹ 1,004.88 million, representing 2.71% of our total Gross Loan Portfolio.

These FIG loans are typically offered at ticket sizes ranging between ₹ 2.5 million and ₹ 250 million, for a tenure of 15 months to three years and one month. In FY 2019-20, the average ticket size of these loans disbursed was ₹ 80.95 million, and they were disbursed for an average tenure of 27.91 months. The average yield for FY 2019-20 was 12.46%. In FY 2018-19 and FY 2019-20, disbursements under this segment were ₹ 565.00 million and ₹ 890.43 million respectively.

As of March 31, 2020, the Bank did not record any NPA for this product segment.

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

NBFC activity	Gross Loan Portfolio as of March 31, 2020	
	Amount (₹ million)	(As a % of Gross Loan Portfolio -FIG)
Microfinance Institutions	159.69	15.89
NBFCs	82.35	8.20
HFCs	762.85	75.91
Total	1,004.88	100.00

Customer Sourcing and Credit Assessment

FIG customers are sourced through internal referrals, existing relationships in the industry and select intermediaries. The team undertakes a preliminary assessment based on general and publicly available sectoral information, such as lending model, business model, credit ratings, size and vintage of the company, reputation of the borrower, and other available information, including pricing expectation, or geographical presence.

Others

These include overdraft facilities and staff loans.

Overdraft facilities: These are extended to individuals, proprietorships, private limited companies that have open fixed deposits with us for meeting their short-term liquidity requirements. Overdraft limit is renewed annually unless specified otherwise. Overdraft facilities are offered at interest spread of 0.50% to 2.00% above fixed deposit rates.

Staff loans: These are extended to individuals employed with the Bank and/or their immediate relatives to meet their short-term liquidity requirements, at interest rate of 14.00% per annum.

Priority Sector Lending (PSL)

The Bank is required to achieve PSL target of 75% of its outstanding advances at the end of each quarter of previous

finance year as per RBI guidelines applicable to SFBs. The Bank maintained an average PSL of 103.67% as against the target of 75%.

Liability Products

We meet our funding requirements primarily through the current accounts, savings accounts and salary savings accounts that we source from customers across regions in India. As of March 31, 2020, 45.56% of our liabilities comprised bulk deposits and the remaining comprised retail deposits. Further, as of March 31, 2020, % of CASA to total deposits was 11.45%.

Current Accounts

As of March 31, 2020, the Bank had 4,274 current account holders. The Bank offers the following current accounts to its customers:

Current Account Ujjwal: This account is primarily for sole proprietorships, individuals, partnership firms, clubs, associations and trusts, limited liability partnership, public and private limited companies and non-profit organisations. The account allows deposit limits of up to ₹ 200,000 or 10 cash deposit transactions, whichever is earlier. Transactional flexibility is a key feature that includes 25 free cheque leaves per month, lower charges on RTGS, NEFT and IMPS transfers, monthly email statements and half-yearly physical statements at no cost.

Current Account Aditya: This account is primarily for sole proprietorships, individuals, partnership firms, clubs, associations and trusts, limited liability partnership, public and private limited companies and non-profit organisations. The account allows deposit limits of the higher of either up to ₹ 500,000 or up to five times the average monthly balance as maintained in the previous month. Transactional flexibility is a key feature that includes 25 free cheque leaves per month, unlimited transactions, lower charges on RTGS, NEFT and IMPS transfers, monthly email statements and half-yearly physical statements at no cost.

Current Account Classic: This account is primarily for sole proprietorships, individuals, partnership firms, clubs, associations and trusts, limited liability partnership, public and private limited companies and non-profit organisations. The account allows deposit limits of the higher of either up to ₹ 1,500,000 or 10 times the average monthly balance as maintained in the previous month. Transactional flexibility is a key feature that includes 50 free cheque leaves per month, unlimited transactions, 10 free demand drafts every month, lower charges on RTGS, NEFT and IMPS transfers, monthly email statements and half-yearly physical statements at no cost. The account is also supported by a complimentary current account for suppliers/associates. In addition, a sweep-in facility is available wherein customers can request amounts above certain thresholds to be converted into fixed deposits.

Current Account Supreme: This account is primarily for sole proprietorships, individuals, partnership firms, clubs, associations and trusts, limited liability partnership, public and private limited companies and non-profit organisations. The account allows deposit limits of the higher of either of up to ₹ 5,000,000 or 25 times the average monthly balance as maintained in the previous month. Transactional flexibility is a key feature that includes 100 free cheque leaves per month, unlimited transactions, 20 free demand drafts every month, free RTGS, NEFT and IMPS transactions every month, monthly email statements and half-yearly physical statements at no cost. The account is also supported by a complimentary current account for suppliers/associates. In addition, a sweep-in facility is available wherein customers can request amounts above certain thresholds to be converted into fixed deposits.

Salary Savings Account

The Bank offers the following types of salary savings account to its customers:

Salary Savings Standard: An account with no minimum balance requirements for customers employed by entities that have a salary account relationship with the Bank. The account offers multiple privileges, including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Classic Secure Chip debit card with features such as ATM withdrawal limits of ₹ 40,000 per day, unlimited free transactions at Bank ATMs, five free transactions at non-Bank ATMs every month, unlimited transactions on PoS terminals, lower charges on RTGS, NEFT and IMPS transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance.

Salary Savings Premium: An account with no minimum balance requirement for customers employed by entities that have a salary account relationship with the Bank. The account offers multiple privileges, including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Platinum Secure Chip debit card with features such as ATM withdrawal limits of ₹ 100,000 per day, unlimited free transactions at Bank ATMs and at non-Bank ATMs every month, unlimited transactions on PoS terminals, free and unlimited RTGS, NEFT and IMPS transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance, complimentary lounge access and flight delay insurance.

Savings Accounts

As of March 31, 2020, the Bank had 61,535 savings account holders. The Bank offers the following savings accounts to our customers:

Savings Account Ujjwal: This account is aimed at residential individuals (single or joint holders), new entrants in the formal banking channels, youth, HUFs and minors through guardians.

The account offers multiple privileges, including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Classic Secure Chip debit card with features such as ATM withdrawal limits of ₹ 20,000 per day, unlimited free transactions at Bank ATMs, five free transactions at non-Bank ATMs every month, unlimited transactions on PoS terminals, lower charges on RTGS, NEFT and IMPS transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance.

Savings Account Aditya: This account is aimed at residential individuals (single or joint holders), HUFs and minors through guardians, household members, and senior citizens. The account offers multiple privileges, including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Classic Secure Chip debit card with features such as ATM withdrawal limits of ₹ 40,000 per day, unlimited free transactions at Bank ATMs, five free transactions at non-Bank ATMs every month, unlimited transactions on PoS terminals, lower charges on RTGS, NEFT and IMPS transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance. In addition, the account offers one complimentary savings account variant for a family member.

Savings Account Classic: This account is aimed at residential individuals (single or joint holders), HUFs and minors through guardians, salaried and self-employed individuals. The account offers multiple privileges, including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Classic Secure Chip debit card with features such as ATM withdrawal limits of ₹ 40,000 per day, unlimited free transactions at Bank ATMs, 20 free transactions at non-Bank ATMs every month, unlimited transactions on PoS terminals, lower charges on RTGS, NEFT and IMPS transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance. In addition, the account offers one complimentary savings account variant for a family member.

Savings Account Supreme: This account is aimed at residential individuals (single or joint holders), HUFs and minors through guardians, high net worth individuals. The account offers multiple privileges, including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Platinum Secure Chip debit card with features such as ATM withdrawal limits of ₹ 100,000 per day, unlimited free transactions at Bank ATMs and at non-Bank ATMs every month, unlimited transactions on PoS terminals, free and unlimited RTGS, NEFT and IMPS transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance. In addition, the account offers one complimentary savings account variant for a family member.

Management Discussion and Analysis

In FY 2019-20, interest rate for savings accounts ranged between 6.25% and 7.25% per annum.

Term Deposits

As of March 31, 2020, 63,399 account holders had maintained term deposits with the Bank. The Bank offers the following types of deposits to its customers:

Fixed Deposits: The Bank offers regular fixed deposits and senior citizen fixed deposits. Resident individuals, HUFs, sole proprietorship firms, partnership firms, limited companies and trust accounts can open deposits. The minimum amount that can be deposited is ₹ 1,000. Fixed deposits can be opened for a minimum period of seven days to a maximum of ten years. Interest payment options are monthly, quarterly and at maturity. The rate of interest paid for fixed deposits varies according to tenure and amount and higher interest rates are offered to senior citizens. Premature closure and partial withdrawals are permitted.

Tax Saver Fixed Deposits: The Bank offers regular tax saver fixed deposits and senior citizen tax saver fixed deposits. This is an investment and tax saving tool generating returns over its tenure. The minimum amount that can be deposited is ₹ 1,000 and the maximum amount is ₹ 150,000 in a single financial year. These deposits have a tenure of at least five years. Interest payment options are monthly, quarterly and at maturity. Premature withdrawals and loans against these deposits are not permitted.

Non-Resident Fixed Deposits: The Bank offers non-resident term deposits, currently offered in rupee denominated NRE and NRO fixed deposit variants. These are offered to non-resident Indians, persons of Indian origin and overseas citizens of India. These fixed deposits are in the form of cumulative fixed deposits and traditional fixed deposits with monthly/quarterly pay-out options. The rates offered on non-resident deposits do not exceed the rates for domestic deposits and are determined based on the RBI guidelines. Minimum amount of deposit is ₹ 10,000.

Recurring Deposits: The Bank offers regular recurring deposits and senior citizen recurring deposits. The minimum amount that can be deposited is ₹ 100. Recurring deposits can be opened for a minimum period of six months to a maximum of 10 years. Interest payment is quarterly compounded and paid at maturity. The rate of interest paid for recurring deposits varies according to tenure and amount, and higher interest rates are offered to senior citizens. Premature closure is permitted.

Institutional Products

The Bank also typically funds its operations through deposits (including certificates of deposit), refinance and subordinated

debt at reasonable cost and comfortable Asset and Liability Management (ALM) i.e. having long tenor refinance lines of three to five years. As of March 31, 2020, the Bank had borrowings of ₹ 12,646.15 million, of which 84.54% comprised refinance loans.

Other Products and Services

As of March 31, 2020, the Bank offered a range of third-party products, including (i) distribution of life and general insurance products, (ii) investments through the National Pension Scheme (NPS); (iii) social security schemes such as the Atal Pension Yojana (APY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), and Pradhan Mantri Suraksha Bima Yojana (PMSBY); (iv) bill payment and UPI payment services through our digital platforms and (v) safe deposit locker facilities.

For distribution of life insurance products, the Bank has entered into corporate agency relationships with:

- * HDFC Life Insurance Company Limited
- * Kotak Mahindra Life Insurance Company Limited

For distribution of general insurance products, the Bank has entered into corporate agency relationships with:

- * ICICI Lombard General Insurance Company Limited
- * Kotak Mahindra General Insurance Company Limited

Under these corporate agency agreements, income is generated in the form of referral fees as a % of the new business premium for such insurance products.

The insurance products distributed under life insurance include participating and non-participating, unit-linked insurance plans and protection plans. Under general insurance products, the Bank distributes motor, health, travel, home protection and merchant cover insurance products.

The Bank is licensed by the PFRDA for distribution and facilitation of accounts under the NPS, APY, PMJJBY and PMSBY. The Bank receives commissions for the sale of these products.

Distribution Channels

The Bank carries out its operations through banking outlets including URCS, the BC network, ATMs, PoS terminals, and various digital channels, including internet banking through our website, phone banking through our call centre, and mobile banking through the application. The Bank also focuses on banking through tablets and other devices as alternative delivery channels. As of March 31, 2020, the Bank operated 477 banking outlets across 12 states and Union territories, as well as a network of 14 Asset BC centres.

The Bank typically deploys onsite ATMs and cash recyclers at the banking outlets for the convenience of our customers. A customer can perform cash withdrawal, fast cash services,

mini-statements, balance enquiry, PIN change at our ATMs. The Bank has deployed 26 ATMs as of March 31, 2020

Digital Channels

Internet Banking

The Bank's internet-banking platform is equipped to handle basic remittance services like IMPS, NEFT and RTGS. In addition, we have also extended UPI and bill payment services to aid digital transactions. In FY 2019-20, the total value of transactions carried out through internet banking was ₹ 3.85 billion.

Mobile Application

The Suryoday Mobile Banking application is available in Android and iOS operating systems. In FY 2019-20, transactions carried out through mobile banking amounted to ₹ 4.32 billion.

Phone Banking

The Bank's phone banking facilities provide customers access to reset ATM pins, block debit, and prepaid cards, make inquiries and complaints. Our phone banking operations are carried out by a call centre with multilingual communication capabilities to service customers across the country.

Tab Banking

The Bank offers doorstep banking through our tab-based banking options. Tab-based offerings include account opening, general banking transactions, money transfers, loan application processing and e-KYC based account opening and field transactions. In FY 2019-20, the Bank opened 31,083 accounts through tablet banking.

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

COVID-19 continues to spread across the globe and in India, contributing to a significant decline and volatility in the global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Governments around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and closure of non-essential businesses. By the end of March, the macroeconomic impacts became significant, exhibited by, among other things, a rise in unemployment and market volatility.

Effective March 24, 2020, as per the lockdown guidelines announced by the Government of India, the Bank operated its banking outlets in compliance with the orders in force, and a substantial part of our workforce operated remotely. Additionally, many of the customers, service providers and business correspondents/direct selling agents temporarily ceased operating their respective enterprises. As a result, while financial results for FY 2019-20 reflect historical trends for the most part, we experienced a decline in collections, reduced disbursements

and deposit mobilisation, and increased provisioning in the last week of March 2020 due to the potential impact of COVID-19 and various regulatory measures in response to the pandemic, including moratoriums availed by customers.

The Bank took various measures to ensure continuity of its operations:

- a. As an essential service, the Bank continued to service its customers in all possible ways and focused on optimum customer experience
- b. Emergency response teams monitored the situation, implementing actions in real time
- c. Board and Committee meetings were held through video conferencing
- d. Virtual private networks were implemented, portable devices were made available where needed and Work from home procedures during lockdown were published for all employees

In view of the COVID-19 pandemic, there will be an impact on revenues and possibly on the asset quality of banks, and also increase in NPA at a systemic level and for the Bank. The Bank's immediate focus in FY 2020-21 would be towards maintaining adequate liquidity, conservation of capital and robust credit monitoring. Given the Bank's core operating profitability, liquidity and capital adequacy, the Bank believes it is well-placed to absorb the impact of the challenges in the environment. The Bank would look at further strengthening the balance sheet as opportunities arise. It will closely monitor the evolving scenario and calibrate its business based on the assessment of risk and profitability. The Bank would continue its focus on re-engineering business processes and enhancing customer experience leveraging technology, with added impetus to digital banking amid the constraints on traditional ways of working imposed by the pandemic-related lockdowns.

SEGMENT INFORMATION

The Bank is required to furnish operating results as per reportable segments defined in RBI guidelines applicable for banks and Accounting Standard 17 'Segment Reporting'. Accordingly, the Bank classified its business segments into Treasury, Retail banking, Wholesale banking and Other banking operations. 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. 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, The corporate segment comprises

Management Discussion and Analysis

all advances to companies and statutory bodies, which are not included under Retail banking. Other banking portfolio comprise residual portfolio which cannot be classified into any other business segment.

Inter-segment revenue is based on internally approved yield curve or at an agreed transfer rate on the funding provided by one business segment to another. Transaction cost is levied between segments on cost plus basis.

LOAN PRICING

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

TREASURY DEPARTMENT

The treasury department is located at our corporate office in Mumbai. Treasury manages the interest rate risk and liquidity profile of our balance sheet, including the maintenance of required regulatory reserves and optimisation of profits by trading and taking advantage of arbitrage opportunities. The treasury functions in accordance with the Board-approved policies and RBI guidelines. The Bank has internal control systems to segregate treasury operations into:

- Front office for managing all the dealing operations related to the treasury functions. The team invests or participates in markets and instruments/ products which can be classified as SLR, non-SLR and money market securities.
- Back office for managing the processing, settlement, reconciliation and accounting of dealing transactions. The Bank has a treasury software system to capture, authorise and settle the transactions with minimum manual intervention.
- Mid office to carry out the activities in monitoring the limits for trading activities, covering daily trading limit, exposure limits, credit norms, broker limits, valuation of portfolio, liquidity gap limits, management information system.

CAPITAL ADEQUACY RATIOS

Under the SFB Operating Guidelines, the Bank is required to maintain a minimum capital adequacy of 15% of risk weighted

assets, to be computed as per the Basel II norms prescribed by the RBI, including a minimum Tier I capital of 7.5%. The Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, the Bank is not required to maintain any capital conservation buffer or any counter-cyclical capital buffer.

The Bank's CRAR was 35.03%, and 29.57%, as of March 31, 2019 and 2020, respectively. The Bank's Tier I capital ratio was 33.67% and 28.61% as of March 31, 2019 and 2020, respectively.

COMPLIANCE

The Bank has an independent compliance function which is responsible for monitoring and reporting compliance. This mainly comprises advisories and clarifications on regulatory guidelines, dissemination of regulatory guidelines, monitoring anti-money laundering (AML) alerts, providing views on policies and products from compliance perspective, identifying, assessing, monitoring and mitigating compliance risks, creating a compliance culture in the organisation and providing compliance-related training to employees and reporting. The department ensures that the various functions and activities of the Bank are in tune with the regulatory, statutory guidelines and policies and also aligned to the internal policies and processes.

The compliance team is headed by the Chief Compliance Officer and functions as an independent unit to assist the senior management in the identification of compliance risks.

CORPORATE GOVERNANCE

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

Further, the Corporate Governance Policy of the Bank outlines the broad framework of governance through the Board of Directors and the various Board Committees. The committees deal with specific matters and the terms of reference of each Committee is defined. As at March 31, 2020, there were ten (10) Committees of the Board as enlisted below:

Sr No.	Name of the Committee
1	Audit Committee
2	Risk Management Committee
3	Nomination and Remuneration Committee
4	Stakeholders' Relationship Committee
5	Corporate Social Responsibility Committee

Sr No.	Name of the Committee
6	IT Strategy Committee
7	Customer Service Committee
8	Credit Committee
9	Committee for review of wilful defaulters and monitoring high value frauds.
10	IPO Committee

RISK MANAGEMENT

The key risks we are exposed to include:

- credit risk;
- liquidity risk;
- operational and cash management risk;
- market and interest rate risk;
- information security and cyber risk; and
- reputational risk.

