

Excellence is going
the extra mile.



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For more details, please visit:

www.suryodaybank.com

Excellence is going the extra mile.

– Joyce Meyer

In Pursuit of Excellence

We all love to win, but for us, at Suryoday, we love to excel. Because we believe 'Excellence' calls for discipline and character. It is about being passionate and enthusiastic about our work consistently. It is about shifting the paradigm from "Can we do it?" to "How well can we do it?"

When we form a habit to excel, there is no end to improvement. From shaping our strategy, thinking and planning to remaining true to our purpose, excellence is at the core of our beliefs, ideologies, principles and values.

Over 1.18 million smiling customers in our eight years as a Microfinance Institution and the last two years as a Small Finance Bank stand testimony to our continued focus on excellence and commitment to building a world-class financial institution.

Our pursuit of excellence led us to...

₹ **3,003** Crore

AUM

71% YoY

₹ **1,593** Crore

Deposits

Up **113%** YoY

₹ **2,712** Crore

Advances

Up **72%** YoY

36.0%

Capital Adequacy Ratio

37.9% In FY 2017-18

48.0%

Cost to Income Ratio

65.1% In FY 2017-18

The World of Smiles

A “small” step in banking, but a “big” leap for social inclusiveness.

We are a new-age bank endeavouring to bring the best banking solutions to the ‘banked’, ‘under-banked’ and the ‘un-banked’ sections of the society. As always, our focus will continue to be on ensuring the best-in-class ‘Customer Experience’.

We also offer insurance products that include government schemes, life and general insurance and innovative products like flight delay insurance.

Our digital banking facilities to customers use the Aadhaar biometric identification system, NPCI’s payment systems and mobile technologies, whilst continuing to offer banking through traditional branch channels as well.

Our single-minded focus will always be on giving a world-class banking experience to all our customers.





OUR PRODUCT SUITE



Micro Finance Loans



Commercial Vehicles and Equipment Loans



Affordable Housing Loans



MSME/SME Loans



Loans Against Receivables



Savings Accounts



Current Accounts



Fixed Deposits



Non-Resident Fixed Deposits



Recurring Deposits



Recurring Deposits for Micro Finance Customers



Corporate Salary Accounts



Flight Delay Insurance

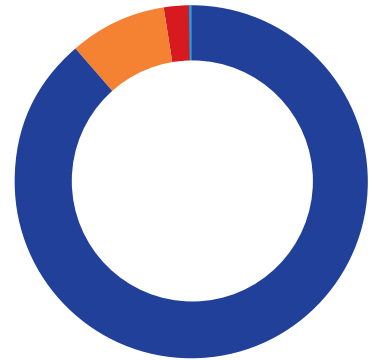


Government Schemes



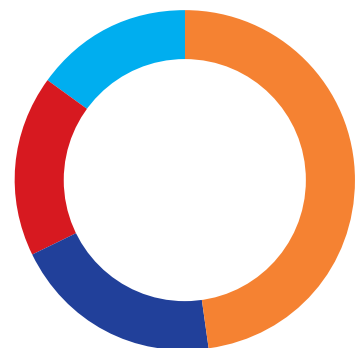
Life and General Insurance

GROSS LOAN PORTFOLIO



Inclusive Finance	80.9%
Retail Assets	16.9%
Financial Intermediary Group	1.8%
Others	0.5%

RETAIL ASSET BREAK-UP



Commercial Vehicle	48%
MSME	20%
Housing Loan	17%
Loan Against Property	15%

An Eventful Journey From an MFI to a Small Finance Bank

During our journey from a Microfinance institution to a Small Finance Bank, we have evolved steadily. Our objective to further financial inclusion continues by providing a savings vehicle, and by supplying credit to small business units, micro industries, and others.

OUR EVOLUTION

2008-09

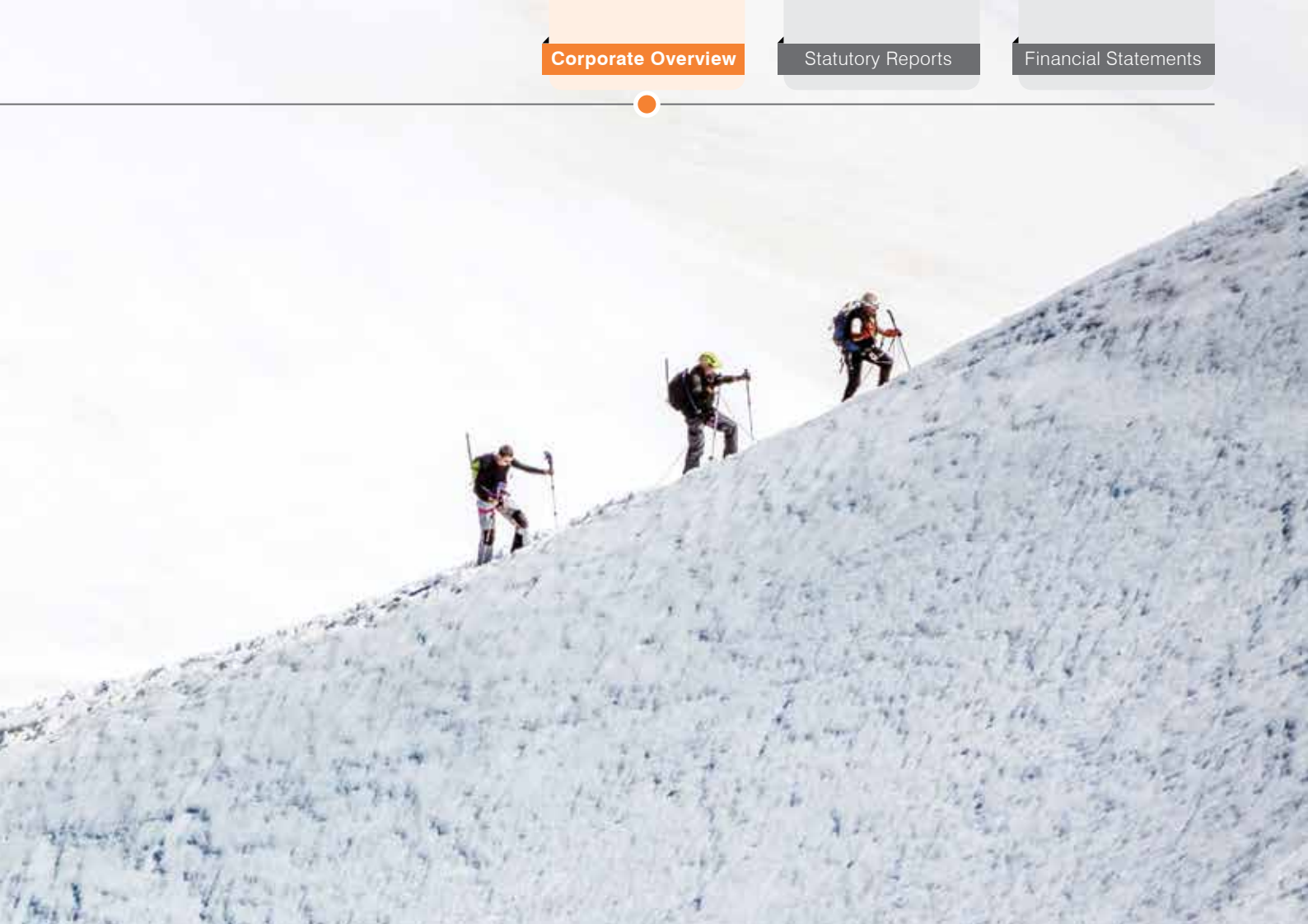
- Co-founded by R. Baskar Babu, Suryoday Micro Finance was incorporated as a private limited company
- Received RBI licence for NBFC operations
- Received funding from Aavishkaar Goodwell.
- Opened branches in Maharashtra and Andhra Pradesh

2009-14

- Expanded operations across Maharashtra, Andhra Pradesh, Odisha, Tamil Nadu, Karnataka, Gujarat and Rajasthan, bringing the network to 70 branches with 274,000 active customers
- Launched new products
- Received investments from Lok Capital, HDFC Holdings, HDFC Life and IFC
- Received RBI approval for NBFC-MFI status
- Assets Under Management of ₹ 327 crore
- Net worth of ₹ 88 crore

2014-15

- Network expanded to the state of Madhya Pradesh
- Total number of branches are 145 with 5,62,000 active customers
- Assets Under Management of ₹ 582 crore
- Net worth of ₹ 132 crore



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)
- Assets Under Management of ₹ 985 crore
- Net worth of ₹ 198 crore

2017-18

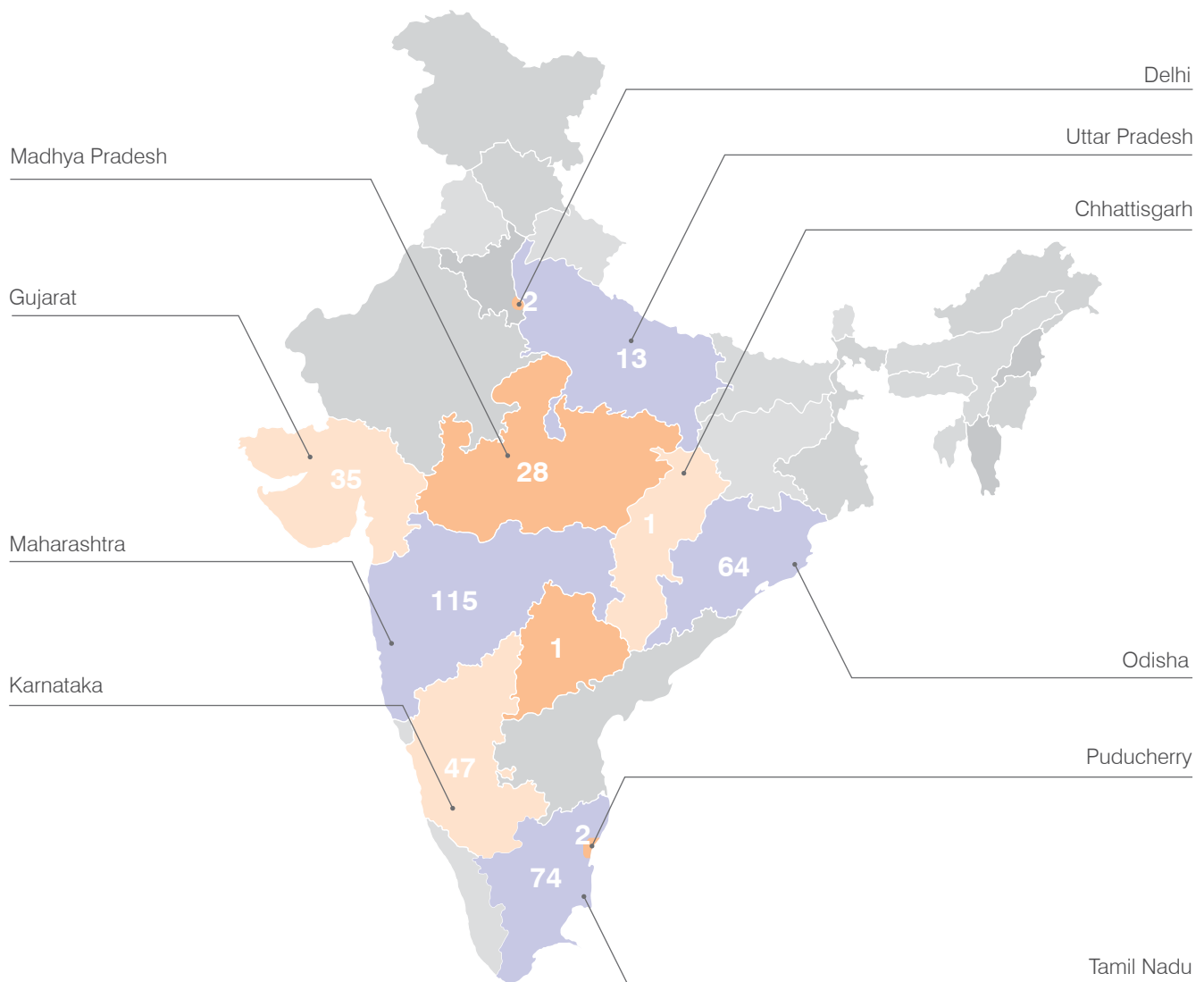
- Received status of 'Scheduled Commercial Bank'
- Launched Partnership-led outlets (amongst the first in the space to achieve this)
- Started a new cluster of Retail Assets to provide finance for commercial vehicles, housing, MSME, loan against property
- Opened 26 bank branches focussed on deposit mobilisation taking total branch count to 241
- Investment from IDFC Bank, Gaja Capital, ASK Pravi, Responsibility
- Deposit book of ₹ 750 crore
- Assets Under Management of ₹ 1,760 crore
- Net worth of ₹ 540 crore