The Bank has an independent risk management team reporting to the Chief Risk Officer. The Bank operates based on our Board-approved risk management and governance policies and manage our risks under the enterprise-wide risk management framework. The Bank has a Risk Management Committee of the Board that is supported by the management-level Risk Management Committees, i.e. Risk Management Committee of Executives (RMCE), Asset Liability Management Committee (ALCO), and Information Security Steering Committee (ISSC). The risk teams primarily focus on independently analysing and providing guidance on managing the risk at regular intervals.

Credit Risk

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. The Bank records losses in our portfolio from defaults that arise due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. The credit risk governance framework ensures that there is segregation of duties across the three lines of defence, i.e. (a) business units, which are responsible for implementing corrective actions to address, process and control deficiencies as they retain accountability for managing the credit risks, (b) credit risk function, that independently manages the risk, provides policy guidance, recommendations, risk reporting and analysis and (c) internal audit unit, which independently assesses the design and operational effectiveness of the entire credit risk management framework.

Liquidity Risk

Liquidity risk could be due to funding risk and market liquidity risk. Funding liquidity risk is that of sustaining a loss due to an inability to obtain required funds and conduct fund management owing to a deterioration of market conditions or

our financial conditions, compelling the Bank to raise funds at a higher rate of interest. Market liquidity risk is the risk that the Bank cannot easily offset or eliminate a position at prevailing market prices because of inadequate market depth or market disruption. The Bank typically maintains adequate liquidity with a buffer to mitigate the risk of unanticipated large premature closure of deposits or to meet any other large unanticipated outflows. As of March 31, 2020 the Bank maintained excess liquidity of ₹ 8,281.10 million in addition to mandatory SLR and CRR requirement and deployed primarily in SLR securities. The Bank undertakes periodic stress testing with various scenarios to determine the liquidity requirements under such conditions. The extent and form of liquidity is periodically set out by the ALCO. Any requirements for enhancing or altering the liquidity profile in relation to institutional/wholesale liabilities/ transactions is carried out by the Investment Committee.

Operational and Cash Management Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. The Risk Management Committee of the Board (RMCB) reviews risk related to people, process and systems and monitors key risk through analysis of causative factors for operational loss events. All operational loss events/incidents are reported to the Risk Management Department by the divisions where they originate, immediately when they occur. The Bank periodically and at least annually reviews products and process notes to set up corresponding control in line with evolving business environments. These are then reviewed by the Product and Process Approval Committee, which comprises heads of all business and functional divisions before they are introduced. For each banking outlet, cash retention limits are defined based on the requirement of cash and customer profile of the outlet.

The primary means to mitigate operational risk include internal controls and internal audit. We have also set up operational risk limits for various processes, based on the measures of operational risk.

Market and Interest Rate Risk

Market risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, and equity prices. The Bank is exposed mainly to interest rate risk and liquidity risk. While the Bank does not have any exposure to equity or equity related instruments, any significant impact on the global capital markets can affect us through other markets. Interest rate risk is the exposure of our financial conditions to adverse movements in interest rates.

In order to manage the interest rate risk, most of the interest rates on advances as well as liabilities are fixed in nature and not subject to market-related resets, to contain any adverse

Management Discussion and Analysis

effects. In addition, a majority of our advances are for medium-term tenures with monthly repayments in order to limit the period of impact, if any. A significant portion of the Bank's investments are in SLR securities/sovereign backed securities and are therefore exposed to limited credit risk. The non-SLR portfolio comprises short-term discounted instruments of highly rated banks and financial intermediaries. To minimise the risk of significant impact in mark-to-market valuations, the treasury follows a low duration strategy wherein the impact of volatility in interest rates is minimised.

Information Security and Cyber Risk

Cyber risk refers to any risk of financial loss, disruption or damage to the reputation of an organisation resulting from the failure of its information technology systems. Cyber risk could materialise in several ways, including deliberate and unauthorised breaches of security to gain access to information systems; unintentional or accidental breaches of security; operational IT risks due to factors such as poor system integrity; and intentional or unintentional actions by employees/personnel or third-party vendors.

The measures adopted to ensure the security and integrity of our data and IT systems include constant monitoring through our 'Security Operations Centre', protection from malware attacks, data loss prevention, disaster recovery centre, firewalls, data encryption, multi-factor authentication, secured emailing systems, secured networks, usage of virtual private networks, change management processes, regular information security audits, application security testing, vulnerability assessments, penetration testing, cyber-security training for employees and vendors. The Information Security Steering Committee, which meets at regular intervals, reviews our preparedness to handle information security and cyber security and reports to the Risk Management Committee of the Board.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of the Bank by our customers, counterparties, investors or regulators. This is particularly relevant as business involves ensuring customers that the Bank is credible and can offer basic, secure services expected by the customers. This risk typically follows once other risks materialise. It compounds the effect of other risks, such as strategy, fraud and regulatory risks.

RISK MANAGEMENT ARCHITECTURE

Risk management is fundamental to our operations and is critical to ensure sustained profitability and stability. The Bank has an independent integrated risk management function to identify, measure, monitor and manage credit, market and operational risks, including information security risk.

We have an established Risk Management Framework to ensure that our risk management operations are independent of our

business operations, through various policies and procedures. Set out below is a description of the functions of each of these components/committees:

The Board of Directors: The Board is ultimately responsible for our risk management framework. The Board is principally responsible for approving our risk mitigation posture, risk tolerance and related strategies and policies. The key responsibilities of the Board include providing adequate guidance and supervision for decisions taken by the Risk Management Committee of the Board (RMCB).

Risk Management Committee of the Board (RMCB): The RMCB is responsible for oversight and review of risk management in the Bank. The key responsibilities of RMCB include (i) approving/making recommendations to the Board for its review and approval of the policies, strategies and associated frameworks for the management of risk (ii) ensuring appropriate risk organisation structure and the independence of risk management functions (iii) ensuring compliance with the extant internal policy guidelines and also regulatory guidelines (iv) monitoring and reviewing capital adequacy computation with an understanding of methodology, systems and data (v) approving the stress testing results/analysis and monitoring the action plans and corrective measures periodically.

In addition, the RMCB has the additional responsibility of managing credit risk:

Asset Liability Management Committee (ALCO): ALCO is a committee comprising members from senior management. Its primary responsibility is to review and ensure compliance with policies, frameworks, internal limits and regulatory limits. ALCO also regularly reviews the asset-liability position of the Bank.

Risk Management Committee of the Executives (RMCE): RMCE is also a committee comprising senior management and is responsible for overseeing implementation of the credit and operational risk management framework. It ensures implementation of the credit risk management policy and operational risk management policy that is approved by the Board.

Management Information Security Steering Committee (MISC): MISC comprises senior management and is responsible for approving and monitoring major information security projects and establishing information security priorities. It also approves standards and procedures, reviews positions of security incidents and the status of information security awareness programmes.

STRONG CUSTOMER SERVICE

Customer service is at the heart of the Bank's operations. The Bank constantly strives to launch innovative and unique product and service offerings, backed by strong client insights and

analytics. It aims to differentiate its offerings through its value-added services.

The Bank has begun its work on differentiated customer experience transformation with various digital initiatives, door-step services and paperless loan processing for micro finance customers with a quick turnaround time. Further, the Bank is in the process of digitising loan processing for non-micro finance products such as housing loans, CV-OD and Micro Business Loans. The Bank relentlessly works towards creating the best customer experience by continuously working to build trust with customers and focus on establishing long-term relationships with clients.

HUMAN RESOURCES

The Bank believes that the key to excellent business results is an excellent talent pool. It values its human capital and provides ample growth opportunities. A safe, conducive and productive work environment is maintained across branches. Regular skill and personnel development training is provided to the employees to enhance productivity and effectiveness. HR policies nurture a work culture that leads to employee satisfaction, unflagging motivation, and a reduced attrition rate. Employees have a sense of belonging and feel empowered in driving business profitability.

Training and Development

The Bank has a separate learning and development department responsible for providing trainings to various business and support functions of the Bank. Equipped with experienced professionals, the department provides continuous training on various regulatory developments, implementation of new systems, new processes and policies across the Bank. The Bank has launched online training modules and application during FY 2018-19 and FY 2019-20 for on ground benefit to the employees.

Performance Improvement

The Bank cares for its underperformers while providing continuous guidance to them to improve their performance. The HR department provides incentives to performers in the business segment to motivate and execute quality deliverables along with control over performance parameters.

INFORMATION TECHNOLOGY

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

The Bank's major functions, including customer experience, digital transaction processing, enterprise accounting, expense management, human resources, process management, risk management, and governance are also supported by various

technology platforms. With the use of technology, the Bank has created a paperless onboarding process for originating micro banking loans and opening bank accounts. The Bank manages various stages of customers' banking transactions, from onboarding to customer management, through its various technology platforms. It has also introduced handheld devices for field employees, and applications are enabled for these employees to conduct the activities through such devices.

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

CORPORATE SOCIAL RESPONSIBILITY

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

MIGRATION TO INDIAN ACCOUNTING STANDARDS (IND AS)

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for the implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to our Bank. The roadmap requires institutions to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial information for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks (except regional rural banks) to comply with Ind AS for accounting periods beginning from April 1, 2018 onwards, with comparatives for periods ending March 31, 2018 or thereafter. It also required such entities to prepare to submit proforma Ind AS financial statements to the RBI from the six months ended September 30, 2016. Further, the RBI on October 13, 2017 advised SFBs to be prepared for implementation of the Ind AS accounting standards and instructed SFBs to submit proforma

Management Discussion and Analysis

financial statements under Ind AS on a quarterly basis from the quarter ended June 30, 2017, in the format prescribed by them. In compliance with such regulatory requirements, we commenced submitting proforma Ind AS financial statements for the quarter ended June 30, 2017. However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including the Bank, are not permitted to undertake early adoption of Ind AS. Accordingly, the Bank continues to prepare and present our financial statements under Indian GAAP.

CREDIT RATING

The Bank has a credit rating of 'A' (stable) by ICRA rating agency for its outstanding issuances of Non-Convertible Debentures and Subordinated Debt, which was reaffirmed in March 2020. CRISIL rating agency has assigned a rating of 'A1+' in November 2019 and ICRA reaffirmed the rating of 'A1+' in March 2020 for the Bank's Certificate of Deposit programme.

INTERNAL CONTROLS

Internal controls ensure that superior compliance standards are followed at all levels with strict adherence to operating guidelines for SFBs. The Bank's independent compliance function is mainly responsible for monitoring highest level of compliance and reporting, and also to provide employee training and necessary guidance on various policies, and updating management on new compliance requirements. An independent internal audit function periodically reports to the Audit Committee of the Board. The function closely monitors the

quality and effectiveness of internal control, risk management, governance system and process. Any deviation from standard is immediately brought to the notice of the committee for prompt remedial action. The Bank has appointed an independent reputed Chartered Accountant firm to carry out testing of internal control framework and controls. The firm has tested controls for the last two financial years with satisfactory results.

CAUTIONARY STATEMENT

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

FINANCIAL REVIEW

The following table sets forth certain information with respect to our results of operations for FY 2018-19 and FY 2019-20:

Particulars	Fiscal 2019		Fiscal 2020	
	(₹ million)	% of total income	(₹ million)	% of total income
Income				
Interest earned	5,301.08	88.79	7,666.84	89.76
Other income	669.22	11.21	874.54	10.24
Total	5,970.30	100.00	8,541.38	100.00
Expenditure				
Interest expended	1,912.92	32.04	2,761.82	32.33
Operating expenses	1,935.30	32.42	2,721.21	31.86
Provisions and contingencies	1,256.10	21.04	1,948.99	22.82
Total	5,104.32	85.50	7,432.02	87.01
Profit				
Net profit for the year	865.98	14.50	1,109.36	12.99

INCOME

Total income increased by 43.06% from ₹ 5,970.29 million in FY 2018-19 to ₹ 8,541.38 million in FY 2019-20 primarily due to an increase in interest earned due to the reasons discussed below.

INTEREST EARNED

Interest earned increased by 44.63% from ₹ 5,301.08 million in FY 2018-19 to ₹ 7,666.84 million in FY 2019-20, primarily due to an increase in interest/ discount on advances/ bills by 42.37% from ₹ 4,932.90 million in FY 2018-19 to ₹ 7,022.74 million in FY 2019-20 on account of an increase in advances. Gross Loan Portfolio increased by 24.93% from ₹ 29,704.42 million in FY 2018-19 to ₹ 37,108.42 million in FY 2019-20 on account of an increase in Inclusive Finance business with addition of new branches and relatively higher business in other loan products.

Income on investments also increased by 56.72% from ₹ 337.23 million in FY 2018-19 to ₹ 528.51 million in FY 2019-20, as a result of increase in investment to meet SLR requirements and maintain surplus liquidity invested in SLR and non-SLR securities as part of risk management. Interest on balances with the RBI and other inter-bank funds increased significantly from ₹ 29.26 million in FY 2018-19 to ₹ 113.26 million in FY 2019-20 due to an increase in lending in inter-bank money market instruments, such as, call/notice/term money and reverse repo, included under liquidity adjustment facility (LAF).

The components of other income for FY 2018-19 and FY 2019-20 are as follows:

Particulars	Fiscal	
	2019	2020
	(₹ million)	
Commission, exchange and brokerage	448.13	492.28
Profit on sale of investments (net)	39.78	71.04
Profit/(Loss) on sale of fixed assets (net)	0.08	0.19
Miscellaneous income	181.23	311.02
Total	669.22	874.53

Recurring income includes (i) commission, exchange and brokerage; (ii) profit on sale of investments (net); (iii) profit/ (loss) on sale of fixed assets (net); and (iv) miscellaneous income.

EXPENDITURE

Total expenditure increased by 45.60% from ₹ 5104.32 million in FY 2018-19 to ₹ 7,432.02 million in FY 2019-20 on account of an increase in interest expended, operating expenses and provisions and contingencies.

INTEREST EXPENDED

Interest expended increased by 44.38% from ₹ 1,912.92 million in FY 2018-19 to ₹ 2,761.82 million in FY 2019-20, primarily due to a significant increase in interest on deposits from ₹ 829.14 million in FY 2018-19 to ₹ 1,818.30 million in FY 2019-20 on account of increase in deposits.

OTHER INCOME

Other income increased by 30.68% from ₹ 669.22 million in FY 2018-19 to ₹ 874.54 million in FY 2019-20, primarily due to increase in commission, exchange and brokerage income, profit on sale of investments (net) and miscellaneous income.

Commission, exchange and brokerage increased by 9.85% from ₹ 448.13 million in FY 2018-19 to ₹ 492.28 million in FY 2019-20 on account of the relatively higher processing fee due to higher disbursements in FY 2019-20 compared that in the previous year.. Further, profit on sale of investments (net) increased by 78.58% from ₹ 39.78 million in FY 2018-19 to ₹ 71.04 million in FY 2019-20 due to relatively higher trading activities on account of declining government security yields and higher investment in liquid mutual funds.

Miscellaneous income, primarily comprising income from sale of priority sector lending certificates (PSLC) and recovery from written accounts, increased by 71.62% from ₹ 181.23 million in FY 2018-19 to ₹ 311.02 million in FY 2019-20. Income from sale of PSLC increased by 65.48% from ₹ 168.96 million in FY 2018-19 to ₹ 279.60 million in FY 2019-20 due to higher PSL achievement by the Bank, the corresponding sale of PSL certificate by the Bank, and recovery from written off accounts increased from ₹ 10.66 million in FY 2018-19 to ₹ 28.98 million in FY 2019-20.

Deposits increased by 78.78% from ₹ 15,934.25 million in FY 2018-19 to ₹ 28,487.15 million in FY 2019-20 on account of addition in new banking outlets and new customer acquisitions. This was partially offset by a decrease in interest on RBI/ inter-bank borrowings, which decreased by 65.94% from ₹ 163.16 million in FY 2018-19 to ₹ 55.57 million in FY 2019-20 on account of decrease in inter bank borrowings and borrowings from the RBI.

Other interest also marginally decreased by 3.55% from ₹ 920.62 million in FY 2018-19 to ₹ 887.95 million in FY 2019-20 due to repayment of certain grandfathered borrowings, which refer to the borrowings undertaken prior to conversion as an SFB and lower interest cost of new borrowings.

Management Discussion and Analysis

OPERATING EXPENSES

Operating expenses increased by 40.61% from ₹ 1,935.30 million in FY 2018-19 to ₹ 2,721.21 million in FY 2019-20 primarily due to an increase in payments to and provisions for employees from ₹ 1,266.74 million in FY 2018-19 to ₹ 1,713.65 million in FY 2019-20 on account of the increase in the number of employees from 3,931 employees as of March 31, 2019 to 4,695 employees as of March 31, 2020.

Rent, taxes and lighting increased by 78.79% from ₹ 124.30 million in FY 2018-19 to ₹ 222.23 million in the latest fiscal year, primarily due to an increase in the number of banking outlets from 382 as of March 31, 2019 to 477 as March 31, 2020.

There was also an increase in advertisement and publicity expenses by 90.97% from ₹ 24.00 million in FY 2018-19 to ₹ 45.84 million in FY 2019-20 primarily due to increase in brand awareness campaigns.

Depreciation on the Bank's property increased by 74.90% from ₹ 55.94 million in FY 2018-19 to ₹ 97.84 million in FY 2019-20.

Repairs and maintenance expenses also increased by 32.89% from ₹ 170.49 million in FY 2018-19 to ₹ 226.56 million in FY 2019-20 due to increase in expenditure towards our core banking solutions, and upgradation of information technology.

In addition, other expenditure, primarily comprising professional fees, increased significantly by 49.85% from ₹ 188.66 million in FY 2018-19 to ₹ 282.70 million in FY 2019-20 on account of the increase in payment to outsourced vendors, including payments for increased volume, increase in payment to credit bureaus, fees for white label ATMs and commission to business correspondents.

PROVISIONS AND CONTINGENCIES

Provisions and contingencies increased by 55.16% to ₹ 1,948.99 million in FY 2019-20 from ₹ 1,256.10 million the previous year primarily due to a significant increase in other provisions to ₹ 872.62 million in FY 2019-20 from ₹ 292.16 million in the previous year.

Other provisions primarily increased on account of contingency provision created due to the uncertain and volatile market environment as a result of COVID-19 and additional provisions created in accordance with the minimum provision required by the RBI guidelines relating to the COVID-19 regulatory package.

Provision for non-performing assets/write-offs (net) also increased by 63.48% to ₹ 125.01 million in FY 2019-20 from ₹ 76.46 million in the previous year. as a result of increase in slippages in micro banking (JLG) portfolio on account of natural calamities and increase in slippages in the commercial vehicle portfolio and unsecured MSME portfolio due to increase in market delinquency and the deteriorating economic environment. Subsequently, our Bank has also reduced focus on unsecured MSME portfolio in FY 2019-20.

In addition, write-off on advances increased by 42.68% from ₹ 335.62 million in FY 2018-19 to ₹ 478.87 million in FY 2019-20 predominantly in the unsecured MSME portfolio and micro banking (JLG) portfolio. Further, these increases were partially offset by a decrease in income tax by 16.89% from ₹ 517.81 million in FY 2018-19 to ₹ 430.37 million in FY 2019-20 as a result of lower tax rate as per the Taxation Laws (Amendment) Ordinance, 2019, issued by the Ministry of Finance on September 20, 2019.

NET PROFIT

For the reasons discussed above, Net Profit for the year was ₹ 1,109.36 million in FY 2019-20 as compared ₹ 865.98 million in FY 2018-19.

BALANCE SHEET**Assets**

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

As of March 31 (₹ million)	2019	2020
Cash and Balances with Reserve Bank of India	483.04	605.28
Balance with banks and money at call and short notice	2,280.58	7,770.71
Investments	6,643.93	8,081.98
Advances	26,795.84	35,319.45
Fixed assets	189.76	387.30
Other assets	1,221.50	1,480.52
Total	37,614.64	53,645.22

Total assets increased by 42.62% from ₹ 37,614.64 million as of March 31, 2019 to ₹ 53,645.22 million as of March 31, 2020. This increase was primarily due to an increase in advances by 31.81% from ₹ 26,795.84 million as of March 31, 2019 to ₹ 35,319.45 million as of March 31, 2020.

Advances

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

As of March 31 (₹ million)	2019	2020
Cash credits, overdrafts and loans repayable on demand	119.89	559.68
Term loans	34,759.76	34,759.76
Total	34,879.65	35,319.45
Secured by tangible assets	4,201.34	7,949.37
Unsecured	22,594.50	27,370.08
Total	26,795.84	35,319.45
Priority sector	3,736.16	6,857.11
Banks	0.00	113.50
Others	23,059.68	28,348.83
Total	26,795.84	35,319.45

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

Total advances increased by 31.81% from ₹ 26,795.84 million as of March 31, 2019 to ₹ 35,319.45 million as of March 31, 2020, primarily due to increase in disbursements on account of improved productivity, opening of new banking outlets and increase in focus on customer acquisition.

INVESTMENTS

Investments mainly represent investments in government securities. Investments increased by 21.64% from ₹ 6,643.93 million as of March 31, 2019 to ₹ 8,081.98 million as of March 31, 2020, primarily due to an increase in investment in Government securities to meet SLR requirements and maintain surplus liquidity maintained in SLR and non-SLR securities as part of risk management.

Investment in government securities increased by 47.05% from ₹ 4,659.50 million as of March 31, 2019 to ₹ 6,851.99 million as of March 31, 2020.

primarily due to an increase in investment in government securities to meet SLR requirements and maintain surplus liquidity in SLR and non-SLR securities as part of risk management.

BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

Balances with banks and money at call and short notice increased by 240.73% from ₹ 2,280.58 million as of March 31, 2019 to ₹ 7,770.71 million as of March 31, 2020. The increase as of March 31, 2020 was primarily driven by an increase in money at call and short notice with banks which increased from ₹ 2,029.92 million as of March 31, 2019 to ₹ 7,590.00 million as

of March 31, 2020 primarily due to surplus liquidity deployed in inter-bank money market instruments, such as, call/ notice/ term money and reverse repo, including under LAF.

OTHER ASSETS

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

Other assets increased by 21.20% from ₹ 1,221.50 million as of March 31, 2019 to ₹ 1,480.52 million as of March 31, 2020. The increase as of March 31, 2020 was primarily driven by an increase in interest accrued by 33.49% from ₹ 424.70 million as of March 31, 2019 to ₹ 566.95 million as of March 31, 2020 on account of increased gross loan portfolio. Deferred tax assets (net) also increased by 79.98% from ₹ 237.19 million as of March 31, 2019 to ₹ 426.90 million as of March 31, 2020.

CAPITAL AND LIABILITIES

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

As of March 31 (₹ million)	2019	2020
Capital	815.82	865.94
Reserves & Surplus	7,990.47	9,796.36
Deposits	15,934.25	28,487.14
Borrowings	11,242.28	12,646.16
Other liabilities & provisions	1,631.82	1,849.63
Total	37,614.64	53,645.22

Total capital and liabilities increased by 42.62% from ₹ 37,614.64 million as of March 31, 2019 to ₹ 53,645.22 million as of March 31, 2020 primarily due to increase in deposits and net worth (comprising capital, reserves and surplus).

DEPOSITS

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

Deposits increased by 78.78% from ₹ 15,934.25 million as of March 31, 2019 to ₹ 28,487.15 million as of March 31, 2020, mainly due to increase in our network of banking outlets. The Bank's retail deposit forms 54% of total deposits, including CASA which forms 11% of the total deposits. Over 94% of bulk deposits are non-callable in nature, showing stable liquidity. Number of depositors increased from 25,558 in March 2019 to 95,683 March 2020 out of which 21,508 customers in March 2019 and 58,877 customers in March 2020 were only depositors (not having any loans with the bank). Average balance in current account, savings account and retail term deposits is ₹ 1,37,105, ₹ 43,464 and ₹ 1,93,586 as at March 2020 compared to ₹ 2,53,512, ₹ 65,330 and ₹ 2,36,433 as at March 2019.

Management Discussion and Analysis

BORROWINGS

Borrowings primarily comprise borrowings from the RBI, refinance from financial institutions such as National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI), Tier 2 capital in the form of unsecured redeemable debentures and term loans, and non-convertible debentures.

Borrowings increased by 12.49% from ₹ 11,242.28 million as of March 31, 2019 to ₹ 12,646.16 million as of March 31, 2020, primarily attributable to an increase in borrowings from refinance agencies from ₹ 10,003.50 million as of March 31, 2019 to ₹ 10,690.50 million as of March 31, 2020.

OTHER LIABILITIES AND PROVISIONS

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

Other liabilities and provisions increased by 13.35% from ₹ 1,631.82 million as of March 31, 2019 to ₹ 1,849.63 million as of March 31, 2020, primarily due to an increase in (i) other liabilities (including provisions) by 21.33% from ₹ 1,206.13 million as of March 31, 2019 to ₹ 1,463.41 million as of March 31, 2020; and (ii) contingent provisions against standard assets by 57.10% from ₹ 73.75 million as of March 31, 2019 to ₹ 115.86 million as of March 31, 2020.

The Bank increased floating provision on standard JLG portfolio from 1.5% to 2% in March 2020 and carries floating provision of ₹ 532.18 million as at 31 March 2020 compared to ₹ 323.15 million as at 31 March 2019. The COVID-19 provision of ₹ 659.91 million was made in March 2020. This was partially offset by a decrease in interest accrued by 32.95% from ₹ 328.51 million as of March 31, 2019 to ₹ 220.28 million as of March 31, 2020.

Product wise summary

	As of March 31,			
	2019		2020	
	(₹ million)	% of total	(₹ million)	% of total
Inclusive Finance (JLGs)	24,191.24	81.4	28,147.75	75.9
Commercial Vehicle Loans	2,185.14	7.4	3,705.49	10.0
Affordable Housing Loans	796.76	2.7	1,811.84	4.9
Secured Business Loans	675.34	2.3	1,062.51	2.9
Micro Business Loans (T-Nagar)	273.12	0.9	428.13	1.2
MSME/SME Loans	966.79	3.3	375.05	1.0
Financial Intermediary Group (FIG) Loans	484.43	1.6	1,004.88	2.7
Others*	131.60	0.4	572.75	1.5
Gross Loan Portfolio	29,704.42	100.0	37,108.42	100.0

Disbursements	2019	2020
	(₹ million)	(₹ million)
Micro Banking (JLGs)	2,385.12	2,560.60
Commercial Vehicle Loans	231.16	225.91
Affordable Housing Loans	60.95	114.68
Micro Business Loans (T-Nagar)	28.25	37.82
Unsecured MSME/SME	53.64	7.34
Secured Business Loans	40.41	55.07
Financial Intermediary Group Loans	56.50	89.04
Total Disbursements	2,856.03	3,090.47

Details of Gross portfolio, Gross Non-performing assets (NPAs), Net NPAs and Provision:

March, 2020	figures in ₹ crore						
	Gross Advances	GNPA	Provision	NNPA	GNPA % (without tech write-off)	NNPA%	PCR% ³
Total	3,626.4	101.3	80.9	20.4	2.8%	0.6%	84.7%

FIXED ASSETS

Network expansion during FY 2019-20 led to an increase in fixed assets deployment across regions. The Bank opened 95 new banking outlets during the year. It generally follows an asset light model for its branches with limited size operation and IT equipment through operating lease from financing institutions.

OTHER ASSETS

Other assets comprise interest accrued on advances, interest accrued on investments, advance tax, deferred tax, security deposits for branches etc.

Corporate Governance Report

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

CORPORATE GOVERNANCE FRAMEWORK

The Corporate Governance Policy of the Bank outlines the broad framework of governance through the Board of Directors and the various Board Committees.

While the Board directs, supervises and controls the management of the Bank and is responsible for the business including formulating the overall strategy and ensuring implementation thereof, formulation of policies and evaluation of performance of the Bank and the Board, the Board Committees are constituted to deal with specific matters/ activities as per the extant applicable Regulations and the terms of reference of each Committee is defined.

The Board has adopted a Code of Conduct for the Directors and senior management personnel ensuring adherence by submission of annual declaration in this regard. Further, the Independent Directors also submit their annual declarations regarding criteria of Independence.

1. BOARD OF DIRECTORS:

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949, the Operating Guidelines issued by the Reserve Bank of India (RBI) for small finance banks and all other applicable laws, as amended from time to time. The Bank's Board comprises of nine Directors with a majority of Independent Directors as per the extant RBI guidelines.

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

The brief profile of the Directors as at March 31, 2020 is given below:

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

Mr. R. Ramachandran is Part-time Chairperson wef March 19, 2020 and Independent Director of the Bank wef September 24, 2015. He holds Master's degree in science and a Post graduate diploma in financial management from

the University of Madras. He has over 38 years' experience in commercial banking and finance. He was associated with Indian Bank as General Manager, Andhra Bank as its Chairperson and Managing Director, Syndicate Bank as Executive Director and Small Industries Development Bank of India as a Director.

2. Mr. Mrutunjay Sahoo

Mr. Mrutunjay Sahoo is an Independent Director of our Bank wef September 22, 2016. He is a retired IAS Officer (Andhra Cadre). He has over 35 years of experience in various positions viz. Special Chief Secretary to the Government of Andhra Pradesh and as a Nominee Director of the Government of India in various Navratna and Miniratna public sector undertakings. During his tenure in the Government he has been associated with several agriculture and micro, small and medium enterprises.

3. Mr. Jyotin Mehta

Mr. Jyotin Mehta is an Independent Director of the Bank wef August 31, 2017 is a fellow member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Cost and Works Accountants of India. He has over 30 years of experience in corporate laws during which he has held positions as Chief Internal Auditor in Voltas Limited, General Manager and Company Secretary in ICICI Bank Limited, Senior General Manager in 3i Infotech Limited, Vice-President - Finance and Company Secretary in Bharat Shell Limited, and in the Finance department in NOCIL Limited.

4. Mrs. Meena Hemchandra

Mrs. Meena Hemchandra is an Independent Director of the Bank wef December 15, 2018. She holds a Master's degree in Arts from Madurai Kamaraj University and a Certified Associate of the Indian Institute of Bankers. She has undertaken the RMA-Wharton Advanced Risk Management Program organised by the Risk Management Association, Philadelphia. She has over 35 years of experience in banking and finance and was associated with RBI as an Executive Director. She was also the first Chairperson of the Inter-disciplinary Standing Committee on Cyber Security established by RBI.

5. Mr. John Arunkumar Diaz

Mr. Diaz is an Independent Director of the Bank wef December 16, 2019. He holds a Bachelor's degree in Science from University of Madras and a Post-graduate Diploma in Business Management from Xavier Labour Relations Institute, Jamshedpur. He has over 28 years of experience in Standard Chartered Bank having been based in India and overseas and over 18 years of experience as a consultant in banking services for several international

banks in Indonesia, Thailand and Mauritius. He is also designated as a Credit professional by the Standard Chartered Bank.

6. Mr. Venkatesh Natarajan

Mr. Venkatesh Natarajan is an Investor Director of the Bank wef March 29, 2017. He holds a Bachelor's degree in Electronics and Instrumentation Engineering from Annamalai University, a Master's degree in Engineering from Arizona State University and a Master's degree in Business Administration from The Graduate School of several Management, Cornell University. He has several years of experience in banking and finance, and venture capital. He also co-founded Lok Capital in 2004 and is currently a Managing partner at Lok Advisory Services.

7. Mr. Ranjit Shah

Mr. Ranjit Shah is an Investor Director of the Bank wef November 2, 2018. He holds a Bachelor's degree in Electrical Engineering from Indian Institute of Technology, Bombay and a master's degree in business administration from the Ross School of Business, University of Michigan. He has several years of experience in consulting, financial service and technology before co-founding Gaja Capital, a private equity firm in 2005. He is currently the Managing partner of the firm.

8. Mr. Aleem Remtula

Mr. Aleem Remtula is an Investor Director of the Bank wef December 15, 2018. He holds a Bachelor's degree in Economics and Finance from Princeton University and a Master's degree in Business Administration from Harvard Business School. He has over 15 years of experience in venture capital and private-equity funds in the United States of America and Europe. Currently, he is associated with Developing World Markets, an American impact investment manager as a partner, managing the firm's private equity group and its investments globally.

9. Mr. Baskar Babu Ramachandran

Mr. Baskar Babu Ramachandran is the Managing Director and Chief Executive Officer of the Bank wef January 23, 2017. He promoted Suryoday Micro Finance Pvt Ltd. in 2008 and has been the Managing Director of the Company which got converted into the Bank in January 2017. He holds a Bachelor's degree in Mechanical Engineering from the University of Madras and a Master's degree in Business Administration from Pondicherry University. He has had over 21 years of experience in the banking and financial sector prior to co-founding Suryoday.

MEETINGS OF THE BOARD

During the year under review, seven (7) Board Meetings were held i.e. on May 29, 2019, July 31, 2019, November 7, 2019, December 16, 2019, January 22, 2020, February 7, 2020 and March 30, 2020. The gap between any two meetings did not exceeded one hundred and twenty days.

The details of attendance of directors at the Board meetings held during the year 2019-20, are given below:

Name of the Director	No. of meetings held during their tenure in FY 2019-20	No. of meetings attended
Mr. R. Ramachandran	7	7
Mr. Mrutunjay Sahoo	7	6
Mr. Jyotin Mehta	7	7
Mrs. Meena Hemchandra	7	7
Mr. John Arunkumar Diaz (wef December 16, 2019)	3	3
Mr. Venkatesh Natarajan	7	4
Mr. Ranjit Shah	7	5
Mr. Aleem Remtula	7	5
Mr. Baskar Babu Ramachandran	7	7
Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	5	5

Out of the aforesaid Directors, Mr. Jyotin Mehta (Chairman of the Audit Committee) and Mr. Baskar Babu Ramachandran (MD & CEO) attended the Annual General Meeting of the Bank held on September 26, 2019.

2. COMMITTEES OF THE BOARD

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

As at March 31, 2020, there were ten (10) Committees of the Board as enlisted below:

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

Corporate Governance Report

1. Audit Committee

The Audit Committee was constituted on March 27, 2017 and was last reconstituted on April 1, 2020. As at March 31, 2020, the Audit Committee comprised of the following Directors (with majority of Independent Directors):

Sr. No.	Name of the Committee	Designation
1	Mr. Jyotin Mehta	Chairperson
2	Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	Member
3	Mr. R. Ramachandran	Member
4	Mrs. Meena Hemchandra	Member
5	Mr. Ranjit Shah	Member
6	Mr. Aleem Remtula	Member
7	Mr. John Arunkumar Diaz (wef February 1, 2020)	Member

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

The scope and functions of the Audit Committee are governed by the Board- approved Audit Committee Charter which is drawn up in line with the requirements of the relevant provisions of the Companies Act, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 and the RBI guidelines in this regard.

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

- (i) Review the annual financial statements and auditors' report with the management with particular reference to the following:
 - a. Matters to be included in the directors' responsibility statement;
 - b. Change in the accounting policies and practices, if any, with reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal and regulatory requirements relating to financial statements;
 - f. Disclosure of related party transactions;

g. Modified opinions in the draft audit report.

- (ii) Review the accounting policies and practices and financial reporting process from time to time and review the Bank's internal financial controls with respect to financial statements.
- (iii) Approve internal audit plans, monitor the reporting of issues identified by internal auditors to the management, review the internal audit reports and effectiveness of the internal audit function and ensure that corrective actions are being taken in a timely manner.
- (iv) Ensure that any concerns if any raised by the statutory auditors are addressed by the management, bring unaddressed concerns to the notice of the management, review management letter(s) and other submissions by the statutory auditors and management response to the findings and recommendations of the statutory auditors and study the issues raised by statutory auditors and raise appropriate flags to the management in case of repeated issues.
- (v) Recommend appointment of Statutory Auditors and Secretarial Auditors and review their performance.
- (vi) Review effectiveness of compliance monitoring systems, and review observations, if any, of the regulatory authorities with respect to compliance.
- (vii) Review matters related to transactions with related parties and valuation of shares and other properties.
- (viii) Review the vigilance mechanism in the Bank and its implementation.
- (ix) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance,
- (x) With respect to Inspection reports of the Inspecting team of Reserve Bank of India or any other regulator, approve action plans for corrective actions to be taken and monitor compliance thereof,

Meetings of the Audit Committee:

During the year under review, the Committee met Eight (8) times on May 28, 2019, June 27, 2019, July 30, 2019, November 6, 2019, December 16, 2019, February 6, 2020, March 26, 2020 and March 30, 2020.

The details of the meetings of the Audit Committee attended by the members during the year 2019-20 are given below:

Name of the Director and designation	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Jyotin Mehta, Chairperson	8	8
Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	5	4
Mr. R. Ramachandran, Member	8	8
Mrs. Meena Hemchandra, Member	8	8
Mr. Ranjit Shah, Member	8	7
Mr. Aleem Remtula, Member	8	6
Mr. John Arunkumar Diaz (wef February 1, 2020)	3	3

2. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee (NRC) was constituted on March 27, 2017 as per the provisions of Section 178 of the Companies Act, 2013 and the RBI Directions, and reconstituted on February 1, 2020. The NRC comprises of the following Directors with majority of Independent directors:

Sr. No.	Name of the Committee	Designation
1	Mr. Mrutunjay Sahoo	Chairperson
2	Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	Member
3	Mr. Jyotin Mehta	Member
4	Mr. Venkatesh Natarajan	Member
5	Mr. Ranjit Shah	Member
6	Mr. John Arunkumar Diaz (wef February 1, 2020)	Member

As on March 31, 2020, the terms of the reference of NRC included formulating the policy setting out the criteria for determining qualifications, positive attributes and independence of a Director, identifying persons who are qualified to become Directors, ensuring 'fit and proper' status of proposed Directors and recommend their appointment to the Board, reviewing and recommend policies relating to appointment and remuneration for Directors, Key Managerial Personnel and other senior employees, specifying the manner for effective evaluation of performance of Board, its Committees and individual directors and reviewing the ESOP Scheme, approving ESOP grants and overseeing the implementation of the ESOP Scheme.