2018-19

- Product diversification to increase share of secured loan portfolio
- Received investments from DEG – a KfW Group Company and Kotak Life
- Assets Under Management of ₹ 3,003 crore
- Branch count increased to 382
- Long-term rating of 'A' by ICRA and short-term rating of 'A1+' by CRISIL and ICRA
- Deposit book of ₹ 1593 crore
- ROA of 3.0% and ROE of 14.1%
- Net worth of ₹ 881 crore

Our Retail Banking Network

We have established our presence in 9 states and 2 Union Territories, covering major regions in the southern, western and northern parts of India. Today, we have a network of 382 branches, thus serving a fast-growing customer base.



Map not to scale. For illustrative purposes only

Some of Our Key Investors

INSTITUTIONAL INVESTORS



IDFC First Bank and Kotak Life are also institutional investors

DEVELOPMENT/IMPACT FUNDS



PRIVATE EQUITY



Our Diversified Assets Portfolio



JOINT LIABILITY GROUP LOANS (JLG)

- Group Loans disbursed cycle wise for income-generating activities with ticket size ₹ 15,000-50,000
- Top-up loans to supplement JLG loans given to existing JLG customers



INDIVIDUAL BUSINESS LOANS (T-NAGAR)

- Higher ticket size loans ranging from ₹ 50,000 to ₹ 3 lakh designed for small business owners



COMMERCIAL VEHICLES

- Funding for new or used vehicles
- Primary focus on high quality retail CV and fleet operators and gradual expansion into used CV



HOUSING LOAN

- Predominantly offering affordable home loans with ticket size of ₹ 10-15 lakh and tenure upto 240 months



FINANCIAL INTERMEDIARY GROUP (FIG)

- Lending to Financial Institutions – Term Loans to other NBFCs & NBFC-MFIs, including HFCs



SECURED AND UNSECURED BUSINESS LOANS (MSME)/SME)

- Secured MSME/SME loans with ticket size ranging from ₹ 10 lakh to ₹ 5 crore and a tenure of up to 48 months
- Unsecured MSME/SME loans with ticket-size ranging from ₹ 10 lakh to ₹ 1 crore with a tenure of up to 48 months

Our Liability Offerings



SAVINGS ACCOUNT

- Attractive interest rate
- Monthly interest pay-out
- Choose your own account number
- Debit card with attractive features
- Discounts and cashbacks
- Airport lounge access
- Flight Insurance cover



FIXED DEPOSIT

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



OTHER OFFERINGS

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



CURRENT ACCOUNT

- Current Account for Sole Proprietors, Companies, LLP, Clubs, Trust, Associations and NGOs
- Lower pricing on RTGS/NEFT/IMPS
- Corporate Internet Banking facility
- Competitive cash deposit limits
- Sweep facility



RECURRING DEPOSIT

- Competitive rate of interest
- Flexible options
- Minimum instalment amount

PRODUCTS IN THE PIPELINE

Joint Liability Group Recurring Deposit (RD)

After converting into a bank, we are better placed to meaningfully leverage our micro finance customers base and provide them the full suite of financial services. Majority of our customers belong to the unbanked and underserved segments. The Bank has conceptualised a unique offering well suited to this customer segment. Joint Liability Group Recurring Deposit (JLG RD) is a product where a customer can pay both, the instalment for loan and recurring deposit once a month, enabling the doorstep banking facility for the customer. This will help us expand our customer base, thereby enabling these customers to become a part of the formal banking infrastructure.

Our Growth and Progress

ADVANCES

(₹ in Crore)

FY 2018-19	2,712
FY 2017-18	1,575
FY 2016-17	820

NET TOTAL INCOME

(₹ in Crore)

FY 2018-19	408
FY 2017-18	202
FY 2016-17	140

DEPOSIT

(₹ in Crore)

FY 2018-19	1,593
FY 2017-18	750
FY 2016-17	22

YIELDS ON ADVANCES

(%)

FY 2018-19	22.7
FY 2017-18	23.3
FY 2016-17	24.3*

DISBURSEMENT

(₹ in Crore)

FY 2018-19	2,856
FY 2017-18	1,718
FY 2016-17	987

COST OF FUNDS

(%)

FY 2018-19	8.8
FY 2017-18	9.9
FY 2016-17	12.1

NET INTEREST INCOME

(₹ in Crore)

FY 2018-19	339
FY 2017-18	164
FY 2016-17	128

NET INTEREST MARGIN

(%)

FY 2018-19	12.6
FY 2017-18	10.2
FY 2016-17	10.6

*FY 2016-17 yield on averages is calculated on monthly average balances and not on daily average balance

COST TO INCOME RATIO (%)

FY 2018-19	48.0
FY 2017-18	65.1
FY 2016-17	72.9

PROFIT AFTER TAX (₹ in Crore)

FY 2018-19	87
FY 2017-18	10
FY 2016-17	16

CRAR (%)

FY 2018-19	36.0
FY 2017-18	37.9
FY 2016-17	53.6

OPERATING EXPENSE RATIO (%)

FY 2018-19	8.6
FY 2017-18	10.8
FY 2016-17	10.0

GNPA (%)

FY 2018-19	1.8
FY 2017-18	3.5
FY 2016-17	6.2

ROE (%)

FY 2018-19	14.1
FY 2017-18	2.0
FY 2016-17	4.3

PRE-PROVISIONING OPERATING PROFIT (₹ in Crore)

FY 2018-19	212
FY 2017-18	70
FY 2016-17	38

DEBT EQUITY (x)

FY 2018-19	3.1
FY 2017-18	2.7
FY 2016-17	2.1

CASA (%)

FY 2018-19	11.2
FY 2017-18	11.0
FY 2016-17	8.3

NNPA (%)

FY 2018-19	0.8
FY 2017-18	1.9
FY 2016-17	3.8

ROA (%)

FY 2018-19	3.0
FY 2017-18	0.6
FY 2016-17	1.2

CUSTOMER GROWTH (Lakhs)

FY 2018-19	11.8
FY 2017-18	8.5
FY 2016-17	7.5

Chairperson's Message

*Our pursuit
of excellence
makes 'going
beyond the
limits' simple
and easy*

Dear Members,

It has been over two years since Suryoday transformed from being a NBFC-MFI to a Scheduled Commercial Small Finance Bank. And I am happy to have steered this transformation as its Chairperson.

While as a micro finance institution, we made a difference to the small and marginal borrowers from the unbanked and the under-banked sections of the society, as a Bank now, our focus is to ensure that these segments gain the benefits of mainstream banking.

We also endeavour to make impactful inroads into retail banking and provide the best banking experience to all sections of the society.

The last two years as a Bank was time well spent in laying a strong foundation towards achieving our goal of building a world-class institution. Our conviction and a steadfast commitment of the team, extreme focus on use of state-of-the-art technology with an intent to provide simple, safe and secure financial products, will help us take the right steps to become a highly respected financial institution by all our stakeholders.

I take this opportunity to thank all our employees, my colleagues on the Board, the investors and all the other stakeholders for their continued guidance and support.

With Best Wishes,

Sheela Bhide



MD & CEO's Message

We aim to achieve 'Excellence' in all that we do. This would mean doing everything a little more than we will normally plan to do, and being sensitive to the principles of customer service.



Dear Members,

I am happy to share with you that we recently completed 10 years of our journey as an institution, having disbursed the first loan on May 11, 2009.

We set out to create a world-class financial services institution, built on the foundations of customer and employee focus, good governance and simplicity as our core values. I am glad to share that we have traversed this path satisfactorily, and we look forward to delivering consistent performance to the delight of all our stakeholders.

We started as a NBFC in April 2009 and then became a NBFC-MFI in 2013, and later, we converted into a Small Finance Bank on the January 23, 2017. Our focus right from the beginning days has been not only on providing credit, but also on inculcating habits of sustainable income generation and savings to enable our customers build a healthy financial security, leading to wealth creation.

Prof C. K. Prahlad's path-breaking thinking has been an inspiration to us: That if only we stop thinking of the bottom of the pyramid as victims or as a burden, and start recognising them as resilient and creative entrepreneurs and value conscious consumers, a whole new world of opportunity will open up. We executives are constrained not by resources, but by imagination.

We have been fortunate to attract our colleagues who are passionate about our vision, and hence, have created a culture which all of you will be proud of. Our team is focussed on seeking opportunities and agile execution, while being fully aware of the challenges that we keep encountering.

We continuously seek to create a learning culture and a dynamic environment, where change is faster than we can recognise. This is a very important trait for growth and sustainability.

We, as an institution, have been through various challenges even in this short span of ten years. 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.

In these two years as a Bank, we have focussed on building trust by intensely listening to our customers' needs and trying to deliver the products in a simple and transparent manner. We want to be a trusted partner in their lifecycle journey, and will always strive to achieve this with excellence in whatever we do.

I am pleased to share our performance for FY 2018-19. Our deposit book has grown by more than 100% to reach ~₹ 1,600 crore with retail deposits accounting for almost 50% share. Our AUM grew by 71% to ~₹ 3,003 crore, with 20% of this contributed by Affordable Home Loans, Commercial Vehicle Finance, and SME & NBFC funding.

The shift in terms of product and portfolio diversification is gradual, yet significant, from the risk management perspective. We plan to continue adding new products every year on both lending and deposits side to be able to address the customer needs in the most efficient manner.

We have always believed in having a healthy ratio which will enable the Bank in maintaining solidity even in unforeseen turbulent times. Suryoday Bank has a healthy capital adequacy of 36%. Our Bank successfully closed an equity fund raise of ₹ 248 crore during March 2019 with participation from promoter group, existing investors and two new institutional investors.

Our focus in the coming years will be to provide all banking services to our under-served customers, including supporting them to use digital channels. This will benefit them in accessing credit and building their savings meaningfully. We will use financial literacy as an important tool in achieving this objective.