During the year under review, the Committee met six (6) times on May 29, 2019, July 30, 2019, November 7, 2019, December 16, 2019, January 22, 2020 and March 26, 2020.

The details of the meetings of the NRC attended by the Members during the year 2019-20 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Mrutunjay Sahoo	6	5
Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	5	5
Mr. Jyotin Mehta	6	6
Mr. Venkatesh Natarajan	6	2
Mr. Ranjit Shah	6	5
Mr. John Arunkumar Diaz (wef February 1, 2020)	1	1

Remuneration Policy:

The Board has, in accordance with the provisions of sub-section (3) of Section 178 of the Companies Act, 2013, formulated the policy on appointment and remuneration of directors, key managerial personnel and senior management employees. This Policy seeks to formulate criteria for determining qualifications, attributes and independence of a Director, formulation of comprehensive Compensation policy and instituting a mechanism for alignment of compensation of Whole-time directors, Chief Executive Officer, risk takers and other senior managerial personnel with the extent of risks taken. The Policy also establishes standards on compensation including fixed and variable, which are in alignment with the applicable rules and regulations including the RBI guidelines in this regard and which is based on the trends and practices of remuneration prevailing in the banking industry.

(i) Remuneration paid to Executive Director:

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

Details of remuneration paid to the MD & CEO in FY 2019-20:

Name of the Director	Salary (including allowances) & performance incentive for the previous year. (₹ in lakh)	Contribution to Provident fund (₹)[in lakh]	Perquisites in cash or kind (₹) [in lakh]
Mr. Baskar Babu Ramachandran	154.99	6.24	0

Mr. Baskar Babu Ramachandran holds 92,03,578 Equity shares in the Bank as on March 31, 2020. No stock options have been granted to him.

Corporate Governance Report

(ii) Remuneration to Non- Executive Directors:

All the non-executive directors including the independent directors and the Chairperson receive sitting fees for each meeting of the Board and its various committees. No stock options are granted to any of the Non-executive directors.

Details of sitting fees paid to Non-Executive Directors during the year 2019-20 are given below:

Name of the Director	Sitting fees paid for Meetings attended (₹ in lakh)	Total no. of Shares held in the Bank as on March 31, 2020
(Mrs) Sheela Bhide (upto January 22, 2020)	5.30	Nil
Mr. R. Ramachandran	7.10	Nil
Mr. Mrutunjay Sahoo	5.00	Nil
Mr. Jyotin Mehta	8.50	Nil
Mrs. Meena Hemchandra	7.70	Nil
Mr. Venkatesh Natarajan	2.80	Nil
Mr. Ranjit Shah	Nil*	Nil
Mr. Aleem Remtula	5.20	Nil
Mr. John Arunkumar Diaz (wef February 1, 2020)	3.05	Nil

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

BOARD EVALUATION:

Pursuant to the provisions of the Companies Act, 2013 ("Act") and the Corporate Governance Policy of the Bank, the Board of Directors ("Board") carried out the annual evaluation of its own performance, the Committees as a whole, individual Committees and the individual Directors. The performance evaluation of the Board was based on the criteria such as board composition and structure, information and functioning, competency, effectiveness etc. The performance evaluation of the Committees was based on the criteria such as composition experience, knowledge and competency, safeguarding the interests of all stakeholders etc.

The Independent Directors, at their separate meeting, evaluated the performance of the non- Independent Directors and the Board as a whole and the outcome was placed before the Board. Committee evaluation was carried out by the respective Committees and the outcome was placed before the Board. The Board evaluated the performance of every Director including the Chairperson. The evaluation process was concluded to the satisfaction of all the members of the Board and the management was directed to take necessary actions as recommended by the Board.

3. Corporate Social Responsibility (CSR) Committee:

The CSR Committee was constituted on March 27, 2017 as per the provisions of Section 135 of the Companies Act, 2013. As at March 31, 2020, the CSR Committee comprised of the following Directors :

Sr. No.	Name of the Committee	Designation
1	Mr. R. Ramachandran	Chairperson
2	Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	Member
3	Mr. Mrutunjay Sahoo	Member
4	Mr. Venkatesh Natarajan	Member
5	Mr. Aleem Remtula	Member
6	Mr. Baskar Babu Ramachandran	Member

The terms of reference of the CSR Committee include monitoring the implementation of CSR objectives of the Bank, formulating and recommending to the Board, the Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and review the same from time to time, recommending the amount of expenditure to be incurred on the CSR activities and monitoring and overseeing the CSR spend.

During the year under review, the CSR Committee met twice (2) on May 29, 2019 and November 6, 2019. The details of the meetings of the CSR Committee attended by the Members during the year 2019-20 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. R. Ramachandran	2	2
Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	2	2
Mr. Mrutunjay Sahoo	2	2
Mr. Venkatesh Natarajan	2	2
Mr. Aleem Remtula	2	2
Mr. Baskar Babu Ramachandran	2	2

The CSR Policy of the Bank has been uploaded on the website of the Bank at (<https://www.suryodaybank.com/regulatory-disclosure>)

4. Risk Management Committee:

The Risk Management Committee (RMCB) was constituted on March 27, 2017 as per RBI guidelines and was last reconstituted on April 1, 2020.

As at March 31, 2020, the Committee comprised of the following Directors :

Sr. No.	Name	Designation
1	Mr. R. Ramachandran	Chairperson
2	Mrs. Meena Hemchandra	Member
3	Mr. Venkatesh Natarajan	Member
4	Mr. Baskar Babu Ramachandran	Member

The terms of reference of the RMCB include evaluating the risk management framework of the Bank and ensuring alignment of the various risk policies of the Bank with the risk appetite and risk philosophy as laid out by the Board, identifying, monitoring and measuring risk profile of the Bank, developing policies, systems and procedures, and reviewing risk profile, development and implementation of risk methodologies and tools, reviewing the risk models from time to time, defining the risk tolerance level for the Bank and review suitable controls and mitigation measures for various risks of the Bank from time to time.

During the year under review, the RMCB met five (5) times on May 28, 2019, July 30, 2019, November 6, 2019, February 7, 2020 and March 26, 2020. The details of the meetings of the RMCB attended by the Members during the year 2019-20 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. R. Ramachandran	5	5
Mrs. Meena Hemchandra	5	5
Mr. Baskar Babu Ramachandran	5	5
Mr. Venkatesh Natarajan	5	2

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

The RWDF Committee was constituted on March 27, 2017, as per RBI guidelines and as at March 31, 2020, comprised of the following Directors :

Sr. No.	Name	Designation
1	Mrs. Meena Hemchandra	Chairperson
2	Mr. R. Ramachandran	Member
3	Mr. Mrutunjay Sahoo	Member
4	Mr. Ranjit Shah	Member
5	Mr. Baskar Babu Ramachandran	Member

The terms of reference of the RWDF include reviewing cases of wilful defaults of cases involving amount of ₹ 25 lakh and above and as identified by the management, monitor and follow up cases of frauds involving amounts of ₹ 1 crore and above, identifying the system lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same, identifying reasons for delay in detection, if any, reporting to top management of the Bank and RBI and undertaking review of Non- Performing Assets (NPAs) on a periodic basis in order to detect potential frauds / wilful defaulted.

During the year under review, RWDF met twice (2) on May 28, 2019 and November 7, 2019.

The details of the meetings of the RWDF attended by the members during the year 2019-20 are given below:

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

6. Customer Service Committee (CSC):

The CSC of the Bank was constituted on March 27, 2017 as per RBI guidelines and was last reconstituted on February 1, 2020. As at March 31, 2020, the Committee comprised of the following Directors :

Sr. No.	Name	Designation
1	Mr. John Arunkumar Diaz (wef February 1, 2020)	Chairperson
2	Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	Chairperson
3	Mr. R. Ramachandran	Member
4	Mr. Jyotin Mehta	Member
5	Mrs. Meena Hemchandra	Member
6	Mr. Ranjit Shah	Member
7	Mr. Baskar Babu Ramachandran	Member

The terms of reference of CSC include assessing and reviewing the overall implementation of customer service policies and initiatives, reviewing product approval process with respect to suitability and appropriateness for the customers, reviewing the audit findings of the services rendered to the customers, customer satisfaction, improvement in quality of customer service, monitoring the quality of customer service extended and facilitate continuous improvement in the customer service quality, and quarterly review of complaints against the Bank with the RBI/ Banking Ombudsman offices /Consumer Courts / Courts and analyse the reasons for these complaints not getting resolved by the Bank itself.

During the year under review, CSC met four (4) times during the year on May 28, 2019, July 30, 2019, November 6, 2019 and February 6, 2020.

Corporate Governance Report

The details of the meetings of the CSC attended by the Members during the year 2019-20, are given below:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Mr. John Arunkumar Diaz (wef February 1, 2020)	1	1
Mr. R. Ramachandran	4	4
Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	3	3
Mr. Jyotin Mehta	4	4
Mrs. Meena Hemchandra	4	4
Mr. Ranjit Shah	4	2
Mr. Baskar Babu Ramachandran	4	4

7. IT Strategy Committee:

The IT Strategy Committee (ITS) was constituted on March 27, 2017 as per RBI guidelines and was last reconstituted on February 1, 2020. As at March 31, 2020 the Committee comprised of the following Directors :

Sr. No.	Name	Designation
1	Mrs. Meena Hemchandra	Chairperson
2	Mr. Jyotin Mehta	Member
3	Mr. Venkatesh Natarajan	Member
4	Mr. Aleem Remtula	Member
5	Mr. Baskar Babu Ramachandran (wef July 31, 2019)	Member
6	Mr. John Arunkumar Diaz (wef February 1, 2020)	Member

The terms of reference of ITS include approving the Information Technology (IT) Strategy, reviewing alignment of the IT strategy with the overall business strategy of the Bank, reviewing IT initiatives, IT Budget and investments, ensuring that the IT organisational structure complements the business model and its direction, reviewing IT performance measurement and contribution of IT to businesses, facilitate and build an effective IT infrastructure and governance framework, reviewing the implementation of IT strategies, processes and practices from time to time, reviewing the Information Security infrastructure of the Bank and the IT and Infosec related risks and measures to mitigate the same.

During the year under review, ITS met five (5) times on May 29, 2019, June 27, 2019, July 30, 2019, November 6, 2019 and February 6, 2020.

The details of the meetings of the ITS attended by the Members during the year 2019-20 are given below:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Mrs. Meena Hemchandra	5	5
Mr. Jyotin Mehta	5	5
Mr. Venkatesh Natarajan	5	2
Mr. Aleem Remtula	5	3
Mr. Baskar Babu Ramachandran (wef July 31, 2019)	2	2
Mr. John Arunkumar Diaz (wef February 1, 2020)	1	1

8. Credit Committee:

The Credit Committee (CCB) was constituted on March 27, 2017 as per RBI guidelines and was last reconstituted on February 1, 2020. As at March 31, 2020, the CCB comprised of the following Directors :

Sr. No.	Name	Designation
1	Mr. Mrutunjay Sahoo	Chairperson
2	Mr. Jyotin Mehta (upto January 31 2020)	Member
3	Mr. Aleem Remtula	Member
4	Mr. Baskar Babu Ramachandran	Member
6	Mr. John Arunkumar Diaz (wef February 1, 2020)	Member

The terms of reference of the CCB include reviewing the Credit Policy of the Bank from time to time together with the credit risk management policies and suggest modifications as and when required, reviewing of loans sanctioned by the Bank on a quarterly basis, approval for loans to any borrower falling under any of the categories specified under the Credit Policy, and reviewing One-time Settlements (OTS), if any, sanctioned by the Bank on a periodic basis.

During the year under review, CCB met five (5) times on May 28, 2019, July 30, 2019, November 6, 2019, February 6, 2020 and March 26, 2020.

The details of the meetings of the CCB attended by the Members during the year 2019-20 are given below:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Mr. Mrutunjay Sahoo	5	5
Mr. Jyotin Mehta (upto January 31, 2020)	3	3
Mr. Aleem Remtula	5	4
Mr. Baskar Babu Ramachandran	5	5
Mr. John Arunkumar Diaz (wef February 1, 2020)	2	2

9. Stakeholders' Relationship and Investors' Grievance Committee (SRC):

The SRC was constituted on March 27, 2017 as per the provisions of section 178 of the Companies Act, 2013 and was last reconstituted on April 1, 2020.

As at March 31, 2020, the SRC comprised of the following Directors :

Sr. No.	Name	Designation
1	Mr. Jyotin Mehta (wef February 1, 2020)	Chairperson
2	Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	Chairperson
3	Mr. Mrutunjay Sahoo	Member
4	Mr. Venkatesh Natarajan	Member
5	Mr. Ranjit Shah	Member
6	Mr. Aleem Remtula	Member

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

During the year under review, SRC met twice (2) on July 31, 2019 and January 22, 2020.

The details of the meetings of the SRC attended by the Members during the year 2019-20 are given below:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Mr. Jyotin Mehta (wef February 1, 2020)	-	-
Dr. (Mrs.) Sheela Bhide (upto January 22, 2020)	2	2
Mr. Mrutunjay Sahoo	2	1
Mr. Venkatesh Natarajan	2	0
Mr. Ranjit Shah	2	2
Mr. Aleem Remtula	2	2

There were no investor complaints during FY 2019-20.

10. IPO Committee

The IPO Committee (IPOC) of the Board was constituted in on January 22, 2020 in view of the proposed public issue of the Bank and as on March 31, 2020, the Committee comprised of the following directors:

Sr. No.	Name	Designation
1	Mr. Jyotin Mehta	Chairperson
2	Mr. John Arunkumar Diaz	Member
3	Mr. Ranjit Shah	Member
4	Mr. Baskar Babu Ramachandran	Member

The terms of reference of the IPO Committee include:

- i) Appointment of various intermediaries to the public issue (certain appointments to be made subject to Board approval);
- ii) Deciding the terms and conditions of the issue, finalising the draft and filing of the Draft Red Herring Prospectus (DRHP) and the Red Herring Prospectus (RHP) and the Prospectus with the regulatory authorities;
- iii) To authorise incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Issue, within the limits approved by the Board
- iv) To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the BRLMs;
- v) To make applications for listing of the Equity Shares in one or more recognised stock exchanges in India for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Bank, where necessary;
- vi) To settle all questions, difficulties or doubts that may arise in regard to the Issue, including such issues or allotment, terms of the Issue, utilisation of the Issue proceeds and matters incidental thereto as it may deem fit;

The IPOC met twice (2) during the year under review on February 6, 2020 and February 12, 2020.

The details of the meetings of IPOC attended by the Members during the year 2019-20, are given below:

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

Corporate Governance Report

11. GENERAL BODY MEETINGS

a) Information regarding General Body Meetings for the previous three financial years and the Special Resolutions passed thereat:

Sr. No.	Date and time of General Meetings	Venue	Brief description of Special resolutions passed
1	Extra Ordinary General Meeting (EGM) held on Thursday, March 12, 2020 at 3.30 p.m.	Registered office of the Bank at 1101, Sharda Terraces, Plot No.65, Sector 11, CBD Belapur, Navi Mumbai 400614	Issue of Equity Shares on preferential basis to the promoter of the Bank.
2	EGM held on Tuesday, November 5, 2019 at 11.30 a.m.	Registered office of the Bank at 1101, Sharda Terraces, Plot No.65, Sector 11, CBD Belapur, Navi Mumbai 400614	i) Increase in limits of investment by NRIs to 24% of the paid-up equity share capital of the Bank; ii) Alteration of Clause 3(xx) of Part A and Clause 1(lix) of Part B of the Articles of Association of the Bank
3	Annual General Meeting (AGM) held on Thursday, September 26, 2019 at 11.30 a.m.	The Park Hotel, No.1, Sector 10, CBD Belapur, Navi Mumbai 400614	i) Extension of time to complete allotment of shares to key Promoter(s) on preferential basis; ii) Increase in remuneration of Mr. Baskar Babu Ramachandran, Managing Director & Chief Executive Officer; iii) Approve new ESOP Scheme of the Bank; and iv) Amendment of Articles of Association by adoption of a new set of Articles of Association
4	EGM held on Friday, March 15, 2019 at 11.00 a.m.	The Park Hotel, No.1, Sector 10, CBD Belapur, Navi Mumbai 400614	Issue of equity shares on private placement basis
5	AGM held on Friday, August 31, 2018 at 3.30 p.m.	The Park Hotel, No.1, Sector 10, CBD Belapur, Navi Mumbai 400614	i) Increase in remuneration payable to Managing Director and CEO; ii) Issue of shares on preferential basis to the key promoter(s) iii) Approval for partial amendment of ESOP Scheme, 2016; iv) Approval for extension of time for increasing the Board strength.
6	Postal Ballot process completed on Monday, January 22, 2018	NA	Amendment of Clause 115.2(v) and 130 of Articles of Association.
7	AGM held on Thursday, August 31, 2017 at 3.30 p.m.	The Park Hotel, No.1, Sector 10, CBD Belapur, Navi Mumbai 400614	(i) Variation in terms of appointment of Part-time Chairman; and (ii) Variation in terms of appointment of Managing Director & Chief Executive Officer of the Bank.

b) Whether any Special Resolutions were passed last year through Postal Ballot: No

c) Whether any Special Resolution is proposed to be passed through postal ballot this year: Special Resolution for issue of Equity Shares on Private Placement basis was passed through the Postal Ballot process vide Postal Ballot Notice issued on April 9, 2020. Further special resolutions, if any, required to be passed later this year through postal ballot will be decided by the Board at the relevant time.

12. GENERAL SHAREHOLDER INFORMATION :

- a. Date of Incorporation : November 10, 2008
- b. Corporate Identification Number : U65923MH2008PLC261472
- c. RBI Registration Number : MUM 120
- d. Registered and Corporate Office Address : 1101, Sharda Terraces, Plot No. 65, Sector 11, CBD Belapur, Navi Mumbai 400614

e. Annual General Meeting of the Bank:

Date and Time	: Monday, September 28, 2020 at 3.30 p.m.
Venue	: Registered Office of the Bank at 1101, Sharda Terraces, Plot No. 65, Sector 11, CBD Belapur, Navi Mumbai 400614 through Video Conference/Other Audio-Visual Means.
Book Closure dates	: September 19, 2020 to September 28, 2020 (both days inclusive)
Financial Year	: April 01 to March 31, 2020

f. Listing on Stock Exchanges:

The Equity shares of the Bank are unlisted. However, the debt securities of the Bank (Non-Convertible Debentures) are listed on the Wholesale Debt Segment of the BSE Ltd., the Script Code being 950240.

g. Names of Debenture Trustees:

Sr. No.	Name of Trustee	Address
1	IDBI Trusteeship Services Limited	Asian Building, Ground Floor, R.Kamani Marg, Mumbai - 400 001 Contact: 022- 40807000
2	Catalyst Trusteeship Limited [Formerly GDA Trusteeship Limited]	Office No. 83 – 87,8th Floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400 021 Contact: 022-49220506
3	Axis Trustee Services Limited	Axis House Bombay Dyeing Mills Compound, Pandurang Budhkar Marg, Worli, Mumbai - 400 025 Contact: 022 -62260054

h. Dematerialisation & Transfer of shares:

The equity shares of the Bank can be held in demat form. With effect from October 2, 2018, allotment of shares is done in demat form in line with the Notification/circulars issued by the Ministry of Corporate Affairs in this regard. We are registered with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) ISIN: INE428Q01011

Please note that as per the amended SEBI Listing Regulations, with effect from April 1, 2019, any requests for transfer of securities shall not be processed unless the securities are held in dematerialised form.

i. SEBI Complaints redressal systems (SCORES):

The Company, being debt listed company, is registered with SEBI Complaints redressal systems (SCORES).

j. Registrar and Share Transfer Agent for Non-Convertible Debentures:

Share transfers, dividend payments and all other investor related activities are attended to and processed at the office of Registrar and Transfer Agents.

Mr. Hanumantha Patri

Kfin Technologies Private Limited (formerly known as Karvy Fintech Private Limited.)

Selenium, Tower- B, Plot No 31 & 32., Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad, 500032, India.

Tel: 040-67162222, Extn. 1602/1603/1604 Email: unlservices@kfintech.com

k. Means of Communication:

The half-yearly unaudited /annual audited financial results are published in Business Standard. The results are also displayed on the Bank's website at www.suryodaybank.com

The shareholders can visit the Bank's website www.suryodaybank.com for all relevant information.

Corporate Governance Report

I. Shareholders' and Investor's Helpdesk:

Dedicated email id for Shareholders' queries/grievances: shr.relations@suryodaybank.com

Dedicated email id for Investors' queries/grievances: inv.relations@suryodaybank.com

m. Banking Customer Helpdesk:

In the event of any queries/complaints, banking customers can directly approach to the Branches or can call/write to the Bank using the following contact details of Smile Centre Call:Customer care (Phone Banking) Numbers: 1800 266 7711 or Write to smile@suryodaybank.com

n. Distribution of shareholdings as on March 31, 2020:

Distribution of shareholding based on nominal value as on March 31, 2020

Sr. No.	Category (No. of shares)	Number of Shareholders	% of Shareholders	Number of Shares Held	Nominal Value of Shares	% of Share Capital
1	upto 1 - 5000	556	50.78	121007	12,10,070.00	0.14
2	5001 - 10000	184	16.80	156882	15,68,820.00	0.18
3	10001 - 20000	127	11.60	202809	20,28,090.00	0.23
4	20001 - 30000	45	4.11	119276	11,92,760.00	0.14
5	30001 - 40000	28	2.56	101952	10,19,520.00	0.12
6	40001 - 50000	26	2.37	125805	12,58,050.00	0.15
7	50001 - 100000	53	4.84	423820	42,38,200.00	0.49
8	100001 & ABOVE	76	6.94	85342580	8,53,425,800.00	98.55
Total		1095	100.00	8,65,94,131	86,59,41,310.00	100.00

Independent Auditors' Report

To the Members of Suryoday Small Finance Bank Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Suryoday Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2020, the Profit and Loss Account, Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required for Banking Companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2020, its profit and its cash flows for the year ended on that date.

Basis for Opinion

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

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

Emphasis of Matter

We draw attention to Schedule 18(15) to the 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.

Key Audit Matters

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

Identification of Non-Performing Asset ('NPA') and Provision on Advances	
Total Loans and Advances (Net of Provision) as at March 31, 2020:	₹ 3,531.94 crore
Gross NPA as at March 31, 2020:	₹ 101.25 crore
Provision for NPA as at March 31, 2020: (including floating provision to the extent utilised)	₹ 80.88 crore
Refer Schedule 9, Schedule 17(3B), Schedule 18(7) and 18(15) to the financial statements.	

Key Audit Matter

Identification of NPA and measurement of provision on account of NPA is made based on the assessment of various criteria stipulated in the Reserve Bank of India ('RBI') guidelines on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances' ('IRACP'). The Bank is required to have a Board approved policy as per the IRACP guidelines for NPA identification and provision.

The IRACP guidelines stipulate the requirement to identify NPA through defined criteria such as past due status, out of order status etc. Provisions in respect of such NPAs and restructured advances are made based on minimum provisioning levels prescribed under the IRACP and Bank's internal credit policy. The provision on NPAs are also based on the valuation of the security available. In case of restructured accounts, provision is made for erosion/ diminution in fair value of restructured loans, in accordance with the RBI guidelines. Further, NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA then all facilities to such a borrower will be treated as an NPA.

How our audit addressed the key audit matter

Our audit procedures in respect of this area included:

1. Verified the design and operating effectiveness of key internal controls (including application controls) over approval, recording and recovery of loans, monitoring process for overdue/ stressed accounts, identification of NPA, measurement of provision on account of NPA and valuation of security and collateral against loans. Verified application controls includes testing of automated controls, reports and system reconciliations.
2. Evaluated the governance process and review controls over identification of NPA, measurement of provision and basis of provisioning in accordance with the Bank's policy.
3. An inclusive list of substantive procedures performed is as below:
 - For borrowers, assessed the appropriateness of asset classification and adequacy of related provisioning by performing procedures such as computation of overdue ageing, assessment of borrower level NPA identification and verification of applicable provision rates as per IRACP norms and Bank's Policy on test check basis;

Key Audit Matter

The Bank is also required to apply its judgement to determine the identification and provision required against NPA by applying quantitative as well as qualitative factors. The risk of identification of NPA is affected by factors like stress and liquidity concerns in certain sectors.

The Bank has framed policies in line with the RBI's guidelines vide 'COVID-19 – Regulatory Package' and 'COVID19 Regulatory Package - Asset Classification and Provisioning' thereby providing moratorium as a relief measure to the borrowers and creating required provisions against these reliefs. Additionally, the Bank makes provisions on exposures that are not classified as NPAs for identified advances that can potentially slip into NPA.

We have identified 'Identification of NPA and Provisioning on Advances' as a key audit matter in view of the significant level of estimation involved, as well as the stringent compliances laid down by the RBI in this regard.

How our audit addressed the key audit matter

- Verified performing loans to assess whether they should be classified as NPA;
 - Verified the valuation of collateral as carried out by the Bank on test check basis;
 - Performed inquiries with the Management of the Bank to ascertain if there were indicators of stress, perceived credit risk or occurrence of an event of default in any particular class of borrowers, product category or loan account that warrants NPA assessment;
 - Verified standard and overdue accounts on test check basis to assess compliance with the RBI guidelines vide its circulars 'COVID-19 – Regulatory Package' and 'COVID19 Regulatory Package - Asset Classification and Provisioning'.
4. Verified the adequacy and accuracy of disclosures against the relevant accounting standards and RBI requirements relating to NPA.

Information Technology ("IT") Systems and Controls

Key Audit Matter

The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.

Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting.

We have identified 'IT systems and controls' as key audit matter because of the high-level automation, significant number of systems being used by the management and the complexity of the IT architecture and its impact on the financial reporting system.

How our audit addressed the key audit matter

For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of the audit. The team also assisted in testing the information produced by the Bank's IT systems.

We gathered a comprehensive understanding of IT applications implemented at the Bank, including process understanding, mapping of applications and understanding of financial risks posed by people-process and technology.

Obtained an understanding of IT General Controls i.e. Access Management, Change Management, Program Development, Computer Operations (i.e. Job processing, Backup, Incident Management) over critical systems impacting Bank's financial statements. Reviewed controls around Operating Systems and Databases, password configuration, BCP and DR drill activities.

Additionally, we tested the ITGCs for design and operating effectiveness for the audit period over key financial systems.

For a selected group of key controls over financial and reporting system, we have performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management procedures

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

The Bank's Board of Directors is responsible for the other information. The other information comprises the Director's Report but does not include the financial statements and our auditor's reports thereon.

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

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

Responsibilities of Management and Those charged with Governance for Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by the Reserve Bank of India from time to time as applicable to Bank. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be

thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The financial statements of the Bank for the year ended March 31, 2019, were audited by another auditor whose report dated May 29, 2019 expressed an unmodified opinion on those financial statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required by Section sub-section 3 of Section 30 of the Banking Regulation Act, 1949, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
 - b) The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;
 - c) Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we visited 9 branches.

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

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India;
- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended;

The Bank is a Banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under section 197 of the Companies Act, 2013 do not apply; and
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

- i. The Bank has disclosed the impact of pending litigations as at March 31, 2020 on its financial position in its financial statements – Refer Schedule 12, Schedule 18(13) and Schedule 18(15) to the financial statements;
- ii. The Bank has made provision as at March 31, 2020, as required under the applicable law or accounting standard, for material foreseeable losses, if any, on long term contracts. The Bank does not have any derivative contracts as at March 31, 2020;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

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

Tushar Kurani
Partner

Place: Mumbai
Date: May 27, 2020

Membership No. 118580
UDIN: 20118580AAAABL5577

Annexure A to the Independent Auditors' Report **of even date on the financial statements of Suryoday Small Finance Bank Limited**

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the Members of Suryoday Small Finance Bank Limited on the Financial Statements for the year ended March 31, 2020]

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

We have audited the internal financial controls with reference to financial statements of Suryoday Small Finance Bank Limited ("the Bank") as of March 31, 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to financial statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls,

material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Bank has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control with reference

to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

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

Place: Mumbai
Date: May 27, 2020

Tushar Kurani
Partner
Membership No. 118580
UDIN: 20118580AAAABL5577

Balance Sheet

as at March 31, 2020

	Schedule	As at March 31, 2020	As at March 31, 2019
(₹ in '000)			
CAPITAL AND LIABILITIES			
Capital	1	865,941	815,825
Reserves and Surplus	2	9,796,357	7,990,467
Deposits	3	28,487,141	15,934,252
Borrowings	4	12,646,156	11,242,276
Other Liabilities and Provisions	5	1,849,628	1,631,821
Total		53,645,223	37,614,641
ASSETS			
Cash and Balances with Reserve Bank of India	6	605,275	483,038
Balances with banks and money at call and short notice	7	7,770,711	2,280,576
Investments	8	8,081,979	6,643,927
Advances	9	35,319,446	26,795,838
Fixed Assets	10	387,296	189,764
Other Assets	11	1,480,516	1,221,498
Total		53,645,223	37,614,641
Contingent Liabilities	12	46,224	285,386
Bills for collection		-	-
Significant Accounting Policies and Notes to the financial statements	17 & 18		

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

As per our report of even date

For **MSKC & Associates**

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

Chartered Accountants

Firm Registration No: 001595S

For and on behalf of the Board of Directors

Tushar Kurani

Partner

Membership No: 118580

R. Ramachandran

Chairperson

R. Baskar BabuManaging Director and
Chief Executive Officer**Jyotin Mehta**

Director

Geeta Krishnan

Company Secretary

Bhavin Damania

Chief Financial Officer

Place: Mumbai

Date: May 27, 2020

Profit and Loss Account

for the year ended March 31, 2020

(₹ in '000)

	Schedule	Year ended March 31, 2020	Year ended March 31, 2019
I. INCOME			
Interest earned	13	7,666,840	5,301,080
Other income	14	874,537	669,223
Total		8,541,377	5,970,303
II. EXPENDITURE			
Interest expended	15	2,761,823	1,912,921
Operating expenses	16	2,721,208	1,935,299
Provisions and contingencies		1,948,985	1,256,102
Total		7,432,016	5,104,322
III. PROFIT			
Net Profit for the Year		1,109,361	865,981
Balance in Profit and Loss account brought forward		1,260,997	631,326
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		277,340	216,495
Transfer to Investment Fluctuation Reserve		71,041	19,410
Transfer to Capital Reserve		1,530	405
Balance carried over to Balance Sheet		2,020,447	1,260,997
V. EARNING PER EQUITY SHARE (Face Value of ₹ 10 per share)			
Basic	18(2)	13.38	12.79
Diluted	18(2)	13.27	12.61

Significant Accounting Policies and Notes to the financial statements

17 & 18

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

As per our report of even date

For **MSKC & Associates**

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

Chartered Accountants

Firm Registration No: 001595S

For and on behalf of the Board of Directors

Tushar Kurani

Partner

Membership No: 118580

R. Ramachandran

Chairperson

R. Baskar Babu

Managing Director and
Chief Executive Officer

Jyotin Mehta

Director

Geeta Krishnan

Company Secretary

Bhavin Damania

Chief Financial Officer

Place: Mumbai

Date: May 27, 2020

Cash Flow Statement

for the year ended March 31, 2020

	Year ended March 31, 2020	Year ended March 31, 2019
		(₹ in '000)
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES		
Profit before taxes	1,539,733	1,383,791
Adjustments for:		
Depreciation on fixed assets	97,840	55,938
Amortisation of premia on held to maturity investment	21,617	17,348
Profit on sale of fixed assets	(193)	(82)
Provision for non performing assets	125,006	76,464
Floating provision	209,023	260,569
Provision for COVID-19	659,908	-
Other provision for advances	3,693	31,595
Provision for standard assets	42,112	34,049
Employee stock option expenses	49,926	25,563
Write off of advances	478,871	335,615
	3,227,536	2,220,850
Adjustments for:		
Increase in investments	(8,403)	(3,248,744)
Increase in advances	(9,336,508)	(11,781,600)
Increase in deposits	12,552,889	8,439,052
Increase in others assets	(10,016)	(548,841)
(Decrease)/ Increase in other liability and provisions	(484,213)	96,487
	2,713,749	(7,043,646)
Direct taxes paid (net of refunds)	(683,068)	(656,979)
Net cash flow from/ (used in) operating activities	5,258,217	(5,479,775)
Cash flow used in investing activities		
Purchase of fixed assets	(227,202)	(104,750)
Proceeds from sale of fixed assets	511	84
Net (Increase)/ Decrease in fixed deposit	78,839	273,610
(Increase)/ Decrease in capital work in progress	(68,487)	(5,547)
Net Investment in banking book	(1,451,266)	(299,094)
Net cash used in investing activities	(1,667,605)	(135,697)

Cash Flow Statement

for the year ended March 31, 2020

(₹ in '000)

	Year ended March 31, 2020	Year ended March 31, 2019
Cash flow from financing activities		
Proceeds from issue of share capital (inclusive of issue expense)	696,719	2,517,135
Proceeds from borrowings	5,885,563	10,220,000
Repayment of borrowings	(4,481,683)	(6,156,048)
Net cash flow from financing activities	2,100,599	6,581,087
Net increase in cash and cash equivalents	5,691,211	965,615
Cash and cash equivalents at the beginning of the year	2,654,275	1,688,660
Cash and cash equivalents at the end of the year	8,345,486	2,654,275

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

As per our report of even date

For **MSKC & Associates**

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

Chartered Accountants

Firm Registration No: 001595S

For and on behalf of the Board of Directors

Tushar Kurani

Partner

Membership No: 118580

R. Ramachandran

Chairperson

R. Baskar Babu

Managing Director and
Chief Executive Officer

Jyotin Mehta

Director

Geeta Krishnan

Company Secretary

Bhavin Damania

Chief Financial Officer

Place: Mumbai

Date: May 27, 2020

Schedules to the Financial Statements

as at March 31, 2020

SCHEDULE 1 - CAPITAL

	As at March 31, 2020	As at March 31, 2019
		(₹ in '000)
Authorised Capital		
10,00,00,000 (March 31, 2019: 10,00,00,000) equity shares of ₹ 10 each	1,000,000	1,000,000
Issued, Subscribed and Paid-up Capital		
8,65,94,131 (March 31, 2019: 8,15,82,482) equity shares of ₹ 10 each fully paid up (Refer note - 18 (1.2))	865,941	815,825
Total	865,941	815,825

SCHEDULE 2 - RESERVES AND SURPLUS

	As at March 31, 2020	As at March 31, 2019
		(₹ in '000)
I. Statutory Reserve		
[Created pursuant to Section 17(2) of Banking Regulation Act, 1949]		
Opening Balance	392,647	176,152
Addition during the year (Refer note - 18 (3.1))	277,340	216,495
Total	669,987	392,647
II. Capital Reserve		
Opening Balance	405	-
Addition during the year (Refer note - 18 (3.4))	1,530	405
Total	1,935	405
III. Share Premium Account		
Opening Balance	6,268,353	3,880,055
Addition during the year	6,70,337	2,388,298
Amounts utilized toward share issue expenses (Refer note - 18 (3.5))	(27,874)	-
Total	6,910,816	6,268,353
IV. General Reserve		
Opening Balance	1,805	476
Addition during the year	1,476	1,329
Total	3,281	1,805
V. Employee Stock Options Outstanding Account (ESOP)		
Opening Balance	46,301	34,089
Employee compensation expense for the year	49,926	25,563
Transfer to Share Premium Account/Share Capital on exercise of stock options	(23,734)	(12,022)
Transfer to General Reserve for Non- exercise of ESOP's	(1,476)	(1,329)
Total	71,017	46,301
VI. Investment Reserve Account		
Opening Balance	549	549
Addition during the year (Refer note - 18 (3.2))	-	-
Total	549	549
VII. Investment Fluctuation Reserve		
Opening Balance	19,410	-
Addition during the year (Refer note - 18 (3.3))	71,041	19,410
Total	90,451	19,410
VIII. Balance in Profit and Loss Account		
Balance brought from Profit and Loss	2,020,447	1,260,997
Addition: Share issue expenses adjusted from Share Premium Account (Refer - note 18 (1.2))	27,874	-
Total	2,048,321	1,260,997
Total	9,796,357	7,990,467

Schedules to the Financial Statements

as at March 31, 2020

SCHEDULE 3 - DEPOSITS

(₹ in '000)

	As at March 31, 2020	As at March 31, 2019
A. I. Demand Deposits		
i) From banks	267,278	116,174
ii) From others	318,710	344,458
Total	585,988	460,632
II. Savings Bank Deposits	2,674,536	1,331,824
III. Term Deposits		
i) From banks	12,254,520	6,136,935
ii) From others	12,972,097	8,004,861
Total	25,226,617	14,141,796
Total	28,487,141	15,934,252
B I. Deposits of branches in India	28,487,141	15,934,252
II. Deposits of branches outside India	-	-
Total	28,487,141	15,934,252

SCHEDULE 4 - BORROWINGS

(₹ in '000)

	As at March 31, 2020	As at March 31, 2019
I. Borrowings in India*		
i) Reserve Bank of India	540,000	-
ii) Other banks	93	33,775
iii) Other institutions and agencies	11,456,063	10,008,501
iv) Unsecured redeemable debentures and term loan (Subordinate debts included in Tier 2 capital)	600,000	600,000
v) Non convertible debenture (excluding subordinate debts)	50,000	250,000
Total	12,646,156	10,892,276
II. Borrowings outside India *	-	350,000
Total	12,646,156	11,242,276

* Includes secured borrowings of ₹ 5.01 crore (March 31, 2019 : ₹ 43.87 crore) other than under Repo (including tri-party repo).