I thank our investors who have been an incredible part of our journey and have supported us in our vision of "creating wealth for all our stakeholders". Our Board has guided us at all times to ensure that we grow with the purpose we have set for ourselves and deliver value to our customers.

Our colleagues have contributed tremendously and we thank them for their continued commitment to deliver excellence.

With Best Wishes,

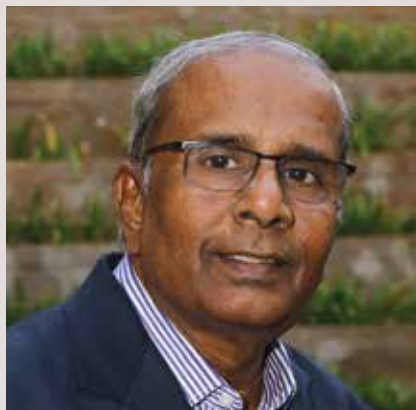
Baskar Babu

Our Board of Directors



DR. (MRS.) SHEELA BHIDE
Independent Director and Chairperson

Served as IAS Officer with the Government of India for 36 years across the Ministry of External Affairs, Ministry of Defence and Ministry of Corporate Affairs, Ex-Chairman & Managing Director, ITPO.



MR. R. RAMACHANDRAN
Independent Director

Over 35 years of experience in the banking industry. Ex-Chairman & Managing Director – Andhra Bank; Ex-Executive Director, Syndicate Bank; Ex-Director SIDBI.



MR. JYOTIN MEHTA
Independent Director

Finance and Compliance Professional with over 36 years of experience. Ex-General Manager and Company Secretary of ICICI Bank Ltd. Retired Chief Internal Auditor of Voltas Limited.



MR. MRUTUNJAY SAHOO
(Independent Director)

Ex-Special Chief Secretary to the Government of Andhra Pradesh. Ex-Director as government nominee in Navratna and Miniratna PSUs.



MRS. MEENA HEMCHANDRA
(Independent Director)

Retired Executive Director, Reserve Bank of India.



MR. VENKATESH NATARAJAN
(Investor Director)

He is the co-founder and partner at LOK Capital with over 14 years of experience in product development and venture capital at Intel. Led several equity deals in design software, computing and wireless technology. Operational consultant to various MFIs in India.



MR. RANJIT SHAH
(Investor Director)

Over 36 years of varied experience including 13 as a private Equity Investor. Co-Founder and Managing Partner at Gaja Capital.



MR. ALEEM REMTULA
(Investor Director)

Over 15 years in impact investing and Managing Director at Developing World Markets.



MR. R. BASKAR BABU
(MD and CEO)

MD & CEO of Suryoday Small Finance Bank Ltd. Over 25 years of experience in financial services. He has held leadership roles in Chola mandalam, HDFC Bank and GE Capital. Co-founder and CEO of Suryoday Micro Finance.

Our Leadership Team



R BASKAR BABU

Managing Director & Chief Executive Officer

Co-founder and Chief Executive Officer of Suryoday Micro Finance Limited since 2008 and MD & CEO of Suryoday Small Finance Bank, R Baskar Babu is a BE and MBA with more than 25 years of experience in banking and financial services. He has worked in organisations like Chola mandalam, HDFC Bank and GE Capital in various leadership positions.



NARAYAN RAO

Chief Services Officer and Head Support Services

An MBA from Symbiosis with over 30 years of work experience spanning Sales, Operations and IT including 6+ years in USA, he has worked in organisations like Motorola-Pagepoint, Intelligroup and PINC.



R SATHYANARAYANAN

Chief Business Officer – Inclusive Finance

A Commerce Graduate with over 24 years of work experience in various responsible roles in L&T Finance Ltd.



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, HDFC Bank, Global Trust Bank and State Bank of Travancore.



SHWETA SINGH

Head – FIG and Digital Banking

A CA and MBA in Finance & Marketing with over 16 years of work experience at Rabobank, GE Capital and Tata Motors.



VAMAN KAMAT

Chief Credit Officer

Vaman 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 Chola mandalam.



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 Bank 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.


VANAMALI SHRIDHARAN
Chief Information Officer

Vanamali holds a Masters 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.


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.


DR. 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.


DHARA VYAS
Head – Strategic Initiatives & 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.


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, Abudhabi Commercial Bank, ING Vysya Bank and India Factoring & Finance Solutions.


SURYA BHASKAR NERALLA
Head – Internal Audit

A BSc, CAIIB and PGDFM from IIM Bangalore, he carries with him a rich experience of more than 34 years and has held responsible roles in Kotak Mahindra Bank and erstwhile ING Vysya 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.

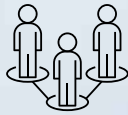
The Cornerstones that Helped Create Over a Million Smiles

Businesses are built on strong foundations and well laid out cornerstones. For us, at Suryoday, our cornerstones are our very identity and form the bedrock of what we are and what we want to be.



Customer-Centricity

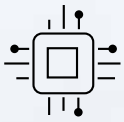
A channel agnostic, seamless banking experience that is consistently par excellence is what we believe will differentiate us from the rest and help us build a world-class financial institution. Our focus is to build a culture around our customer and his needs. Be it in the simple products we design and offer or the way we use technology to make banking easy, secure and fast, the focus is always the customer. To us, at Suryoday, customer-centricity is all about putting our customer first, and at the core of our business and will always remain a non-negotiable.



Prudent and Strong Corporate Governance

Corporate governance at Suryoday is all about having a robust supervision and enforcement mechanism, a capacity for self-monitoring of compliance related issues and timely and accurate disclosure of critical information. Governance based on purposeful decision-making, accountability and transparency is something we do not compromise on. Our well-balanced Board of Directors and the leadership team is committed to highest corporate governance standards to fulfil our fiduciary role and responsibility towards all our stakeholders.





Embracing Digital

At Suryoday, digital isn't just about technology. It's about what technology enables. For us, embracing digital is not a one-and-done process, but an evolving journey. Not just to drive growth, productivity and profitability but also for what it does and means to the customer. Digital dictates the way we run our business and helps us understand the expectations of customers. Our digital initiatives therefore are aimed at being sensitive to the dynamic changes in the tech space and reshaping and redefining business models which in turn impact how well we deliver banking to all stakeholders.



Human Capital

Human Capital for us is far beyond the education, experience and abilities of the over 4,000+ strong team of employees we have. We acknowledge and value our team as our biggest asset and one of the key drivers of our continued success and sustained competitive advantage. We are an organisation that celebrates teamwork and collaboration.

Moving Closer to the Customer

1

Competitive interest rates

- Competitive interest rate on Savings Account and Term Deposits.
- Interest credited on monthly basis.
- Higher interest rates on Savings Accounts and Term Deposits for senior citizens, as compared to regular customers.

2

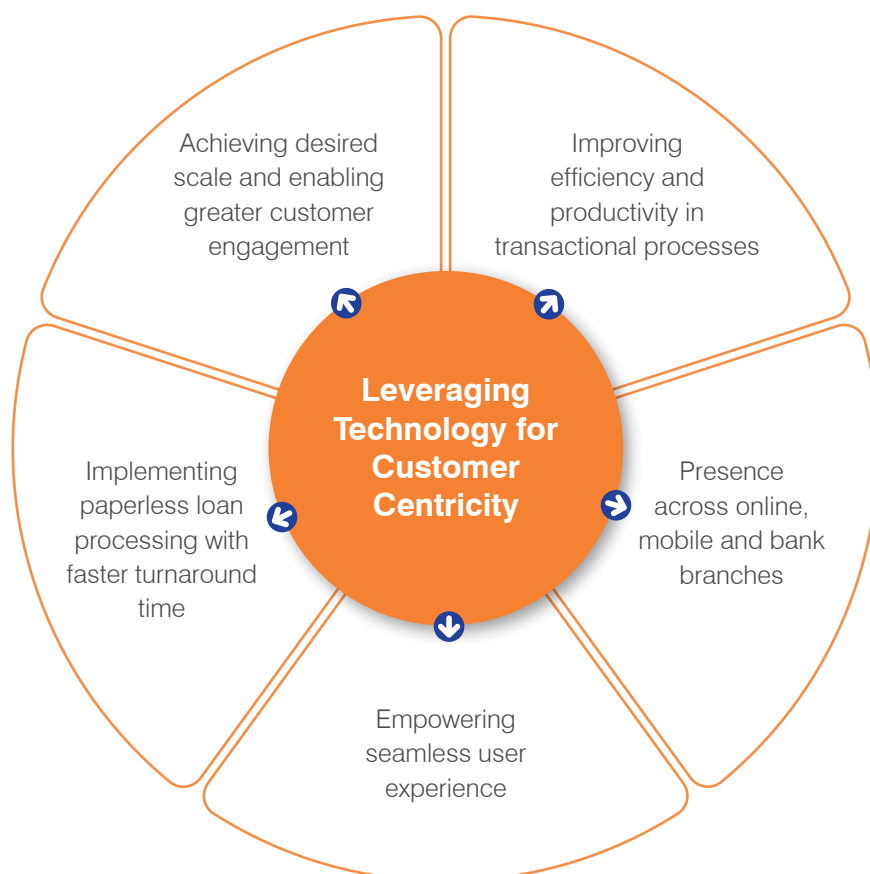
Omni-present and multi-channel distribution network

Our well-spread distribution network of 382 branches provides us with the ability to service the unbanked and under-banked sections and enable financial inclusion.

3

Accelerating digital transformation

Our digital engagement initiatives and capabilities are the key to benefiting customer acquisition, optimising consumer experience and improving their satisfaction. The ability to serve our customers at their doorstep reduces the turnaround time and makes the processes quicker, automated and more cost-efficient.



OUR DIGITISED SERVICE CHANNELS



Internet Banking

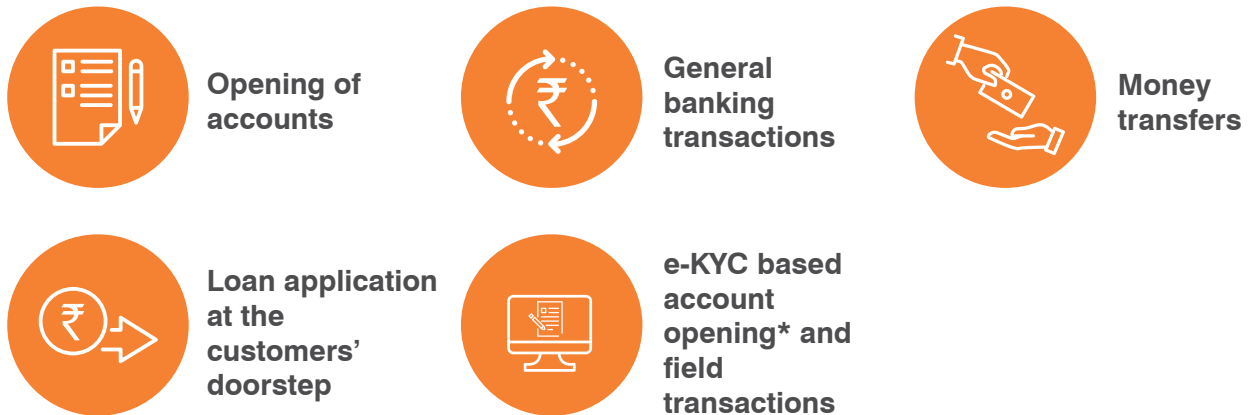


Mobile Banking



Tab Banking

DOORSTEP SERVICE THROUGH TAB BANKING



NEXT-GENERATION MODEL: BUSINESS CORRESPONDENT-LED BANKING OUTLETS

The Bank has tied up with experienced bankers/ professionals to manage some of its banking outlets. The efficacy of this model is entirely on the partner selection process and their credibility. We hope to leverage on our partners' experience and network, and in the process, create a win-win model to further our presence in a cost-effective manner.