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in '000)

	As at March 31, 2020	As at March 31, 2019
I. Bills payable	48,915	23,440
II. Inter - office adjustments (net)	1,169	-
III. Interest accrued	220,278	328,507
IV. Others (including provisions)	-	-
(i) Contingent provisions against standard assets	115,860	73,748
(ii) Others Liabilities (including provisions)	1,463,406	1,206,126
Total	1,849,628	1,631,821

Schedules to the Financial Statements

as at March 31, 2020

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. Cash in hand	63,523	53,500
II. Balances with Reserve Bank of India		
i) In Current account	541,752	429,538
ii) In Other accounts	-	-
Total	605,275	483,038

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

	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. In India		
i) Balances with banks		
a) In Current accounts	150,211	141,317
b) In Other deposit accounts*	30,500	109,339
Total	180,711	250,656
ii) Money at call and short notice		
a) With banks	6,790,000	1,880,000
b) With other institutions	800,000	149,920
Total	7,590,000	2,029,920
Total	7,770,711	2,280,576
II. Outside India		
i) In Current account	-	-
ii) In Deposit account	-	-
iii) Money at call and short notice	-	-
Total	-	-
Total	7,770,711	2,280,576

* Deposit with banks include ₹ 0.45 crore (March 31, 2019: ₹ 10.93 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

	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
A. Investments in India		
i) Government securities	6,851,993	4,659,495
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	-	-
v) Subsidiaries / joint ventures	-	-
vi) Others (Certificate of Deposits, Mutual funds and Commercial Papers)	1,229,986	1,984,432
Total	8,081,979	6,643,927
B. Investments outside India		
i) In Current account	-	-
ii) In Deposit account	-	-
iii) Money at call and short notice	-	-
Total	-	-
Total	8,081,979	6,643,927

Schedules to the Financial Statements

as at March 31, 2020

(₹ in '000)

	As at March 31, 2020	As at March 31, 2019
C. Investments		
i) Gross value of investments		
a) In India	8,081,979	6,643,927
b) Outside India	-	-
Total	8,081,979	6,643,927
ii) Provision for depreciation		
a) In India	-	-
b) Outside India	-	-
Total	-	-
iii) Net value of investments		
a) In India	8,081,979	6,643,927
b) Outside India	-	-
Total	8,081,979	6,643,927

SCHEDULE 9 - ADVANCES

(₹ in '000)

	As at March 31, 2020	As at March 31, 2019
A. i) Bills purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	559,683	119,890
iii) Term loans	34,759,763	26,675,948
Total	35,319,446	26,795,838
B. i) Secured by tangible assets	7,949,370	4,201,341
ii) Covered by Bank / Government guarantees	-	-
iii) Unsecured	27,370,076	22,594,497
Total	35,319,446	26,795,838
C. I. Advances in India		
i) Priority sectors (Refer note - 22)	6,857,107	3,736,159
ii) Public sector	-	-
iii) Banks	113,504	-
iv) Others	28,348,835	23,059,679
Total	35,319,446	26,795,838
C. II. Advances outside India		
i) Due from banks	-	-
ii) Due from others	-	-
(a) Bills purchased and discounted	-	-
(b) Syndicated loans	-	-
(c) Others	-	-
Total	-	-

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

Schedules to the Financial Statements

as at March 31, 2020

SCHEDULE 10 - FIXED ASSETS

	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
A. Premises		
At cost on March 31 of preceding year	31,872	31,872
Additions during the year	-	-
Deductions during the year	-	-
Total	31,872	31,872
Depreciation		
As at March 31 of the preceding year	5,363	2,580
Charge for the year	2,518	2,783
Deductions during the year	-	-
Total	7,881	5,363
Net Block	23,991	26,509
B. Other Fixed assets (including furniture and fixtures)		
Gross Block		
At cost on March 31 of the preceding year	297,692	197,913
Additions during the year	227,202	104,750
Deductions during the year	(7,139)	(4,971)
Total	517,755	297,692
Depreciation		
As at March 31 of the preceding year	148,307	100,121
Charge for the year	95,321	53,155
Deductions during the year	(6,821)	(4,969)
Total	236,807	148,307
Net Block	280,948	149,385
C. Assets given on lease	-	-
D. Capital work in progress	82,357	13,870
Total	387,296	189,764

SCHEDULE 11 - OTHER ASSETS

	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. Inter - office adjustments (net)	-	-
II. Interest accrued	566,949	424,698
III. Tax paid in advance/tax deducted at source (net of provision for tax)	103,463	40,473
IV. Stationery and stamps	106	414
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred tax assets (net)	426,895	237,189
VII. Others	383,103	518,724
Total	1,480,516	1,221,498

Schedules to the Financial Statements

as at March 31, 2020

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in '000)

	As at March 31, 2020	As at March 31, 2019
I. Claims against the bank not acknowledged as debts - taxation	35,460	32,163
II. Claims against the bank not acknowledged as debts - others	325	-
III. Liability on account of outstanding forward exchange contracts	-	-
IV. Liability on account of outstanding derivative contracts	-	-
V. Guarantees given on behalf of constituents :		
- In India	-	-
- Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the Bank is contingently liable	10,439	253,223
Total	46,224	285,386

SCHEDULE 13 - INTEREST EARNED

(₹ in '000)

	Year ended March 31, 2020	Year ended March 31, 2019
I Interest/discount on advances/bills	7,022,739	4,932,895
II Income on investments	528,509	337,234
III Interest on balances with Reserve Bank of India and other inter-bank funds	113,256	29,262
IV Other interest	2,336	1,689
Total	7,666,840	5,301,080

SCHEDULE 14 - OTHER INCOME

(₹ in '000)

	Year ended March 31, 2020	Year ended March 31, 2019
I Commission, exchange and brokerage	492,284	448,132
II Profit on sale of investments (net)	71,041	39,781
III Profit/(Loss) on sale of revaluation of investments	-	-
IV Profit/(Loss) on sale of fixed assets (net)	193	82
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	311,019	181,228
Total	874,537	669,223

Schedules to the Financial Statements

as at March 31, 2020

SCHEDULE 15 - INTEREST EXPENDED

	(₹ in '000)	
	Year ended March 31, 2020	Year ended March 31, 2019
I Interest on deposits	1,818,303	829,144
II Interest on Reserve Bank of India/ inter-bank borrowings	55,566	163,160
III Other interest	887,954	920,617
Total	2,761,823	1,912,921

SCHEDULE 16 - OPERATING EXPENSES

	(₹ in '000)	
	Year ended March 31, 2020	Year ended March 31, 2019
I Payments to and provisions for employees	1,713,651	1,266,735
II Rent, taxes and lighting	222,233	124,296
III Printing and stationery	24,593	24,441
IV Advertisement and publicity	45,840	24,004
V Depreciation on Bank's property	97,840	55,938
VI Director's fees/remuneration, allowances and expenses	4,865	3,466
VII Auditors' fees and expenses	5,700	4,558
VIII Law charges	24,136	24,412
IX Postage, telegrams, telephones, etc.	25,296	23,874
X Repairs and maintenance	226,557	170,489
XI Insurance	47,793	24,429
XII Other expenditure (includes professional fees)	282,704	188,657
Total	2,721,208	1,935,299

Schedules to the Financial Statements

as at March 31, 2020

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 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 financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013 to the extent applicable, in so far as they apply to banks and current practices prevailing within the banking industry in India.

Use of estimates

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

3. Significant accounting policies

A. Investments

Classification:

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

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") – Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

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

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition Cost and Broken Period Interest

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

Disposal of Investments

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

Short Sale

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

Schedules to the Financial Statements

as at March 31, 2020

Valuation

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

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

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

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

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund. Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

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

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

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

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

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

Investment Reserve Account

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

Repo and Reverse Repo Transactions

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

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

B. Advances

Advances are classified as performing and non-performing advances ('NPAs') as per the RBI guidelines on Income Recognition and Asset Classification and are stated net of specific provisions made towards NPAs and inter-bank participation with risk. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI. NPAs are identified by periodic appraisals of the loan portfolio by management.

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

Schedules to the Financial Statements

as at March 31, 2020

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.

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.

Depreciation is charged over the estimated useful life of the fixed asset on written down value basis from the date

Schedules to the Financial Statements

as at March 31, 2020

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

The details of useful life are as under:

Class of Assets	Estimated useful life
Computers & Accessories	3 years
Office equipment	5 years
Premises	30 years
Furniture and fittings	10 years
Vehicle	8 years

Leasehold Improvements: Improvements to leasehold premises are amortised over the primary period of lease or estimated useful life, whichever is lower.

H. Intangible Assets

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

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

I. Leases

Operating Lease

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

Computers and tablets are rented on operating lease.

J. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

K. Taxation

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Bank writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

L. Earnings Per Share

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 – Earnings per share.

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

Diluted earnings per equity share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and potential dilutive equity shares outstanding during the period except where the results are anti-dilutive.

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

Schedules to the Financial Statements

as at March 31, 2020

Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

N. Cash and cash equivalents

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

O. Borrowing cost

Borrowing cost includes arranger fees, processing fees, stamp duty on issuance of debenture certificates and other associated transaction cost related to borrowing from banks and other financial institutions.

In accordance with Accounting Standard 16, borrowing costs are recognised upfront.

P. Retirement and other employee benefits

(i) Defined Contribution Plans

Retirement benefits in the form of provident fund and employee state insurance schemes are defined contribution schemes and the contributions are charged to the Profit and Loss Account for the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) Defined Benefit Plan

The Bank operates a defined benefit scheme for its employees, viz., gratuity scheme. The costs of providing benefits under this plan is determined on the basis of actuarial valuation at each year-end.

Separate actuarial valuation is carried out for each plan using the projected unit credit method. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liabilities is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff alteration as per projected unit credit method.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

- (iii) Provision for Leave availment is made in accordance with Accounting Standard 15 "Employee benefits".

Q. Employee Stock Compensation Cost

Employees (including senior executives) of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI, the cost of equity-settled transaction is measured using the fair value method and recognized, together with a corresponding increase in the "Employees Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the Profit and Loss Account for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

R. Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013 and 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.

Schedules to the Financial Statements

as at March 31, 2020

SCHEDULE 18- NOTES TO THE FINANCIAL STATEMENTS

1. Capital

1.1 Capital to Risk Weighted Assets Ratio (CRAR)

The following table sets forth, for the year indicated, computation of capital adequacy as per operating guidelines.

Particulars	As at March 31, 2020	As at March 31, 2019
Common Equity Tier 1 Capital ratio (%)	28.61%	33.67%
Tier 1 capital ratio (%)	28.61%	33.67%
Tier 2 capital ratio (%)	0.96%	1.36%
Total capital ratio (CRAR) (%)	29.57%	35.03%
Percentage of the shareholding of the Government of India in public sector banks	0.00%	0.00%
Amount of Additional Tier 1 capital raised of which;		
Perpetual Non Cumulative Preference Shares (PNCPS):	0.00	0.00
Perpetual Debt Instruments (PDI)	0.00	0.00

Subordinated debt (Tier 2 capital) outstanding as at March 31, 2020 is ₹ 60 crore (March 31, 2019 : ₹ 60 crore). Also Refer note - 7.4.

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.

In accordance with the RBI guidelines, small finance banks are required to make pillar 3 disclosures under Basel II regulations. The Bank's pillar 3 disclosures are available on its website at the following link : <https://www.suryodaybank.com/regulatory-disclosure>. Pillar 3 disclosures have not been subjected to audit or review by the statutory auditors.

1.2 Capital Infusion

During the year ended March 31, 2020, the Bank allotted 5,11,649 (March 31, 2019 : 2,83,727) equity shares having face value of ₹ 10 each aggregating to ₹ 6.67 crore including share premium (March 31, 2019 : ₹ 3.28 crore) in respect of stock options exercised.

Pursuant to Shareholders' approval, the Bank has issued 45,00,000 (March 31, 2019 : 1,38,02,083) equity shares having face value of ₹ 10 each aggregating to ₹ 63.00 crore including share premium (March 31, 2019 : ₹ 248.44 crore).

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

Particulars	March 31, 2020		March 31, 2019	
	Equity shares	(₹ in crore)	Equity shares	(₹ in crore)
Equity shares at the beginning of the year	81,582,482	81.58	67,496,672	67.50
Addition pursuant to stock options exercised	511,649	0.51	283,727	0.28
Addition pursuant to equity shares issued during the year	4,500,000	4.50	13,802,083	13.80
Equity shares outstanding at the end of the year	86,594,131	86.59	81,582,482	81.58

Share issue expenses :

Share issue expenses of ₹ 0.27 crore (March 31, 2019: ₹ 2.79 crore) is debited to Profit and loss account for the year ended March 31, 2020, pending approval from the RBI to debit to shares premium account in accordance with RBI/2006-07/132 DBOD.BP.BC No. 31 / 21.04.018/ 2006-07. Refer note 3.5.

Schedules to the Financial Statements

as at March 31, 2020

2. Earnings per equity share

Particulars	March 31, 2020	March 31, 2019
Net profit after tax (in crore)	110.94	86.60
Weighted average number of equity shares in computing the basic earnings per share	82,913,336	67,712,250
Basic earnings per share	13.38	12.79
Weighted average number of equity shares in computing the diluted earnings per share	83,598,505	68,686,960
Diluted earnings per share	13.27	12.61
Nominal value per Share (₹)	10.00	10.00

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

Particulars	March 31, 2020	March 31, 2019
Weighted average number of equity shares in computing the basic earnings per share	82,913,336	67,712,250
Effect of potential equity shares outstanding	685,169	974,710
Weighted average number of equity shares in computing the diluted earnings per share	83,598,505	68,686,960

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

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

3. Drawdown of Reserves

3.1 Statutory Reserve

The Bank has made an appropriation of ₹ 27.73 crore (March 31, 2019: ₹ 21.65 crore) out of profits for the year ended March 31, 2020 to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and the RBI circular DBOD.No.BP.BC.24/21.04.018/ 2000-2001 dated September 23, 2000.

3.2 Capital Reserve

During the year ended March 31, 2020, the Bank has appropriated ₹ 0.15 crore (net of taxes and statutory reserves) (March 31, 2019: ₹ 0.04 crore) from profit and loss account and transferred to capital reserves being the profit from sale of investments under HTM category as per the RBI guidelines.

3.3 Share Premium

During the year ended March 31, 2020, the Bank has appropriated ₹ 2.79 crore (March 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. Refer note 1.2.

3.4 Investment Reserve

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

3.5 Investment Fluctuation Reserve

During the year ended March 31, 2020, the Bank has appropriated ₹ 7.10 crore (March 31, 2019: ₹ 1.94 crore) from Profit and Loss Account to Investment Fluctuation Reserve as per the RBI guidelines.

Schedules to the Financial Statements

as at March 31, 2020

4. Employees Stock Option Scheme

The Bank has share based payment schemes for its employees. Schemes in operation during the year ended March 31, 2020 are Employee Stock Option Scheme 2016 and Employee Stock Option Scheme 2019. During the year-ended March 31, 2020, the Bank has issued 20,67,100 options 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	
		January 19, 2017	July 27, 2017	March 1, 2018	July 16, 2018	February 5, 2019	November 6, 2019	January 10, 2020
Grant Date	June 26, 2014							
Number of Options granted	521,500	1,510,000	550,000	306,950	407,000	724,000	1,872,100	195,000
Method of Settlement	Equity	Equity					Equity	
Vesting	40% after one year from the date of grant i.e. July 1, 2015 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	25% after one year from the date of grant and every year thereafter.					25% after one year from the date of grant and every year thereafter.	
Exercisable period	3 years from the Vesting date	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 year end:

Particulars	Employee stock option scheme 2014		Employee stock option scheme 2016		Employee stock option scheme 2019	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Total Options granted and outstanding at the beginning of the year	-	1,200	2,301,972	1,804,158	-	-
Add: Options granted during the year	-	-	-	1,131,000	2,067,100	-
Less: Options forfeited / lapsed during the year	-	-	(362,432)	(350,659)	-	-
Less : Options exercised during the year	-	(1,200)	(511,649)	(282,527)	-	-
Options Outstanding as at end of the year	-	-	1,427,891	2,301,972	2,067,100	-
- Vested	-	-	287,628	276,307	-	-
- Yet to Vest	-	-	1,140,263	2,025,665	2,067,100	-

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

Schedules to the Financial Statements

as at March 31, 2020

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

Schedules to the Financial Statements

as at March 31, 2020

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	(₹ in crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Employee stock option expenditure (included in schedule 16 (I))	4.99	2.56

Particulars	(₹ in crore)	
	As at March 31, 2020	As at March 31, 2019
Employee stock options outstanding account (included in schedule 2 (V))	7.10	4.63

The Expected life of the stock option is based on historical data and current expectation and is not necessarily indicative of the pattern that may occur.

The expected volatility reflects the assumption that the historical volatility of a comparable listed entity for 6 years period ended on the date of the grant is indication of future trends which may not necessarily be the actual outcome.

5. Investments

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

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
1) Value of Investments		
i) Gross value of investments		
- In India	808.20	664.39
- Outside India	-	-
ii) Provisions for depreciation on investments		
- In India	-	-
- Outside India	-	-
iii) Net value of investments		
- In India	808.20	664.39
- Outside India	-	-
2)		
i) Opening balance	-	-
ii) Add: Provision made during the year	1.54	0.79
iii) Less: Write back of excess provision during the year	(1.54)	(0.79)
iv) Closing balance	-	-

Schedules to the Financial Statements

as at March 31, 2020

The net book value of investments held under three categories, viz. Held to Maturity (HTM), Held for Trading (HFT) and Available for Sale (AFS) is as under :

Category	As at March 31, 2020		As at March 31, 2019	
	₹ in crore	%	₹ in crore	%
Held to Maturity	408.08	50.49%	265.12	39.90%
Available for Sale	400.12	49.51%	399.27	60.10%
Held for Trading	-	-	-	-
Total	808.20	100%	664.39	100%

5.2 Repo/ Reverse Repo Transactions

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

	Minimum outstanding	Maximum outstanding	Daily average outstanding	(₹ in crore)
				As at March 31, 2020 Outstanding
Securities sold under repo	5.00	176.72	64.30	130.56
Government Securities	5.00	176.72	64.30	130.56
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	3.00	629.00	74.80	629.00
Government Securities	3.00	629.00	74.80	629.00
Corporate Debt Securities	-	-	-	-

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

	Minimum outstanding	Maximum outstanding	Daily average outstanding	(₹ in crore)
				As at March 31, 2019 Outstanding
Securities sold under repo	4.25	50.00	23.31	-
Government Securities	4.25	50.00	23.31	-
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	1.87	108.76	20.24	49.45
Government Securities	1.87	108.76	20.24	49.45
Corporate Debt Securities	-	-	-	-

5.3 Sale and Transfer to/from HTM Category

During the year ended March 31, 2020 and March 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.

Schedules to the Financial Statements

as at March 31, 2020

5.4 Issuer-wise composition of non-SLR investments

Balance as at March 31, 2020

(₹ in crore)

	Amount	Extent of private placement#	Extent of "below investment grade "securities#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1. Public sector undertakings	-	-	-	-	-
2. Financial institutions	-	-	-	-	-
3. Banks	123.00	-	-	-	-
4. Private corporate	-	-	-	-	-
5. Subsidiaries / Joint ventures	-	-	-	-	-
6. Others	-	-	-	-	-
7. Provision held towards depreciation	-	-	-	-	-
Total	123.00	-	-	-	-

Balance as at March 31, 2019

(₹ in crore)

	Amount	Extent of private placement#	Extent of "below investment grade "securities#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1. Public sector undertakings	-	-	-	-	-
2. Financial institutions	-	-	-	-	-
3. Banks	148.44	-	-	-	-
4. Private corporate	-	-	-	-	-
5. Subsidiaries / Joint ventures	-	-	-	-	-
6. Others	50.00	-	-	-	-
7. Provision held towards depreciation	-	-	-	-	-
Total	198.44	-	-	-	-

Amounts reported under these columns above are not mutually exclusive

* Excludes investments in commercial paper and certificate of deposits

5.5 Non performing Non-SLR investments

As at March 31, 2020, there are no non performing Non - SLR investments (March 31, 2019 : Nil).

5.6 Details of investment in Security Receipt (SRs)

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

6. Derivatives

During the year ended March 31, 2020; the Bank has not undertaken any derivative transaction and there is no outstanding position as at the year end (March 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.

Schedules to the Financial Statements

as at March 31, 2020

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	(₹ in crore)	
	As at March 31, 2020	As at March 31, 2019
(i) Net NPAs to Net Advances (%)	0.57%	0.44%
(ii) Movement of NPAs (Gross)		
Gross NPA's as on April 1 of particular year	49.62	56.57
Additions (fresh NPAs) during the year	104.30	33.08
Sub Total (A)	153.92	89.65
Less :-		
- Upgradation	0.61	0.13
- Recoveries (excluding Recoveries made from upgraded accounts)	4.17	6.34
- Technical / Prudential Write offs	31.99	-
- Write offs other than mentioned above	15.90	33.56
Sub Total (B)	52.67	40.03
Gross NPAs (A-B)	101.25	49.62
(iii) Movement of Net NPAs		
(a) Opening balance	12.01	29.23
(b) Additions during the year	34.06	8.02
(c) Reductions during the year	25.70	25.24
(d) Closing balance	20.37	12.01
(iv) Movement of provisions for NPAs (excluding provision on standard assets)		
(a) Opening balance	37.61	27.34
(b) Provision made during the year *	70.24	25.06
(c) Write off/ write back of excess provision **	26.97	14.79
(d) Closing balance	80.88	37.61

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

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

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 ₹ 31.99 crore during the year ended March 31, 2020 (March 31, 2019 : Nil).

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

Particulars	(₹ in crore)	
	As at March 31, 2020	As at March 31, 2019
Opening balance	-	-
Add: Technical / Prudential write offs during the year	31.99	-
Sub total (A)	31.99	-
Less: Recoveries made from previously technical / prudential written off accounts during the year (B)	0.34	-
Closing balance as at March 31 (A-B)	31.65	-

Schedules to the Financial Statements

as at March 31, 2020

7.3 Details of Non Performing Financial Assets Purchased / Sold

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

7.4 Floating provision

Particulars	(₹ in crore)	
	As at March 31, 2020	As at March 31, 2019
Opening balance	32.32	6.26
Provision made during the year	20.90	26.06
Drawdown made during the year	-	-
Closing balance	53.22	32.32

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

as at March 31, 2020

7.5 Disclosure of Restructured Assets

The Bank has restructured the following accounts during the year ended March 31, 2020.

Sr. no	Type of Restructuring	Under CDR Mechanism										Under SME Debt Restructuring Mechanism										Others										Total				
		Standard			Sub-standard			Doubtful			Loss			Total			Standard			Sub-standard			Doubtful			Loss			Total							
		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total					
1	Restructured Accounts as on April 1 of the FY (opening figures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the year.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	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 FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Write-offs/ Recovery of restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31 of the FY (closing figures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(₹ in crore)

Schedules to the Financial Statements

as at March 31, 2020

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 March 31, 2020, (March 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 March 31, 2020, (March 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 as on March 31, 2020 (March 31, 2019 : Nil)

7.10 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2020 is Nil (March 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.

Particulars	March 31, 2020	March 31, 2019
(i) No. of accounts sold during the year	-	68,201
(ii) Aggregate value of accounts sold during the year (₹ in crore)	-	103.56
(iii) Aggregate Consideration received during the year (₹ in crore)	-	92.17
(iv) Additional Consideration realised in respect of account transferred in earlier years	-	-
(v) Aggregate gain over net book value during the year (₹ in crore)	-	10.68
(vi) MRR (₹ in crore)	-	11.40
(vii) First Loss (₹ in crore)	-	16.60
(vii) Outstanding Balance (₹ in crore)	-	52.83
(viii) No. of SPV transaction for securitisation transaction	-	2

8.2 Details of Direct assignment transactions

Particulars	March 31, 2020	March 31, 2019
(i) No. of accounts	-	126,182
(ii) Aggregate value of accounts sold to SC (₹ in crore)	-	123.73
(iii) Aggregate Consideration (₹ in crore)	-	111.36
(iv) Aggregate gain over net book value (₹ in crore)	-	6.51

Schedules to the Financial Statements

as at March 31, 2020

8.3 Inter- Bank Participation with Risk Sharing:

The aggregate amount of participations issued by the Bank are reduced from Advances as per regulatory guidelines as on March 31, 2020 is ₹ 69.40 crore (March 31, 2019: ₹ 103 crore)

9. Exposure

9.1 Exposure to Real Estate Sector

Category	(₹ in crore)	
	March 31, 2020	March 31, 2019
A) Direct exposure	203.29	106.95
(i) Residential mortgages	193.86	98.50
(of which housing loans eligible for inclusion in priority sector advances)	156.66	77.31
(ii) Commercial real estate	9.43	8.45
(iii) Investments in mortgage backed securities (MBS) and other securitised	-	-
a) Residential	-	-
b) Commercial real estate	-	-
B) Indirect exposure	8.24	-
Fund based and non-fund based exposures on National Housing Bank and housing finance Company (HFCs).	8.24	-
Total Exposure to Real Estate Sector	211.53	106.95

9.2 Capital Market Exposure

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

9.3 Risk Category wise Country Exposure

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

9.4 Intra Group Exposure

The Bank does not have any group entities, hence intra group exposure as at March 31, 2020 is Nil. (March 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 year and outstanding as at March 31, 2020. (March 31, 2019: Nil)

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

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

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

10.1 Concentration of deposits

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
Total deposits of twenty largest depositors	1,104.55	711.97
Percentage of deposits of twenty largest depositors to total deposits of the Bank	38.77%	44.68%

10.2 Concentration of advances

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
Total advances to twenty largest borrowers *	254.88	139.83
Percentage of advances of twenty largest borrowers to total advances of the Bank	7.03%	5.09%

*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.

Schedules to the Financial Statements

as at March 31, 2020

10.3 Concentration of exposure

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
Total exposure to twenty largest borrowers / customers*	314.40	270.84
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	8.50%	9.22%

*Exposures are computed as per the definition of Credit Exposure as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

10.4 Concentration of NPAs

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
Total gross exposure to top four NPA accounts	4.94	2.59

11. Sector-wise advances

	March 31, 2020		
	Outstanding total gross advances	Gross NPAs	Percentage of gross NPAs to Total advances in that sector
A. Priority Sector *			
1. Agriculture and allied activities	137.55	2.97	2.16%
2. Advances to industries sector eligible as priority sector lending	8.44	0.78	9.24%
3. Services	498.79	22.77	4.57%
- Transport operators	105.95	9.79	9.24%
4. Personal loans	56.93	2.40	4.22%
Sub total (A)	701.71	28.92	4.12%
B. Non Priority Sector			
1. Agriculture and allied activities	1,272.94	27.36	2.15%
2. Industry	3.54	0.13	3.67%
3. Services	1,427.93	39.12	2.74%
- Transport operators	264.23	7.65	2.90%
4. Personal Loans	220.27	5.72	2.60%
Sub total (B)	2,924.68	72.33	2.47%
Total (A+B)	3,626.39	101.25	2.79%
	March 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	132.69	0.64	0.49%
2. Advances to industries sector eligible as priority sector lending	2.30	0.20	8.65%
3. Services	164.61	4.27	2.59%
- Transport operators	9.30	0.04	0.48%
4. Personal loans	79.30	4.69	5.92%
Sub total (A)	378.90	9.80	2.59%
B. Non Priority Sector			
1. Agriculture and allied activities	920.94	4.68	0.51%
2. Industry	17.96	1.40	7.79%
3. Services	1,376.70	33.11	2.41%
- Transport operators	209.18	2.03	0.97%
4. Personal Loans	46.13	0.63	1.37%
Sub total (B)	2,361.73	39.82	1.69%
Total (A+B)	2,740.63	49.62	1.81%

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

Schedules to the Financial Statements

as at March 31, 2020

12. Asset Liability Management (ALM)

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

	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
As at March 31, 2020												
Deposits	6.71	117.47	43.46	72.38	111.67	253.38	424.16	499.72	1,209.02	110.61	0.13	2,848.71
Advances*	-	-	-	-	-	287.47	636.57	1,036.54	1,304.69	71.03	195.64	3,531.94
Investments	228.45	19.64	8.43	10.08	23.27	95.58	86.42	57.93	249.96	28.37	0.07	808.20
Borrowings	-	76.56	1.19	22.50	17.19	32.19	138.48	225.89	615.65	134.97	-	1,264.62
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
As at March 31, 2019												
Deposits	1.54	41.36	47.97	99.58	98.55	90.40	193.07	417.72	600.09	3.09	0.06	1,593.43
Advances*	5.44	28.90	39.00	56.85	139.06	144.05	420.09	779.86	912.23	58.69	95.41	2,679.58
Investments	171.67	86.35	37.68	23.70	18.65	113.53	28.99	47.55	128.74	7.52	0.01	664.39
Borrowings	-	-	1.33	22.50	51.00	71.00	96.74	204.58	577.07	100.01	-	1,124.23
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

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.

* Advances cash flow is adjusted for moratorium given to eligible customers. (Refer note 15).

Schedules to the Financial Statements

as at March 31, 2020

13. Contingent liabilities

Category	(₹ in crore)	
	March 31, 2020	March 31, 2019
Contingent liabilities *		
Service tax liability	0.58	0.55
Income tax liability	2.97	2.67
Undrawn commitments	0.37	8.05
Others	0.70	0.67
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	-	16.60

Description of contingent liabilities

a) **Claims against the Bank not acknowledged as debts - taxation**

The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws.

b) **Claims against the Bank not acknowledged as debts - others**

The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

c) **Other items for which the Bank is contingently liable**

Primarily includes Provident fund liability

*Also refer Schedule 12 - Contingent liabilities

14. Provision on Standard Assets

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
Provision towards standard assets	11.59	7.37

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	(₹ in crore)	
	March 31, 2020	March 31, 2019
Provision for depreciation on Investment	-	-
Provision towards NPA	12.50	7.65
Provision towards Income tax	62.01	62.33
Deferred Tax Benefit	(18.97)	(10.55)
Provision for Standard Assets	4.21	3.40
Write off of advances	47.89	33.56
Other provision and contingencies *	87.26	29.22
Total	194.90	125.61

*The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organisation. Numerous governments and companies including the Bank, have introduced a variety of measures to contain the spread of the virus. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended till May 31, 2020 across the country to contain the spread of the virus. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Bank.

Schedules to the Financial Statements

as at March 31, 2020

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers, even if overdue, as on February 29, 2020. 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 asset classification under the Income Recognition, Asset Classification and Provisioning norms). The Bank has made provision of 10% amounting to ₹ 10.87 crore (March 31, 2019: Nil) on overdue standard accounts as on February 29, 2020 following RBI guidelines relating to COVID-19 Regulatory package issued on April 17, 2020 and clarification provided by RBI to IBA dated May 6, 2020.

RBI vide its Statement on Developmental and Regulatory Policies dated May 22, 2020, decided to permit lending institutions to extend the moratorium on term loan instalments by another three months, i.e., from June 1, 2020 to August 31, 2020. As the moratorium/deferment is being provided specifically to enable borrowers to tide over COVID-19 disruptions, the same will not be treated as changes in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade. The Bank is in the process of assessing the impact of policy changes as notified by RBI.

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts. In accordance with the provisions of Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Bank recognizes a provision for material foreseeable losses when it has a present obligation as a result of a past event and 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. In cases where it is not probable that an outflow of resources will be required to settle the obligation, disclosure to this effect is made as contingent liabilities in the financial statements.

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)	
	March 31, 2020	March 31, 2019
(i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended	108.69	
(ii) Respective amount where asset classification benefits is extended	13.96	
(iii) Provisions made during the Q4 FY2020	10.87	
(iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions	-	

The Bank holds provisions of ₹ 55.12 crore, other than provision on overdue standard accounts as at February 29, 2020 against the potential impact of COVID-19 based on the information available at this point in time. The provisions held by the Bank are in excess of the RBI prescribed norms.

Additionally, the Bank holds floating provision of ₹ 53.22 crore (March 31, 2019: ₹ 32.32 crore).

16. Business ratio

Particulars	March 31, 2020	March 31, 2019
Interest income as a percentage to working funds ^{1 2}	17.23%	18.38%
Non-interest income as a percentage to working funds ^{1 2}	1.97%	2.40%
Operating profit ³ as a percentage to working funds ^{1 2}	6.87%	7.36%
Return on assets (average)	2.49%	3.00%
Business ⁴ (deposit plus net advances) per employee ⁵ (₹ in crore)	1.23	1.09
Profit per employee ⁵ (₹ in crore)	0.03	0.03
Provision coverage ratio⁶	84.71%	75.80%

- Working funds represent the monthly average of total assets computed for reporting dates of Form X submitted to RBI under Section 27 of the Banking Regulation Act, 1949.
- Working funds is the monthly average of total assets during the previous year.
- Operating profit is net profit for the year before provisions and contingencies.
- "Business" is the total of net advances and deposits (net of inter-bank deposits).
- Productivity ratios are based on average monthly employee numbers.
- Provision coverage ratio includes Technical write off. (Refer note - 7.4)

Schedules to the Financial Statements

as at March 31, 2020

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 lakh (March 31, 2019: ₹ 20 lakh). The scheme is funded with LIC of India and HDFC Standard Life Insurance Company Ltd. The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet.

	(₹ in crore)	
Expenses recognised in the Profit and Loss Account	March 31, 2020	March 31, 2019
Current service cost	1.66	1.11
Interest cost on benefit obligation	0.26	0.18
Past Service Cost	-	-
Expected return on plan assets*	(0.04)	(0.05)
Net actuarial (gain)/ loss recognized in the year	0.46	0.13
Employer Expenses	2.34	1.37

* Represents expected returns determined by the actuary

Net Liability/ (Asset) recognised in the Balance Sheet	March 31, 2020	March 31, 2019
Present value of Defined Benefit Obligation	5.82	3.81
Fair value of plan assets	0.37	0.69
Net liability recognized in balance sheet	5.45	3.12
Less: Unrecognised Past Service Cost	-	-
Liability recognized in balance sheet	5.45	3.12

Reconciliation of Defined Benefit Obligation (DBO)	March 31, 2020	March 31, 2019
Present Value of DBO at start of year	3.81	2.63
Interest cost	0.26	0.18
Current service cost	1.66	1.11
Past Service Cost	-	-
Benefits paid	(0.38)	(0.24)
Actuarial loss	0.47	0.13
Present Value of DBO at end of year	5.82	3.81

Reconciliation of Fair Value of Plan Assets	March 31, 2020	March 31, 2019
Fair Value of Plan Assets at start of year	0.69	0.87
Expected return on plan assets	0.04	0.05
Contributions by the employer	-	-
Benefits paid	(0.38)	(0.24)
Actuarial (loss)/ gain	0.02	0.01
Fair value of plan assets at end of year	0.37	0.69
Estimated employer contributions for the next year	0.06	0.50
Actual return on plan assets	0.00	0.06

Schedules to the Financial Statements

as at March 31, 2020

The principal assumptions used in determining gratuity obligations for the Bank's plan are shown below:	March 31, 2020	March 31, 2019
Discount rate	5.50%	6.70%
Expected rate of return on assets	6.70%	7.00%
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

	March 31, 2020	March 31, 2019
Insurer Managed Funds (non unit-linked)	81.00%	61.00%
Insurer Managed Funds (unit-linked)	19.00%	39.00%
Total	100.00%	100.00%

Planned Asset Break up for Unit Linked Fund

	March 31, 2020	March 31, 2019
Debentures and Bonds	52.83%	65.27%
Government Securities	41.88%	32.74%
Deposits, Money market instruments and net current assets	5.29%	1.99%
Total	100.00%	100.00%

Planned Asset Break up for Non Linked Fund

	March 31, 2020	March 31, 2019
Government Securities	18.66%	21.98%
Corporate Bonds	79.94%	66.80%
Cash and Deposit	1.40%	11.22%
Total	100.00%	100.00%

Experience Adjustments

	(₹ in crore)				
Experience Adjustments	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Present Value of DBO	5.82	3.81	2.62	2.07	1.40
Fair Valuation of Plan Assets	0.37	0.69	0.87	1.08	1.11
Funded Status [Surplus/(Deficit)]	(5.45)	(3.12)	(1.75)	(0.99)	(0.29)
Experience adjustment on plan liabilities : (Gain) / Loss	0.20	0.04	(0.16)	(0.02)	-
Experience adjustment on plan Assets : Gain / (Loss)	0.02	0.01	0.01	0.01	(0.03)

Employee benefits - Leave Availment

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at March 31, 2020 is ₹ 0.86 crore (March 31, 2019: ₹ 0.62 crore).