*e-KYC is done with customer consent

Shaping Our Human Capital

People are central to our business and at the centre of driving business excellence. With a core philosophy of customer centricity, we are making our workforce equipped to provide the next level of convenience and experience to customers.

Some key initiatives during the year were:

Integration of Performance Management System

Employee Talent Pool Development – Training & Development

HR System & Process Integration with New Automation & Technology Implementation

Goal Setting with Dynamic HR Policies and Guidelines



Skill Upgradation

We directed our efforts towards imparting continuous training on skill development. We worked towards inducting young members, while maintaining our manpower optimally.

Learning & Development

We are developing a full-fledged Learning Management System to facilitate “anytime, anywhere” learning for the employees. These training programmes are conducted for Inclusive Finance (IF) branches to acquaint them with processes and products of retail liabilities.

External Training

During the year, several officials underwent training programmes conducted by reputed external institutions including RBI-CAB, NIBM, CAFRAL, CRISIL, and IIM-B. Senior management and board members participated in the RBI-mandated IT & Cybersecurity certification programmes.



Enabling Inclusive and Sustainable Growth



I was falling short of funds to start my own grocery shop. I approached Suryoday Bank and took an Individual Loan of ₹ 50,000. This helped me expand my business and helped me improve my stock of grocery items and increase my earnings. We also managed to buy a refrigerator using the loan amount. The Bank surely helps the poor and helps them sustain their livelihood



Geetadevi Prajapati



I am in the business of buying and selling fish. Earlier, I was unable to buy fish as this business requires cash to be paid upfront. I availed loan from Suryoday and it totally changed the way I did business. With the loan, I was able to buy and sell all varieties of fish, which helped me increase my turnover and gave me a better quality of life



Mahananda Chikate



I have been a happy customer of Suryoday Bank since 2014 when I approached them for a Group Loan to fund my saree business. Getting a loan under the JLG model has been an easy process. Having repaid two loans already, I have now taken an individual business loan, and have referred several customers to the Bank



Manda Vaity



I have a Savings Account and Fixed Deposit at the Chembur Branch of Suryoday Bank. It has indeed been a fantastic experience to see smiling faces around the branch. Being an ex-banker, I can understand the difficulties in constantly delivering as per the customers' needs and expectations. The Bank's efforts in service delivery and achieving customer delight has been truly a class apart. I am a happy and a delighted customer of this Bank and always wish the management and the staff all the very best in achieving their goals

S. R. Balasubramanian
Customer, Chembur Branch



After being a customer of a private bank for several years, my acquaintance with Suryoday Bank, specifically the NRI branch, my loyalties are shifting. The Bank's prompt service in dealing with and settling any matter, whether on duty or off duty, is commendable and highly appreciable. I am thankful to their hardworking staff for their extended support, proactive assistance and professional approach

Munmum Bajpai
Customer, Seawoods Branch (NRI Complex)



I have been banking with Suryoday Bank for the past year and a half. Their interest rates are very competitive. The service rendered is truly appreciated. The bank's staff is just a phone call/WhatsApp chat away and I can be at ease knowing that my issues will be addressed immediately. I have recommended the Bank to all my friends. Lastly, I want to thank the ever smiling and helpful staff for the rich and royal banking experience. Wishing you all good luck and all the best as one of the finest small finance banks

Jayanath Subramanian
Customer, Seawoods Branch (NRI Complex)

Energising Our Social Collateral

We sincerely believe that building a society which provides equal access to opportunities is a collective responsibility. We have been creating the necessary enablers and providing solutions to benefit the larger society of under-served communities.

Our conscious endeavour is to serve the socio-economically backward, the under-privileged and the marginalised communities. We have an ongoing commitment to contribute to economic development, while improving the quality of life of the society at large.

The Bank's CSR Committee identifies specific areas which need focus and recommends them for implementation. We lay great emphasis on our CSR initiatives and review these activities at regular intervals. Our constant aim is to proactively engage with the relevant stakeholders, understand their concerns and respond to their needs meaningfully.



OUR CSR INITIATIVES:

1. Enabling Financial Literacy

We are financially educating the communities where we operate to enable them to achieve financial independence. Our "Financial Literacy" programmes are designed to be a confluence of financial, credit and debt management education, to help them make financially responsible decisions.

Gaining Capabilities:

- To invest in talents and set up own business
- To purchase equipment or buy supplies to increase cash inflows
- To provide goods and services to communities
- To build assets and jobs for society at large



3,500+

Programmes Conducted



65,000+

Beneficiaries Trained

2. Skill Upgradation Program

Nurturing the capabilities of the youth and developing their skills remains at the core of our CSR initiatives. Through our Skill Upgradation Programmes, we impart regular soft skill training to the working women, aimed at enhancing their job knowledge and enabling them to enhance livelihoods.



**SOFT SKILLS
TRAINING FOR
WORKING
WOMEN**

Place: Avadi

No. of Beneficiaries: **38**



**PAPER/CLOTH
BAG MAKING
TRAINING
PROGRAM**

Place: Nagpur

No. of Beneficiaries: **25**



**SELF
DEFENCE
TRAINING**

Place: Ahmedabad

No. of Beneficiaries: **30**

3. Disease Prevention

We conducted several Community Engagement programmes on Global Handwashing Day, dedicated to advocate handwashing with soap to prevent diseases and save lives.

4. Environment Protection

We conducted a mega tree plantation drive on Independence Day at Upper Primary School, Cuttack, aimed at preserving the environment.



Other CSR Activities:

- Celebrating Women's Day at Puducherry and Vozhalur
- Traffic Awareness Programmes at Cuttack, Odisha
- International Day for the Elderly



Activity Conducted:
Financial literacy

112,937

Total Beneficiaries



Activity Conducted:
Health camps

96,217

Total Beneficiaries



Activity Conducted:
Vocational skill development training

69

Total Beneficiaries



Activity Conducted:
Community engagement programmes

12,441

Total Beneficiaries



Activity Conducted:
Environment

5,327

Tree Plantations

Corporate Information

BOARD OF DIRECTORS

Dr. (Mrs.) Sheela Bhide, Part-time Chairperson & Independent Director
Mr. R. Ramachandran, Independent Director
Mr. Mrutunjay Sahoo, Independent Director
Mr. Jyotin Mehta, Independent Director
Mrs. Meena Hemchandra, Independent Director (w.e.f. 15.12.2018)
Mr. Venkatesh Natarajan, Investor Director
Mr. Ranjit Shah, Investor Director (w.e.f. 2.11.2018)
Mr. Aleem Remtula, Investor Director (w.e.f. 15.12.2018)
Mr. R Baskar Babu, Managing Director & CEO

STATUTORY AUDITORS

BSR & ASSOCIATES LLP
Chartered Accountants

REGISTERED OFFICE

1101, Sharda Terraces, Plot No. 65,
Sector 11, CBD Belapur, Navi Mumbai - 400 614
Tel: 40435800
Website: www.suryodaybank.com

CORPORATE IDENTIFICATION NUMBER

U65923MH2008PLC261472

REGISTRAR & TRANSFER AGENT

KARVY FINTECH PRIVATE LIMITED
(formerly known as Karvy Computershare Pvt Ltd.)
Karvy Selenium, Tower B, Plot No. 31 & 32,
Financial District, Nanakramguda,
Serilingampally Mandal,
Hyderabad - 500 032 (India)
Tel: 040 6716 1500/2331 2454
Email: einward.ris@karvy.com/support@karvy.com

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Eleventh Annual Report of the Bank together with the audited financial statements for the year ended March 31, 2019.

FINANCIAL HIGHLIGHTS

The Bank's performance during the year ended March 31, 2019 as compared to the previous financial year, is summarised below:

(₹ in crore)

Particulars	FY 2018-2019	FY 2017-2018
Advances	2711.90	1574.95
Deposits and borrowings	2717.65	1467.35
Total Income	599.45	324.92
Operating Expenses (including interest expenses)	387.25	254.53
Operating Profit	212.20	70.39
Provisions and contingencies (including tax)	125.61	60.27
Profit for the year	86.60	10.12
Add: surplus brought forward from previous year	63.13	55.59
Amount available for appropriation	149.73	65.71
Statutory Reserve under section 17 of the Banking Regulation Act, 1949	21.65	2.53
Investment - Reserve	-	0.05
Investment Fluctuation reserve	1.94	-
Capital Reserve	0.04	-
Surplus carried to Balance Sheet	126.10	63.13
EPS (Basic)	12.79	1.55
EPS (Diluted)	12.61	1.55

KEY HIGHLIGHTS

The Profit before tax for the year was ₹ 138.4 cr as compared to ₹ 15.7 cr in FY 2017-18 and the Profit after tax was ₹ 86.60 cr as compared to ₹ 10.12 cr in the previous year thereby posting a year-on- year growth of over 750%.

The Net Interest Income at ₹ 338.81 cr showed an increase of 107% as compared to ₹ 163.73 cr in FY 2017-18.

The Gross Loan Portfolio at ₹ 2920 cr showed a year-on-year increase of 76% whereas the Total deposits grew by 113% from ₹ 750 cr as at Mar 2018 to ₹ 1593 cr as at March 2019.

The number of banking outlets increased from 241 in March 2018 to 382 in March 2019 comprising of 211 asset centres and 171 other outlets (including 68 URCs).

The Capital Adequacy Ratio stood at 36% as compared to 37.9% in the previous year.

The Cost to Income ratio at 48% had reduced by over 1700 bps as compared to 65% in the previous year.

The Return on Assets had increased from 0.6% in 2017-18 to 3% in FY 2018-19 and the Return on Equity had increased from 1.9% in the previous year to 14.3% in the current year.

OVERVIEW OF OPERATIONS

The year 2018-19 saw us building up, slowly but surely, on the work we did in the previous year in terms of laying the foundation to build a highly governant and compliant organisation with focus on delivering superior customer experience.

Inclusive Finance

During the year, we rolled out field-level mobility solutions thereby reducing the turn around time for disbursement of microfinance loans to 2-3 working days. We are also in the process of bringing in door-step convenience to JLG borrowers for making small savings. We also introduced customised insurance products for JLG customers covering health and natural calamities through corporate insurance tie-ups.

Retail Liabilities

In line with our commitment to serve the unbanked and underbanked areas, we set up 141 banking outlets in the year with around 40 in unbanked rural areas (URCs). This includes Business Correspondent (BC) led banking outlets in the States of Tamil Nadu and Maharashtra mobilising deposits and 2 BCs in Uttar Pradesh undertaking assets business.

During the year, we expanded our geographical reach to Karnataka, new Delhi and Uttar Pradesh.

As at March 31, 2019, CASA was at 11% with over 20,000 Savings Bank accounts and 1800 current accounts. During the year, the Bank received RBI approval to open non-resident accounts and as of March 31, 2019, we had 54 non-resident accounts with deposits of ₹ 6.68 crs.

During the year, we commenced with Corporate salary accounts and also introduced value added services for our customers such as flight delay insurance, mobile banking, net banking etc. for enhanced customer experience.

Retail Assets

In an endeavor to build a robust and a well-diversified asset book, the Bank has been providing a wide range of asset products other than inclusive finance under the retail asset business vertical. At Retail Assets, the focus has been on select products viz. Business Loans - Unsecured, as well as Secured Business Loans against property targeted for MSMEs; Commercial Vehicle loans addressing both new and used trucks and equipments; and Home Loans where the focus is mostly affordable Housing. The focus of retail assets is in line with the mandate to cater to priority sector. On a selective basis we also provide term loans to Financial Intermediaries such as NBFCs. As part of the build up, the Bank continues to invest in strengthening the team as well as its underwriting processes including a very tight control on monitoring the end use.

Others

All regulatory requirements on CRR and SLR have been met adequately and the Bank maintained a comfortable CRR at 36%. As of now, we have over 4000 employees on our rolls and our Learning & Development measures include training of employees on products, associated risks and general capacity building.

CHANGE IN NATURE OF BUSINESS

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

DIVIDEND

The Board does not recommend any dividend for the year with a view to utilising the year's profits for further business growth.

ISSUANCE OF CAPITAL

During the year, the authorised share capital of the Bank was increased from ₹ 75 cr divided into 7,50,00,000 Equity shares of face value of ₹ 10 each to ₹ 100 cr divided into 10,00,00,000 Equity shares of face value of ₹ 10 each.

Further, the Bank raised ₹ 248.44 cr through private placement of 13,802,083 Equity shares of ₹ 10/- each in March, 2019 and ₹ 3.28 cr by issue of 2,83,727 equity shares of ₹

10/- each to the employees of the Bank under the prevalent Employee Stock Option Schemes bringing in a total inflow of ₹ 251.72 cr.

As on March 31, 2019, the paid up share capital of the Bank stood at ₹ 81.58 cr divided into 8,15,82,482 Equity Shares of ₹ 10 each.

CREDIT RATINGS

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

Instrument	Rating	Rating agency
Long term issuances	A (Stable)	ICRA
Certificate of Deposits	A 1 + (A One Plus)	ICRA
Certificate of Deposits	A 1 + (A One Plus)	CRISIL

CAPITAL ADEQUACY

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

As on March 31, 2019, the Capital Adequacy Ratio of the Bank stood at 36%, well above regulatory minimum requirement of 15%. Tier I ratio of the Bank stood at 33.70% well above regulatory requirement of 6% and Tier II capital was at 2.3%.

SUBSIDIARY, ASSOCIATE AND JOINT VENTURE COMPANIES

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

EXTRACT OF ANNUAL RETURN

In accordance with Section 92 (3) of the Companies Act, 2013, the extract of the Annual Return as at March 31, 2019, 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.

Out of the Board strength of Nine, Five are Independent Directors, Mr. Arun Diaz, Investor Director [DIN: 00493304], ceased to be Director of the Bank wef August 30, 2018. The Board places on record its sincere appreciation of the guidance and support received from Mr. Diaz during his tenure as Director of the Bank.

Mr. Venkatesh Natarajan [DIN 02453219], being the Investor Director longest in office, retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

On the recommendation of the Nomination & Remuneration Committee, Mrs. Meena Hemchandra was appointed by the Board as Independent Director (Additional) on December 15, 2018. In terms of the Shareholders' Agreement and on

the recommendation of the Nomination & Remuneration Committee, Mr. Ranjit Shah and Mr Aleem Remtula were appointed as Investor Directors by the Board on November 2, 2018 and December 15, 2018 respectively. Accordingly, approval of the members of the Bank for appointment of Mrs. Meena Hemchandra [DIN: 05337181] as Independent director and appointment of Mr. Ranjit Shah [DIN: 00088405] and Mr Aleem Remtula [DIN: 02872107] as Investor Directors is being sought at the ensuing Annual General Meeting (AGM).

The details of the Directors being proposed for appointment/re-appointment are set out in the Notice of the ensuing AGM of the Bank.

Mr. R. Baskar Babu's [DIN: 02393132] appointment as Managing Director and Chief Executive Officer (MD & CEO) of the Bank was approved by the Reserve Bank of India in January, 2017 for a period of three years from January 23, 2017 to January, 22, 2020. On the recommendation of the Nomination and Remuneration Committee, the Board approved increase in his remuneration for FY 2019-20 subject to RBI approval. Since this entails a variation in the terms of appointment of the MD & CEO, the same is being placed for members' approval at the ensuing Annual General Meeting.

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 a change in February, 2019 on account of change in composition of the Board, the details of which are provided in the Corporate Governance Report.

MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, 8 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 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](https://suryodaybank.com/regulatory%20disclosures)]

PERFORMANCE EVALUATION OF THE BOARD

Pursuant to the provisions of section 178(2) of the Companies Act, 2013 and the manner for evaluation recommended by the

Nomination & Remuneration Committee, the annual evaluation of Board/ Committee performance and that of individual directors was carried out. 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.

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 composition and the performance of the Board as a whole, as gauged from the responses received from the Board members was found to be satisfactory and this feedback was placed before the Board. Each of the Committees evaluated its own performance and the Chairpersons of all Committees conveyed the evaluation results to the Chairperson of the Board.

The Board assessed the performance of the Independent Directors including that of the Chairperson. The performance of all Directors, the Board and Committees of the Board were found to be satisfactory.

EMPLOYEES STOCK OPTION SCHEME

The applicable disclosure with regard to Employee Stock Option Scheme is provided in **Annexure 2** to this report.

The Board has approved a new ESOP scheme which is being placed for members' approval at the ensuing AGM

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, we are 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, stress scenarios and impact thereof on the business of the Bank, assesses risk mitigation measures, reviews CRAR and ICAAP besides over viewing functioning of ALCO and 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 your Bank has laid down set of standards, processes and structure which enables 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.

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, 2019 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 2018-19 forms part of this Annual Report.

CORPORATE GOVERNANCE

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

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

The Corporate Social Responsibility (CSR) Committee constituted in accordance with Section 135 of the Companies Act, 2013 comprises of six directors including three Independent Directors, 2 Investor Directors and the MD& CEO. The CSR Policy of the Bank and CSR initiatives taken by the Bank are in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

The Bank has been conducting programs on preventive healthcare, environment sustainability, technical upskilling, community engagement programs for creating awareness on socially relevant subjects besides holding financial literacy training programs.

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

STATUTORY AUDITORS

The report of the Statutory Auditors on the Financial Statements for the year 2018-2019 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. BSR & Associates, LLP, Chartered Accountants, Mumbai were appointed as Statutory Auditors of the Bank with the approval of the Reserve Bank of India at the Annual General Meeting held on August 30, 2018 upto the conclusion of the ensuing Annual General Meeting.

The Audit Committee and the Board have recommended the appointment of M/s BSR & Associates LLP, Chartered Accountants, Mumbai, [Firm Regn No.:116231W/W-100024] and M/s. R. K. Kumar & Co., Chartered Accountants, Chennai [Firm Regn No.: 0015955] as Joint Statutory Auditors of the Bank for a period of one year 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 i.e for FY 2019-2020. The resolution for their appointment is being put up for members' approval at the ensuing Annual General Meeting.

SECRETARIAL AUDIT

The report of the Secretarial Auditors, Tushar Shridharani, Practicing Company Secretary, Mumbai, for FY 2018-19 is attached as **Annexure 4** to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Compliance with Secretarial Standards

The Bank is in compliance with the applicable secretarial standards.

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.

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 2018-2019 till the date of this Report.

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

The Bank has adopted a Policy for Prevention of Sexual Harassment (POSH Policy) at the workplace under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been constituted in compliance with the provisions of the Act and the POSH Policy to review, investigate and take suitable actions on complaints. An Appellate Committee has also been constituted under the Policy before whom a complainant who is not satisfied with the decision of the ICC can prefer an appeal. Details of complaints received and resolved by the ICC during the FY 2018-19 are as follows:

Number of complaints pending at the beginning of the year	0
Number of complaints received during the year	3
Number of complaints disposed during the year	3
Number of complaints pending at the beginning 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 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/regulatory-disclosure>

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 4000 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 is available for inspection at the Registered office of the Bank. Any member interested in obtaining a copy of the Annexure may write to the Company Secretary of the Bank.

ACKNOWLEDGEMENTS

The Board of Directors would like to place on record their gratitude for the guidance and co-operation received from the Reserve Bank of India 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/-
Sheela Bhide
Part-time Chairperson &
Independent Director
[DIN: 01843547]

Mumbai; July 31, 2019

sd/-
R. Baskar Babu
MD & CEO
[DIN: 02303132]

ANNEXURE 1

Extract of Annual Return in Form MGT-9 as on the financial year ended on March 31, 2019

[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:	:	Karvy Fintech Private Limited (formerly known Karvy Computershare Private Limited) Karvy Selenium, Tower- B, Plot No 31 & 32., Financial district, Nanakramguda, Serilingampally Mandal, Hyderabad, 500032 Karvy Registry House, 8-2-596, St. No. 1, Banjara Hills, Hyderabad - 500 034 Email: - einward.ris@karvy.com support@karvy.com Contact No. Tel: +91 40 67161500

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	1,84,87,728	13,66,450	1,98,54,178	29.42	2,19,09,732	0	2,19,09,732	26.86	-2.56
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):	1,84,87,728	13,66,450	1,98,54,178	29.42	2,19,09,732	0	2,19,09,732	26.86	-2.56
(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)	1,84,87,728	13,66,450	1,98,54,178	29.42	2,19,09,732	0	2,19,09,732	26.86	-2.56
B. Public Shareholdings									
(1) Institutions									
a) Mutual Funds	0	0	0	0.00	0	0	0	0.00	0.00
b) Banks / FI	28,35,053	17,23,286	45,58,339	6.75	31,68,386	17,23,286	48,91,672	6.00	-0.76
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	86,17,188	0	86,17,188	12.77	1,15,04,738	0	1,15,04,738	14.10	1.34
f) Insurance Companies	25,78,679	0	25,78,679	3.82	36,59,884	0	36,59,884	4.49	0.67
g) FIs	6,10,111	37,77,777	43,87,888	6.50	45,63,229	33,33,333	78,96,562	9.68	3.18
h) Foreign Venture Capital Funds	56,41,414	0	56,41,414	8.36	63,41,414	0	63,41,414	7.77	-0.59
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(1):	2,02,82,445	55,01,063	2,57,83,508	38.20	2,92,37,651	50,56,619	3,42,94,270	42.04	3.84
(2) Non-Institutions									
a) Bodies Corp.									
i) Indian	25,38,049	0	25,38,049	3.76	30,99,385	0	30,99,385	3.80	0.04
ii) Overseas	1,23,05,276	43,17,682	1,66,22,958	24.63	1,49,85,487	43,17,682	1,93,03,169	23.66	-0.97
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	5,34,012	62,761	5,96,773	0.88	7,28,003	36,117	7,64,120	0.94	0.05