Assumption used :

Discount rate : 5.5%

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.

Schedules to the Financial Statements

as at March 31, 2020

Employee benefits - Provident Fund

The contribution to Employees Provident Fund included under "Payments to and Provisions for Employees" in Schedule 16 amounted to ₹ 8.62 crore for the year ended March 31, 2020 (March 31, 2019: ₹ 6.08 crore).

18. Disclosure on Remuneration

A) Qualitative Disclosures

(a) Information relating to the bodies that oversee remuneration.

Name, composition and mandate of the main body overseeing remuneration: The Nomination and Remuneration Committee (NRC) of the Board is the main body overseeing remuneration. As on March 31, 2020, the NRC had five members of which three are Independent Directors. The functions of the Committee include recommendation of appointments of Directors to the Board, specify the manner for effective evaluation of performance of Board, its Committees and individual directors, evaluation of the performance of the Executive Director(s) and Key Managerial Personnel, recommending Employees Stock Option Scheme, framing of guidelines for the ESOP Schemes and generally oversee the implementation of the ESOP Schemes.

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 approved by the Board on January 23, 2017 and reviewed periodically covers the compensation payable to MD & CEO, KMP and senior management employees.
- (b) The Employee Policies Manual of the Bank approved by the Board on January 23, 2017 and reviewed periodically covers the Compensation Policy for all employees of the Bank.

Type of employees covered and number of such employees by the remuneration policy

All permanent employees of the Bank are covered. The total number of permanent employees of the Bank at March 31, 2020 was 4,695.

(b) Information relating to the design and structure of remuneration processes.

Key features and objectives of remuneration policy: The Bank has, under the guidance of the Board and the NRC, followed remuneration practices intended to drive meritocracy and performance based on a prudent risk management framework.

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 remuneration that is prudent, it currently 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. Going forward, the Bank proposes to align remuneration with financial and non-financial performance indicators ensuring that it would be in compliance with regulations.

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: The Policy on appointment and remuneration of Directors, Key Managerial personnel and senior management employees was not reviewed in FY 2019-20. The guidelines issued by the RBI vide RBI/2019-20/89 DOR Appt. B C No. 23/29.67.001/2019-20 dated November 4, 2019 on compensation of WTD/CEOs/ Material Risk Takers & Control Function Staff applicable to all private sector banks is proposed to be incorporated as part of overall review of the Policy.

Schedules to the Financial Statements

as at March 31, 2020

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: The Nature and type of these measures have not changed over the past year and hence, there is no impact on remuneration.

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

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include profitability, business growth, asset quality, compliance, and customer service.

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: In case the variable pay of the MD & CEO is substantial in any year, the NRC may decide to defer the payment of 40 percent of such variable pay over the next two financial years. (Variable pay shall be deemed to be substantial if it exceeds 50% of the fixed pay, in any financial year). This deferral clause is not applicable to other employees.

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 remuneration of MD & CEO, in the event of negative contributions of the Bank in any year, any deferred variable compensation would be subjected to malus/ clawback arrangements as provided in the RBI Circular 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 :** None

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: Not Applicable.

Schedules to the Financial Statements

as at March 31, 2020

18. Disclosure on Remuneration

B) Quantitative Disclosure

Sr. No	Subject	March 31, 2020	March 31, 2019
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings : 6 Remuneration paid : ₹ 0.04 crore	Number of meetings : 4 Remuneration paid : ₹ 0.01 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year.	1 employee	1 employee
(b) (ii)	Number and total amount of sign on awards made during the financial year	None	None
(b) (iii)	Details of guaranteed bonus, if any, paid as joining /sign on bonus	None	None
(b) (iv)	Details of severance pay, in addition to accrued benefits, if any	None	None
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms	None	None
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	None	None
(d) (i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred.	Fixed Pay* : ₹ 1.36 crore Variable pay : ₹ 0.25 crore	Fixed Pay* : ₹ 1.05 crore Variable pay : ₹ 0.17 crore
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	None	None
(e) (ii)	Total amount of reductions during the financial year due to ex post explicit adjustments.	None	None
(e) (iii)	Total amount of reductions during the financial year due to ex post implicit adjustments	None	None

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

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.

Schedules to the Financial Statements

as at March 31, 2020

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 year ended March 31, 2020 is given below:

Particular	(₹ in crore)				
	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	70.13	813.91	28.20	5.73	917.97
Segment Result *	7.33	153.61	(4.49)	-	156.45
Unallocated expenses					(2.47)
Operating Profit					153.98
Income taxes					(43.04)
Extraordinary profit/loss					-
Net Profit					110.94
Other information:					
Segment assets	1,635.05	3,345.46	326.11	4.85	5,311.47
Unallocated assets					53.05
Total assets					5,364.52
Segment Liabilities	1,347.20	2,897.53	51.98	1.05	4,297.76
Unallocated liabilities					0.53
Total liabilities					4,298.29
Capital employed					1,066.23
Capital expenditure					22.72
Depreciation					9.78

*Includes additional provision of ₹ 65.99 crore for potential impact of COVID-19 (refer note 15) - Retail banking ₹ 57.43 crore and Corporate banking ₹ 8.56 crore. Without COVID-19 additional provision segment result for Retail banking and Corporate would have been ₹ 211.04 crore and ₹ 4.07 crore respectively.

Segment reporting for the year ended March 31, 2019 is given below:

Particular	(₹ in crore)				
	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	44.42	590.77	8.15	6.38	649.72
Segment Result *	4.62	133.26	2.31	-	140.19
Unallocated expenses					(1.81)
Operating Profit					138.38
Income taxes					(51.78)
Extraordinary profit/loss					-
Net Profit					86.60
Other information:					
Segment assets	918.35	2,684.54	119.82	10.98	3,733.69
Unallocated assets					27.77
Total assets					3,761.46
Segment Liabilities	1,239.89	1,623.02	11.65	5.86	2,880.42
Unallocated liabilities					0.41
Total liabilities					2,880.83
Capital employed					880.63
Capital expenditure					10.48
Depreciation					5.59

Schedules to the Financial Statements

as at March 31, 2020

20. Liquidity Coverage Ratio Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

Particulars	Quarter ended June 30, 2019		Quarter ended September 30, 2019		Quarter ended December 31, 2019		Quarter ended March 31, 2020	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
1 Total High Quality Liquid Assets (HQLA)	-	442.53	-	616.55	-	661.64	-	748.48
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	946.66	94.67
(i) Stable deposits	-	-	-	-	-	-	-	-
(ii) Less stable deposits	536.01	53.60	685.37	68.54	798.00	79.80	946.66	94.67
3 Unsecured wholesale funding, of which:	370.96	310.73	421.39	357.09	573.86	479.84	649.07	512.93
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	73.55	13.32	74.38	10.08	114.44	20.42	166.17	30.03
(iii) Unsecured debt	297.41	297.41	347.01	347.01	459.42	459.42	482.90	482.90
4 Secured wholesale funding	-	80.02	-	83.80	-	73.43	-	67.30
5 Additional requirements, of which	20.00	20.00	20.00	20.00	-	-	-	-
(i) Outflows related to derivative exposures and other collateral requirement	20.00	20.00	20.00	20.00	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligation	117.45	112.07	147.18	138.04	151.31	124.24	199.15	150.88
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 Total cash outflows	-	576.42	-	667.47	-	757.31	-	825.78
Cash Inflows								
9 Secured lending (e.g. reverse repo)	9.54	-	35.01	-	53.63	-	97.74	-
10 Inflows from fully performing exposures	410.85	297.15	425.14	305.79	412.06	287.77	435.83	303.71
11 Other cash inflows	72.30	36.15	71.49	35.74	70.00	35.00	68.88	34.44
12 Total cash inflows	492.69	333.30	531.64	341.53	535.69	322.77	602.45	338.15
21 Total HQLA	-	442.53	-	616.55	-	661.64	-	748.48
22 Total Net Cash Outflows	-	243.12	-	325.94	-	434.54	-	487.63
23 Liquidity Coverage Ratio (%)	-	182.02	-	189.16	-	152.26	-	153.49

Schedules to the Financial Statements

as at March 31, 2020

Particulars	Quarter ended June 30, 2018		Quarter ended September 30, 2018		Quarter ended December 31, 2018		Quarter ended March 31, 2019	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
1 Total High Quality Liquid Assets (HQLA)	-	241.31	-	309.03	-	381.51	-	402.69
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	263.04	26.30	318.64	31.86	354.52	35.45	427.74	42.77
(i) Stable deposits	-	-	-	-	-	-	-	-
(ii) Less stable deposits	263.04	26.30	318.64	31.86	354.52	35.45	427.74	42.77
3 Unsecured wholesale funding, of which:	265.62	137.02	290.72	118.01	350.62	306.82	350.78	303.54
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	128.22	12.82	160.78	16.07	52.37	8.57	56.92	9.68
(iii) Unsecured debt	137.40	124.20	129.94	101.94	298.25	298.25	293.86	293.86
4 Secured wholesale funding	-	41.91	-	67.23	-	40.25	-	80.45
5 Additional requirements, of which	21.74	21.74	20.16	20.16	20.00	20.00	20.00	20.00
(i) Outflows related to derivative exposures and other collateral requirement	21.74	21.74	20.16	20.16	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	58.71	55.02	66.59	61.36	77.79	77.34	85.89	78.56
7 Other contingent funding obligations	-	-	0.30	-	-	-	-	-
8 Total cash outflows	-	281.99	-	298.62	-	479.86	-	525.32
Cash Inflows								
9 Secured lending (e.g. reverse repo)	1.33	-	17.00	-	7.83	-	8.43	-
10 Inflows from fully performing exposures	212.27	149.10	218.46	142.04	239.41	154.66	303.50	204.45
11 Other cash inflows	4.55	3.93	5.64	3.87	39.22	19.61	47.27	23.63
12 Total cash inflows	218.15	153.03	241.10	145.91	286.46	174.27	359.20	228.08
21 Total HQLA	-	241.31	-	309.03	-	381.51	-	402.69
22 Total Net Cash Outflows	-	128.96	-	152.71	-	305.59	-	297.24
23 Liquidity Coverage Ratio (%)	-	187.12	-	202.36	-	124.84	-	135.48

*The weighted value and unweighted value are calculated by monthly simple average. From 1 October 2018, the Bank started computing LCR on daily basis.

Schedules to the Financial Statements

as at March 31, 2020

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 calendar day under a significant 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 calendar day period as per RBI Guidelines. Minimum LCR requirement for small finance banks is 60% up to December 31, 2017 and reaching the minimum requirement of 100% by January 1, 2021. The LCR requirement effective January 1, 2020 is 90%. 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 securities, maximum liquidity facility allowed by RBI under marginal standing facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). HQLA comprise of Government securities primarily on account of excess liquidity invested into Central and State Government securities and liquidity facility allowed under MSF and 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 March 31, 2020 was at 153.49% as against 135.48% for the quarter ended March 31, 2019, and well above the present prescribed minimum requirement of 90%. The average HQLA for the quarter ended March 31, 2020 was ₹ 748.48 crore, as against was ₹ 402.69 crore for the quarter ended March 31, 2019.

Reason for LCR in excess of minimum regulatory requirement are as follows:

1. The Bank continues to maintain excess liquidity due to meet additional disbursement requirement and contingency funding for external uncertainties.

Reason for decline in LCR during the year:

1. Gradually increase in repayments as compared to inflow during the year.

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.

Schedules to the Financial Statements

as at March 31, 2020

21. Deferred Tax Assets

As at March 31, 2020, the Bank has recorded net deferred tax asset of ₹ 42.69 crore (March 31, 2019 : ₹ 23.72 crore), included in other assets.

The composition of Deferred Tax Assets (DTA) is as under :

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
Deferred tax asset arising out of:		
Loan loss provision and COVID provision	39.26	20.77
Employee benefits	1.59	1.31
Depreciation	1.79	1.60
Others	0.05	0.04
Total (a)	42.69	23.72
Deferred tax liability arising out of:		
Total (b)	-	-
Deferred tax asset (net) (a-b)	42.69	23.72

22. Sale of PSLC

Type of PSLCs	(₹ in crore)	
	March 31, 2020	March 31, 2019
Agriculture	-	-
Small and Marginal Farmers	1,265.00	915.00
Micro Enterprises	1,025.00	1,175.75
General	100.00	-
Total	2,390.00	2,090.75

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

23. Unhedged Foreign Currency Exposure

In accordance with the RBI guidelines on Banks' exposures to entities with Unhedged Foreign Currency Exposure ('UFCE'), the Bank has put in place a mechanism to seek information from its borrowers and to evaluate the currency induced credit risk. In the case of listed entities, the Bank obtains information relating to unhedged positions based on the latest available audited / reviewed financial statements; whilst in the case of unlisted / private companies, the Bank obtains the aforesaid information based on the latest available audited financial statements (not exceeding a financial year) so as to estimate the extent of likely loss and to provide for incremental capital or to recognise incremental provision in accordance with the aforesaid guidelines. Further, as per the above-mentioned guidelines, the Bank obtains audited and certified UFCE information from the statutory auditors of the borrowers, wherever feasible, on an annual basis. In the case of smaller entities i.e. entities with exposure to banking industry of less than ₹ 25 crore, the Bank recognises an incremental provision at 10 basis points on all such exposures.

In accordance with RBI guidelines, as at March 31, 2020 the Bank holds standard asset provisions of ₹ 1.67 crore (March 31, 2019: ₹ 0.13 crore) and maintains capital of ₹ 45.46 crore (previous year: ₹ 0.24 crore) in respect of the unhedged foreign currency exposure of its customers.

Schedules to the Financial Statements

as at March 31, 2020

24. Leases

Operating lease primarily comprises of office premises, vehicle, computers and tablets, which are renewable at the option of the Bank. The following table sets forth the details of future rentals payable on operating leases:

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
Not later than one year	6.51	5.42
Later than one year but not later than five years	6.89	9.85
Later than five years	0.19	0.32
Total	13.59	15.59
The total lease payments recognised in the Statement of Profit and Loss account for the year	20.10	10.59

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	March 31, 2020	March 31, 2019
(a) No. of complaints pending at the beginning of the year	17	-
(b) No. of complaints received during the year	1,088	495
(c) No. of complaints redressed during the year	1,093	478
(d) No. of complaints pending at the end of the year	12	17

ATM related customer complaints included in the above

Particulars	March 31, 2020	March 31, 2019
(a) No. of complaints pending at the beginning of the year	2	-
(b) No. of complaints received during the year	443	157
(c) No. of complaints redressed during the year	445	155
(d) No. of complaints pending at the end of the year	-	2

26. Award passed by the Banking Ombudsman

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

27. Corporate Social Responsibility (CSR)

a) Gross amount required to be spent by the Bank during the year ended March 31, 2020 is ₹ 1.19 crore (March 31, 2019 ₹ 0.54 crore) under section 135 of the Companies Act, 2013

b) Amount spent during the year on:

Particulars	(₹ in crore)		Total
	In Cash	Yet to be paid in cash *	
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	0.94	0.30	1.24
Total	0.94	0.30	1.24

*Paid on May 21, 2020

Schedules to the Financial Statements

as at March 31, 2020

c) Amount spent during the previous year on:

Particulars	(₹ in crore)		
	In Cash	Yet to be paid in cash*	Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	0.75	-	0.75
Total	0.75	-	0.75

28. Related party disclosure

The Bank has only one related party i.e. Mr. R Baskar Babu, Managing Director (MD) and Chief Executive Officer (CEO). Hence, related party transactions are not disclosed as per the exemption provided in the RBI Master circular on 'Disclosure in Financial Statements' Notes to Accounts dated July 1, 2015.

29. Off balance sheet SPV

There are no off balance sheet SPVs sponsored by the Bank, which needs to be consolidated as per accounting norms.

30. Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments (March 31, 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 year ended March 31, 2020, no amount has been transferred to Depositor Education and Awareness Fund. (March 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	(₹ in crore)	
	March 31, 2020	March 31, 2019
For selling life insurance policies	3.76	3.00
For selling non-life insurance policies	1.95	0.95
Total	5.71	3.95

33. Overseas Assets, NPAs and Revenue

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

34. Fraud cases

Particulars	March 31, 2020	March 31, 2019
No. of fraud cases reported during the year	87	71
Amount involved in fraud (₹ in crore)	0.36	0.15
Provisions created against fraud cases (adjusted for recovery) (₹ in crore)	0.10	0.02

35. Penalties levied by the RBI

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

36. Letter of Comfort

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

Schedules to the Financial Statements

as at March 31, 2020

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 financial year 2019-20 (March 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 financial year ended March 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 final dividend for the year ended March 31, 2020.

39. Comparatives:

Figures for the previous year have been regrouped wherever necessary to conform with the current year'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

For and on behalf of the Board of Directors

Tushar Kurani

Partner

Membership No: 118580

R. Ramachandran

Chairperson

R. Baskar Babu

Managing Director and
Chief Executive Officer

Jyotin Mehta

Director

Geeta Krishnan

Company Secretary

Bhavin Damania

Chief Financial Officer

Place: Mumbai

Date: May 27, 2020

Corporate Information

BOARD OF DIRECTORS

Mr. R. Ramachandran, Part-time Chairperson & Independent Director

Mr. Mrutunjay Sahoo, Independent Director

Mr. Jyotin Mehta, Independent Director

Mrs. Meena Hemchandra, Independent Director

Mr. Venkatesh Natarajan, Investor Director

Mr. Ranjit Shah, Investor Director

Mr. Aleem Remtula, Investor Director

Mr. R Baskar Babu, Managing Director & CEO

Dr. (Mrs.) Sheela Bhide, Part-time Chairperson & Independent Director
(up to January 22,2020)

STATUTORY AUDITORS

MSKC & Associates

Chartered Accountants

REGISTERED OFFICE

1101, Sharda Terraces, Plot no.65,
Sector 11, CBD Belapur, Navi Mumbai 400614
Tel: 40435800
website: www.suryodaybank.com

CORPORATE IDENTIFICATION NUMBER

U65923MH2008PLC261472

REGISTRAR & TRANSFER AGENT

KFIN TECHNOLOGIES PRIVATE LIMITED
Karvy Selenium, Tower B, Plot No-31 & 32,
Financial District, Nanakramguda,
Serilingampally Mandal,
Hyderabad 500032 (India)
Tel: 040 6716 1500/2331 2454
email: einward.ris@kfintech.com



Suryoday Small Finance Bank Limited

Registered and Corporate Office:
1101 Sharda Terraces, Plot 65, Sector 11,
CBD Belapur, Navi Mumbai - 400 614