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	
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	20,12,706	0	20,12,706	2.98	21,11,156	0	21,11,156	2.59	-0.39
c) Others (specify) NRI/NRN	88,500	0	88,500	0.13	1,00,650	0	1,00,650	0.12	-0.01
Sub-total(B)(2):	1,74,78,543	43,80,443	2,18,58,986	32.39	2,10,24,681	43,53,799	2,53,78,480	31.11	-1.28
Total Public Shareholding (B)=(B)(1)+(B)(2)	3,77,60,988	98,81,506	4,76,42,494	70.58	5,02,62,332	94,10,418	5,96,72,750	73.14	2.56
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Total (C)	0	0	0	0.00	0	0	0	0.00	0.00
(A+B+C)	5,62,48,716	112,47,956	6,74,96,672	100.00	7,21,72,064	94,10,418	8,15,82,482	100.00	0.00

ii. Shareholding of Promoters:

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the year			Shareholding as on March 31, 2019		% of Shares Pledged / encumbered to total shares	% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company		
1	Mr. R Baskar Babu	54,03,578	8.01	5.63	47,03,578	5.77	3.80	-2.24
2	Mr. P. Surendra Pai	1,14,34,327	16.94	0	1,35,23,215	16.58	0	-0.36
3	Mr. P.S.Jagdish	26,67,823	3.95	0	32,23,378	3.95	0	0.00
4	Mr. G.V. Alankara	3,48,450	0.52	0	4,59,561	0.56	0	0.05
TOTAL		1,98,54,178	29.42	5.63	2,19,09,732	26.86	3.80	-2.56

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

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year		Date of change	Reason for change	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. R. Baskar Babu	54,03,578	8.01	28-12-2018	Transfer	(7,00,000)	1.03	47,03,578	6.95
At the end of the year								47,03,578	5.77
2.	Mr. P. Surendra Pai	1,14,34,327	16.94%	28-12-2018	Purchase	7,00,000	1.03	1,21,34,327	17.94
				28-03-2019	Allotment under Private Placement	13,88,888	1.70	1,35,23,215	16.58
At the end of the year								1,35,23,215	16.58
3.	Mr. P. S. Jagdish	26,67,823	3.95	28-03-2019	Allotment under Private Placement	5,55,555	0.68%	32,23,378	3.95
At the end of the year								32,23,378	3.95
4.	Mr. G.V. Alankara	3,48,450	0.78%	28-03-2019	Allotment under Private Placement	1,11,111	0.14%	4,59,561	0.56
At the end of the year								4,59,561	0.56

iv. Shareholding pattern of Top Ten Shareholders (Other than Directors, Promoters and holders of gdrs and adrs)

Sl. 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.	Sarva Capital LLC					
	At the beginning of the year	01.04.2018	61,15,911	9.06		
	At the end of the year				61,15,911	7.50
2.	DWM (International) Mauritius Limited					
	At the beginning of the year	01.04.2018	43,17,682	6.40		
	Allotment under Private Placement	28.03.2019	9,30,183	1.14	52,47,865	6.43
	At the end of the year				52,47,865	6.43
3.	International Financial Corporation					
	At the beginning of the year	01.04.2018	43,87,888	6.50		
	At the end of the year				43,87,888	5.38
4.	ResponsAbility Participations Mauritius					
	At the beginning of the year	01.04.2018	31,74,033	4.70		
	Allotment under Private Placement	28.03.2019	8,97,660	1.10	40,71,693	4.99
	At the end of the year				40,71,693	4.99
5.	Gaja Capital Fund II Limited					
	At the beginning of the year	01.04.2018	30,15,332	4.47		
	Allotment under Private Placement	28.03.2019	8,52,368	1.04	38,67,700	4.74
	At the end of the year				38,67,700	4.74
6.	Evolve India Fund II Limited					
	At the beginning of the year	01.04.2018	29,69,656	4.40		
	Allotment under Private Placement	28.03.2019	7,00,000	0.86	36,69,656	4.50
	At the end of the year				36,69,656	4.50
7.	DEG-DEUTSCHE INVESTITIONS -UND ENTWICKLUNGSGESELLS					
	At the beginning of the year	01.04.2018	0	0.00		
	Allotment under Private Placement	28.03.2019	35,08,674	4.30	35,08,674	4.30
	At the end of the year				35,08,674	4.30
8.	Ask Pravi Private Equity Opportunities Fund					
	At the beginning of the year	01.04.2018	29,69,656	4.40		
	At the end of the year				29,69,656	3.64
9.	TVS Shriram Growth Fund					
	At the beginning of the year	01.04.2018	28,96,098	4.29		
	At the end of the year				28,96,098	3.55
10.	Americorp Ventures Limited					
	At the beginning of the year	01.04.2018	26,71,758	3.96		
	At the end of the year				26,71,758	3.27

v. Shareholding of Directors and Key Managerial Personnel:

Sl. No	Particulars	Date	Shareholding at the beginning of 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
DIRECTORS						
1	Mr. R Baskar Babu MD & CEO					
	At the beginning of the year		54,03,578	8.01		
	Transfer	28.12.2018	-7,00,000	-1.03	47,03,578	6.95
	At the end of the year				47,03,578	5.77
KEY MANAGERIAL PERSONS						
2	Mr. Bhavin Damania-Chief Financial Officer					
	At the beginning of the year		13,700	0.02		
	At the end of the year				13,700	0.02
3	Ms Geeta Krishnan-Company Secretary					
	At the beginning of the year		-	-		
	Allotment	6.9.2018	3,750	0.01		
	At the end of the year				3,750	0.01

V. INDEBTEDNESS

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

(₹ in lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	26,430	45,353	-	71,783
ii) Interest due but not paid				
iii) Interest accrued but not due	590	807	-	1,397
Total (i+ii+iii)	27,020	46,161		73,181
Change in Indebtedness during the financial year				-
• Addition	-	1,02,200		1,02,200
• Reduction	22,042	39,518		61,560
Net Change	-22,042	62,682		40,640
Indebtedness at the end 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	171	2,947		3,118
Total (i+ii+iii)	4,558	1,10,982		1,15,540

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director & CEO

(₹ in lakhs)

Sl. No.	Particulars of Remuneration	Name of the Managing Director Mr. R Baskar Babu
1.	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (includes performance incentive paid for 2017-18)	117.14
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.16
	(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)	5.04
	Total (A)	122.34
	Ceiling as per the Act (5% of Net Profit)	433.00

B. Remuneration to other Directors

(₹ in lakhs)

Sl. No.	Particulars of Remuneration	Names of Directors					Total Amount
1.	Independent Directors	Dr. (Mrs.) Sheela Bhide	Mr. Jyotin Mehta	Mr. Mrutunjay Sahoo	Mr. R. Ramachandran	Ms. Meena Hemchandra (wef 15.12.2018)	
	Fees for attending Board/Committee Meetings	4.15	6.3	5.4	6.5	1.75	24.1
	Commission	Nil	Nil	Nil	Nil	Nil	Nil
	Others, please Specify	Nil	Nil	Nil	Nil	Nil	Nil
	Total (1)	4.15	6.3	5.4	6.5	1.75	24.1
2.	Other Non-Executive Directors	Mr. John Arun Kumar diaz (upto 30.8.2018)	Mr. Venkatesh Natrajan	Mr. Ranjit Shah (wef 2.11.2018)	Mr. Aleem Remtula (wef 15.12.2018)		
	Fees for attending Board/Committee Meetings	3.1	3	Nil	0.6		6.7
	Commission	Nil	Nil	Nil	Nil		Nil
	Others, please Specify	Nil	Nil	Nil	Nil		Nil
	Total (2)	3.1	3	0	0.6		6.7
	Total (B)= (1+2)						30.8

Total Managerial Remuneration

Overall Ceiling as per the Act (i) Remuneration payable to non-executive Directors shall not exceed 1% of the net profit of the Bank.
(ii) 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.

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

				(₹ in lakhs)
Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Mr. Bhavin Damania - CFO	Ms. Geeta Krishnan - CS	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	42.59	25.58	68.17
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0.56	0.56
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	0	0	
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others, specify	-	-	-
5.	Others (provident fund)	1.93	1.12	3.05
	Total (A)	44.52	27.26	71.78

VII. 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					

Annexure 2

EMPLOYEES STOCK OPTIONS AS ON MARCH 31, 2019.

ESOP Scheme	Opening balance of options (1.4.2018)	Options granted during the year	Options vested during the year	Options forfeited/ lapsed during the year	Options exercised and shares allotted during the year	Amount Received* (₹ in lakhs, inclusive of premium)	No. of options outstanding at the end of the year	No. of outstanding options at the end of the year (vested)	No. of outstanding options at the end of the year (yet to be vested)
ESOP Scheme 2014	1,200	-	-	-	1200	0.43	-	-	-
ESOP Scheme 2016	18,04,158	11,31,000	4,41,774	3,50,659	2,82,527	298.79	23,01,972	2,76,307	20,25,665
Total	18,05,358	11,31,000	4,41,774	3,50,659	2,83,727	299.22	23,01,972	2,76,307	20,25,665

*Exercise Price under ESOP Scheme, 2014 was ₹ 36/- per share and 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	25,000
Ms. Geeta Krishnan	Company Secretary	10,000

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. Bharat Sondur	Chief Business Officer- Retail Liabilities	1,00,000
Mr. Narayan Rao	Chief Services Officer	1,00,000

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) | : Chairperson |
| Dr (Mrs.) Sheela Bhide (Independent Director) | : Member |
| 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: ₹ 2713.32 lakhs
- (iii) Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 54.27 lakhs
- (iv) Details of CSR spent during the financial year:
- (a) Total amount spent for the financial year: ₹ 75.41 lakhs
- (b) Amount unspent, if any: Nil
- (c) Manner in which the amount spent during the financial year is detailed below.
- (v) The details of CSR expenditure in FY 2018-2019 in the prescribed format is as follows:

Sl. 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 lakhs)	Cumulative Expenditure up to the reporting period: (₹ in lakhs)	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, Jaipur, 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, Thiruvavur, Pattukottai, Pudukottai, 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	-	31.97	31.97	Direct
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, Kopergaon, Akkalkot, New Damani Nagar, Asara, Kolhapur, Rankala, Ichalkaranji, Akluj, Paratwada, Morshi, Arvi, Rajeandera Nagar, Neemuch, Madanmahal, Balaghat, Cuttack, Jaipur, Keonjhar, Dhenkanal, Narsinghpur, Rasgovindpr, Rairagpur, Baripada, Lewis Road, Daspalla, Adasapur, Sakthigopal, 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, Thiruvavur, Tirunelveli, Tenkasi, Nagercoil, Kalaburagi, Bidar, Yadgir, Basavakalyan, Humnabad		1.78	1.78	Direct

Sl. 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 lakhs)	Cumulative Expenditure up to the reporting period: (₹ in lakhs)	Amount spent Direct or Through implementing agency
3.	Promoting education	Imparting financial literacy trainings through Financial Literacy Centres	Godhra, Limkheda, Vadodara, Chhani, Morva Hadaf, Halol, Nadiyad, Santarpur, Lunawada, Balasinor, Modasa, Kapdwani, 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, ambarnath, Titwala, Badlapur, Karjat, Kolhapur, Rankala, Ichalkaranji, Sangli, Pandharpur, Akluj, Amravati, Paratwada, Daryapur, Morshi, Dhamangaon, Arvi, Rajendra Nagar, Vijay Nagar, Shujapur, Mandsaur, Ujjain, Dhar, Neemuch, Jaora, Jabalpur, Madanmahal, Deori, Katni, Sagar, Satna, Hosangabad, Chindwad, Seoni, Betul, Obedullaganj, Balaghat, Cuttack, Jajpur, Keonjhar, Dhenkanal, Narsinghpur, Rasgovindpur, Rairagpur, Baripada, Lewis Road, Daspalla, Adaspur, Sakhipopal, 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, Thiruvannamalai, Vellore, Woraiyur, Kattur, Tollgate, Madurai, Namakkal, Dindigul, Thanjavur, Kumbakonnam, Mayiladuthurai, Thiruvarur, Pattukottai, Pudukottai, Karaikudi, Singanallur, Thudiyalur, Erode, Edapadi, Salem, Harsthampatti, Gopichettipalayam, Thirunelveli, Tenkasi, Thucalay, Thoothukudi, Valliyoor, Rajapalayam, Nagercoil, Kalaburagi, Bidar, Raichur, Yadgir, Vijayappur, Shahapur, Basavakalyan, Humnabad, Belgavi, Hubli, Gadag, Dharwar, Ranebennur, Athani, Athani, Gokak, Bagalkot		37.53	37.53	Direct
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, Bhuvaneshwar, Balangir, Sambhalpur, Brahmapur, Cuttack, Jajpur, Indore, Hoshangabad, Seoni, Jabalpur, Chindwara, Ahmedabad, Belgavi, Gulbarga, Hubli, Kalaburgi, Thirunelveli, Kanyakumari, Trichy, Dindigul, Madurai, Karur, Thirupur, Coimbatore, Erode, Nilgiri, Salem, Singanallur, Thanjavur, Pudukkottai, Saivagangai, Vilupuram, Thiruvannamalai, Velur, Thoothukudi		4.13	4.13	Direct
TOTAL					75.41	75.41	

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/-

Baskar Babu

MD & CEO

[DIN 02303132]

Date: May 29, 2019

Mumbai

sd/-

R Ramachandran

Chairperson, CSR Committee

[DIN 01953653]

Annexure 4

FORM NO. MR-3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2019

[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

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 conducts / 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 authorised 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, 2019 (**"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, 2019 according to the provisions of:

- (i) The Companies Act, 2013 (**"the Act"**) and the rules made thereunder;
- (ii) The Depositories Act, 1996 and the regulations and bye-laws framed thereunder;
- (iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent applicable to the Foreign Direct Investment;
- (iv) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2016 to the extent applicable to debt listing;

- (v) 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) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder other than Foreign Direct Investment;
- (iii) 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;
- (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 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 had 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: May 29, 2019

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. 2018-19 submitted to the Suryoday Small Finance Bank Limited ("**the bank**") in pursuance of provisions of section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Members of the Bank are informed as follow.

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

Place: Mumbai
Date: May 29, 2019

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

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:

Sl. 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 2018-2019	46.56 : 1	
2.	The percentage increase in remuneration of MD & CEO, Chief Financial Officer, Chief Executive Officer, Company Secretary in FY 2018-2019	KMP MD&CEO CFO CS	% increase 16.71% 15.06% 15.00%
3.	The percentage increase in the median remuneration of employees in FY 2018-2019	6.18%	
4.	The number of permanent employees on the rolls of Bank as at March 31, 2019	3931	
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 Percentage Increase in salaries of employees other than managerial personnel: 12.34% (ii) Average Percentage Increase in salaries of managerial personnel: 24.67%	
6.	Affirmation that the remuneration is as per the Remuneration Policy of the Bank	Yes	

Management Discussion and Analysis

ECONOMIC ENVIRONMENT

According to the International Monetary Fund (IMF), world economy grew by 3.6% in 2018, about 0.2% lower than its growth in 2017. Slowdown in growth was a result of elevated trade tensions and geopolitical uncertainties, which led to moderation in investments. Slowdown in economic activity was also reflective from the low inflation levels in developed economies, which led major Central Banks to continue a more accommodative stance in their respective monetary policies.

As per the provisional estimates from the Central Statistics Office (CSO), India's Gross Domestic Product (GDP) grew by 6.8% in FY 2018-19, lower than 7.2% growth in the previous fiscal year. The full-year growth was predominantly dragged in the last quarter of the fiscal year ending March 2019, which recorded a growth of 5.8%. Economic growth was impacted by a slowdown in the automobile sector, lower earnings growth, and weak Index of Industrial Production (IIP) and Purchasing Managers' Index (PMI) during the year. Inflation remained muted below the Reserve Bank of India's (RBI) target and is expected to remain low during FY 2019-20. During FY 2018-19, yields on government securities were volatile primarily in view of tight liquidity conditions between Q2 and Q3 of FY 2018-19. Yields on the 10-year benchmark government bonds increased from 7.4% in March 2018 to over 8.0% in September 2018, and subsequently declined to 7.4% again in March 2019.

However, India's ranking in World Bank's 'Ease of Doing Business 2019' survey jumped 23 places to climb to 77th place globally. This was an outcome of key governments reforms such as Insolvency and Bankruptcy Code (IBC), and rationalisation of GST, amongst other things. IMF has estimated that India's economy will reach USD 2,958 billion in 2019, overtaking France and United Kingdom, to become the world's 5th largest economy.

BANKING SECTOR

The year under review ended on a relatively positive note for banks with disbursements rising in double-digits for the second year in a row. This was following the sub-5% disbursements in FY 2016-17, the lowest in five decades. Bank credit rose 13.24% to ₹ 97.67 lakh crore for the fortnight to March 29, 2019. For the same period, deposits grew by 10.03% to ₹ 125.72 lakh crore.

With the bulk of the legacy non-performing assets (NPAs) already recognised in banking books, the non-performing asset (NPA) cycle may have turned around. Macro-stress tests for credit risk by RBI indicate that under the baseline scenario, gross non-performing asset (GNPA) ratio of scheduled

commercial banks is expected to decline from 9.3% in March 2019 to 9% in March 2020, a significant reduction vis-à-vis 11.6% in March 2018.

Key policy initiatives impacting small finance banks during FY 2018-19:

- In September 2018, RBI permitted banks to reckon an additional 2.0% of their net demand and time liabilities (NDTL), under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory statutory liquidity requirement (SLR), as level one high quality liquid assets (HQLA) for the purpose of computing their liquidity coverage ratio (LCR). This was applicable from October 1, 2018 resulting in a total of 15.0% of NDTL comprising statutory liquidity ratio securities available for banks to be recognised as level one HQLA. In April 2019, RBI permitted a further 2.0% of NDTL to be reckoned as level one HQLA in a phased manner
- With a view to align the SLR with LCR requirement, RBI decided to reduce the SLR by 25 basis points every quarter until the SLR reaches 18.0% of NDTL. The first reduction of 25 basis points from 19.50% to 19.25% was effective from January 1, 2019
- With a view to facilitate restructuring of micro, small and medium enterprises' (MSME) accounts that are stressed, RBI permitted a one-time restructuring of existing loans to MSMEs that are in default, but 'standard' as on January 1, 2019, without an asset classification downgrade. To be eligible for the scheme, the aggregate exposure, including non-fund based facilities of banks and NBFCs to a borrower should not exceed ₹ 250.0 million as on January 1, 2019. The restructuring will have to be implemented by March 31, 2020. A provision of 5.0%, in addition to the provisions already held, shall be made in respect of accounts restructured under this scheme
- With a view to facilitate flow of credit to well-rated NBFCs, RBI revised the risk weights on exposures to non-deposit taking systemically important NBFCs in February 2019. From a uniform risk weight of 100%, RBI allowed rated exposures of banks to these NBFCs to be risk-weighted as per the rating assigned by the accredited rating agencies, in a manner similar to that for corporates. The rated exposures of banks to all NBFCs excluding Core Investment Companies (CICs), will now be risk-weighted in a manner similar to that for corporates. Exposures to CICs continue to be risk-weighted at 100%

- In February 2019, RBI revised the definition of bulk deposits (i.e. deposits where banks have the discretion to offer differential rate of interest) from single deposit of ₹ 10.0 million and above to single deposit of ₹ 20.0 million and above. Banks are henceforth required to maintain their bulk deposit interest rate cards in the core banking system for supervisory review
- In April 2019, Supreme Court declared the RBI circular on revised framework for resolution of stressed assets dated February 12, 2018 as unconstitutional. RBI issued the revised guidelines on June 7, 2019
- In March 2019, RBI deferred the implementation of Ind AS till further notice as the legislative amendments recommended by it were still under the consideration of the Government of India
- The concept of SFBs came into being to serve the needs of the hugely unserved and under-served Indian diasporas
- While spreading financial inclusion, SFBs also work as institutionalised systems to undertake deposits, which enables them to access low-cost funds as compared to NBFCs

Performance of SFBs

During the year, most SFBs reported positive earnings after tax. SFBs are looking to diversify asset bases to include a higher share of non-micro finance asset products. The deposit base of SFBs increased significantly during the year on account of focussed approach and penetration into high-deposit markets.

Focus on product diversification will enable SFBs to deepen their relationship with existing customers and manage product concentration risks better. The loan portfolio of SFBs is expected to grow at 25-30% with share of microfinance declining to around 40% by March 2020, according to a report by rating agency ICRA.

Recent developments

A review of the performance of SFBs made a legit case for more players to be included to enhance access to banking facilities to small borrowers and to encourage competition. In June 2019, the RBI discussed allowing of on-tap licensing of SFBs to drive financial inclusion.

Microfinance industry overview

Overall microfinance credit outstanding in FY 2018-19 in India was a little over ₹ 1.87 lakh crore. SFBs contribute 18% to the total outstanding credit (₹ 34,679 crore). Credit growth for SFBs during the year was 25%. The portfolio quality remained stable and witnessed improvement as depicted by PAR >30 of 1% as on March 31, 2019, in comparison to 1.39% as on March 31, 2018. Growth of SFBs has been slower in comparison with other MFIs, led by a focus on diversification of portfolio away from microfinance loans.

Growth in Microfinance Portfolio in FY 2018-19

Banks	36%
SFBs	25%
NBFC-MFIs	42%
NBFCs	59%
Non-Profit MFIs	30%

SMALL FINANCE BANKs (SFBs) AND MICROFINANCE INDUSTRY: AN OVERVIEW

The Indian banking structure has undergone relevant transformation with the formation of a new banking institution - Small Finance Banks (SFBs). These banks are expected to penetrate rural India and help achieve financial inclusion by providing basic banking and credit services with a differentiated banking model to the larger population.

In 2014, RBI announced a framework for developing SFBs. In September 2015, the RBI issued licences to 10 entities to start converting to SFBs. Financial inclusion was the main basis of RBI for issuing a separate category of SFB licences to the private sector.

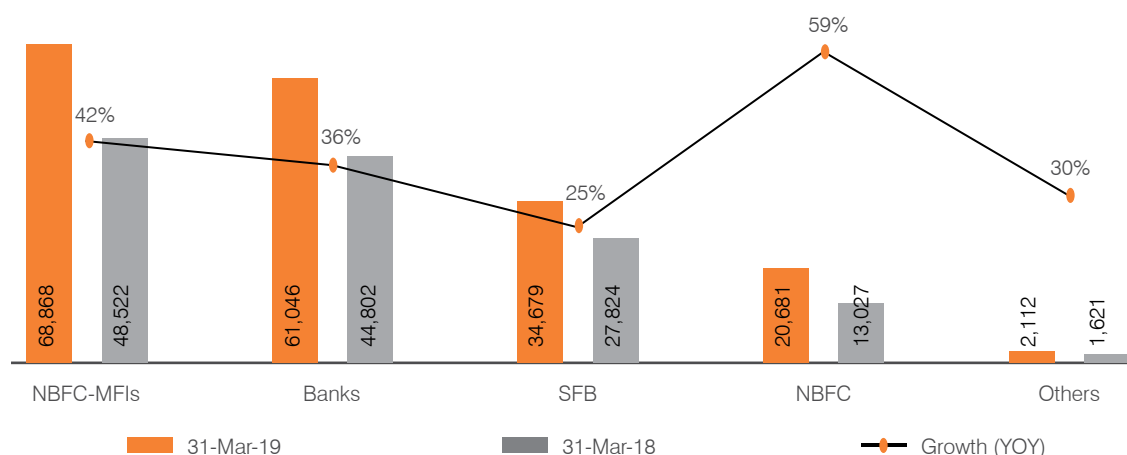
SFBs have been mandated to:

- Extend 75% of its Adjusted Net Bank Credit (ANBC) to sectors eligible for classification as priority sector lending (PSL)
- At least 50% of loan portfolio to constitute loans and advances of up to ₹ 25 lakh
- Maintenance of minimum Capital Adequacy Ratio (CAR) of 15% of its risk-weighted assets (RWAs)

Key features of a Small Finance Bank:

- SFBs are similar to other private sector banks which can perform the same activities as a universal commercial bank, except for few regulatory carve-outs such as those mentioned above, offering of foreign exchange services as authorised dealer (AD- I), and restriction on derivatives trading, except for hedging purposes

Portfolio outstanding of the microfinance industry (₹ crore)



Source: MFIN

SURYODAY SMALL FINANCE BANK : AN OVERVIEW

Headquartered in Navi Mumbai, Suryoday Small Finance Bank Limited (the Bank) was set up in October 2008 as Suryoday Micro Finance Private Limited, a non-banking finance company (NBFC), and aimed at provide loans to women in urban and semi-urban areas. After receiving an in-principle for a Small Finance Bank licence in September 2015 and the final licence to convert into a Bank in August 2016, Suryoday transitioned from an NBFC-MFI to a Small Finance Bank and commenced its banking operations on January 23, 2017. The Bank then diversified into other products including Commercial Vehicles, Home Loans/Loan Against Properties and MSME loans. In September 2017, the Bank was granted the status of a scheduled commercial bank. Today, the Bank operates across 9 states and 2 Union Territories through 382 outlets.

Being a Complete Banking Partner to Customers

The year under review was the second full year of its banking operations. As on March 31, 2019, the asset book of the Bank continues to predominantly comprise inclusive finance portfolio which constitutes ~81% of its overall advances. On the Liability side, the Bank offers a complete suite of liability offerings including Savings Accounts, Current Accounts, Recurring Deposits, Fixed Deposits, Tax Saver Deposits and NRE/NRO Accounts.

After its conversion into a Bank, one of the challenges was to implement IT systems to operationalise its banking operations, especially the core banking system (CBS). During the year under review, the Bank Focussed on achieving higher productivity through the implementation of Tab Banking across its network of Branches.

Suryoday has BC partnerships both on the asset and liability side. On the asset side, it has branches in Uttar Pradesh running successfully and also commenced BC branch operations in Rajasthan in Q1 of FY 2019-20. The BC model enables the Bank to minimise its cost of operations, without compromising on business growth and compliance focus. On the liability front, the Bank has 7 BC outlets garnering a total deposit of ₹ 66.7 crore in FY 2018-19, with a CASA of over 40%.

PRODUCTS STRATEGY OF THE BANK

Assets

A majority of the overall loan book in FY 2018-19, comprises the micro finance business. After conversion, the Bank expanded its product portfolio offerings to include new products in retail assets during FY 2018-19, such as Loan Against Properties/ Home Loans, MSME products and Commercial Vehicles.

- Inclusive Finance Loans** cater to marginal borrowers with a ticket size ranging between ₹ 10,000 to ₹ 50,000. These products were designed to have a basic credit review, thereby ensuring appropriate evaluation of the borrower. The Bank had a portfolio of ₹ 2,189 crore as at March 31, 2019.
- Commercial Vehicle Loans** are loans for new and used commercial vehicles with an average ticket size of ₹ 15 lakh to ₹ 35 lakh. The Bank's main aim is to fund credible borrowers and build a stable portfolio. The portfolio predominantly comprised funding of new vehicles. The Bank had a portfolio of ₹ 218 crore as on March 31, 2019.
- Micro Business Loans (branded as 'T-Nagar')** are typically provided to marginal borrowers having distinct business outlets and visible business practices. This

helps to review the business of the borrower and validate its stability. The average ticket size in this business is ₹ 1,00,000. These loans are unsecured in nature. The Bank had a portfolio of ₹ 27 crore as at March 31, 2019.

4. Secured Business Loans (SBL) / Loans Against Property (LAP) are designed for customers requiring business loans and possessing properties which can be kept as a collateral. Loans ranging from ₹ 10 lakh and to ₹ 1 crore are advanced under this product. The Bank's portfolio under this category stood at ₹ 68 crore as on March 31, 2019.

5. MSME & SME Loans are provided as unsecured loans to retail business owners with an access to formal credit, with ticket sizes in the range of ₹ 0.5 lakh to ₹ 2 crore. The bank grants loans for SME borrowers with excellent credit history, primarily private and public limited companies, and partnership firms, among others. Centralised credit underwriting enables the Bank to keep a close watch on the sourcing profile of its customers and the portfolio. The Bank had a portfolio of ₹ 97 crore as at March 31, 2019.

6. Financial Intermediary Group (FIG) Loans: This is a separate vertical Focussed on lending mainly for on-lending to NBFCs, including microfinance companies The Bank had a portfolio of ₹ 48 crore as at March 31, 2019.

- The Bank offers products and services to suit customers' requirements through our network of branches, including doorstep banking. The Bank is committed to continuously upgrade its products, solutions and platforms to serve the evolving needs of its customers
- During FY 2018-19, the Bank furthered its ambition to expand its products suite to cater to all segments of customers. It enabled this with the introduction of Corporate Salary Savings Account and marked its foray into banking for non-residents, with the launch of Non-Resident Fixed Deposits
- Partnerships are a way of life at Suryoday Bank. It has associated with Fino Payments Bank and Paytm Payments Bank for an innovative and fully digital sweep account facility

Strong customer service

Customer service is at the heart of the Bank's operations. It constantly strives to dole out innovative and unique offerings, backed by strong client insights and analytics. It aims to differentiate its offerings through value-added services. For instance, it is planning to offer its customers assistance for check-in at a hotel in Shirdi located near the Bank's branch

together with darshan at the temple as part of its customer retention strategy.

The Bank targets to prioritise regular customer queries and grievances on an ongoing basis.

The Bank has begun its work on differentiated customer experience transformation with tab-based doorstep services and paperless loan processing for micro finance customers with a quick turnaround time. The Bank relentlessly works towards creating the best customer experience by continuously working to build trust with customers and a focus on establishing long-term relationships with clients.

FUNCTIONAL UPDATE

Information Technology (IT) and Digital Offering

The Bank has invested in IT infrastructure to ensure seamless service delivery across a multi-channel network. The Bank believes that technology will be the driving factor for growth in the future and is making an effort to ensure that it has robust and scalable systems in place with strong support systems for all the services and products offered to the customers.

- a) The Bank has implemented Group loan operation workflow and Trucell application (collection monitoring system) in order to scale up the operations and to have strong control over collection at the branches
- b) Internet Banking and Mobile Banking facilities for all the customers
- c) The Bank has introduced Insta-Kits, Insta-Debit Cards, ATMs, 24/7 customer care centre to facilitate its customers with best-in-class service in the industry
- d) The Bank has deployed tablets across all branches, including micro finance lending Focussed outlets, to ensure mobility and supply of door-step services. Further, the tablets will be utilised for online account opening through e-KYC, which will enable real-time sourcing of loans and deposits, including for micro finance customers

TREASURY OPERATIONS

The Bank has set up its treasury function segregated into Front Office (Dealing), middle office and back office, while the risk is being monitored independently by the market risk department which reports to the Chief Risk Officer (CRO). The treasury is primarily responsible for compliance of Statutory Reserve requirement, assets liability management (ALM), interest rate risk management and fund-raising through various channels. The Bank has dealt in fixed-income products and money market instruments during the year primarily to manage its excess liquidity and to enhance yield on such investments.

RISK MANAGEMENT

The Bank has an independent risk management team reporting to the CRO. It has Board-approved risk management and governance policies and manages its risks under the enterprise-wide risk management framework. The Bank has a Risk Management Committee of the Board and also has management-level Risk Management Committee. Broadly, the risk team is divided into credit risk, market risk and operational risk and works in close consultation with business teams. A prime focus of risk team is to independently analyse and provide guidance on managing the risk at regular intervals. The Bank continuously endeavours to build a strong risk management culture within the Bank.

COMPLIANCE

The Bank has an independent compliance function and is responsible for maintaining the highest level of compliance monitoring and reporting. Compliance function is responsible for providing compliance-related training to the employees, framing and providing necessary guidance on various policies, updating management on new compliance requirements and ensuring that compliance standards are followed at all levels. The Compliance team monitors adherence to each of the licence conditions and the operating guidelines for Small Finance Banks.

INTERNAL AUDIT

The Bank has an independent internal audit function reporting to the Audit Committee of the Board. The function is responsible for quality and effectiveness of its internal control, risk management, governance system and process and reporting any deviation to the Committee for necessary remedial action. The function is responsible for ensuring strong control environment across the Bank, including compliance requirements.

MANAGEMENT OUTLOOK

Having completed two successful years of its operations as SFB, the Bank exhibits confidence to run a successful banking franchise. It demonstrates complete commitment to cater to needs of the unserved and underserved population, untapped by other private and public sector banks. Led by strong technological initiatives, the Bank is committed to deliver products with best-in-class customer experience. It continues to add new products and services to further financial inclusion and intends to increase the proportion of its secured portfolio. Currently, 81% of its existing portfolio comprises MFI loans, while the remaining comprises of commercial vehicles, housing loans, secured and unsecured MSME/ SME loans and loans to financial intermediaries.

Suryoday Bank looks to grow at a steady pace without having to create stress amidst an ever-evolving business environment. It

endeavours to achieve stable and sustainable growth through high capital adequacy, higher than mandated by regulations to cover the unsecured loan portfolio keeping leverage ratio at less than 4 times in the near term.

Having transformed from a traditional microfinance institution to an SFB, the Bank's key focus segment has moved from micro loans to the middle-income loan segment. Its credo is to provide its customers, who are mostly unserved or underserved, access to formal sources of credit and other banking services.

Affordable housing, commercial vehicle loans and secured business loans are the key focus areas. Opportunities in these areas are expected to rise, given the strong Government push for SME/MSME businesses.

The Bank is also planning to enter into a referral arrangement with a big commercial bank, subject to RBI approval, whereby the requirement of larger ticket-size home and auto loans of its customers will be met by the latter. Under this arrangement, the Bank will source such loans and pass them on to the Partner bank.

OPPORTUNITIES

- a. **Customer relationship and service:** 24x7 call centre, customer-centric branch model and doorstep banking provides significant opportunity to deepen customer relationship. Digital offerings would lead to faster and effective customer service and relationship.
- b. **Cross-selling of products:** The Bank has a holistic product portfolio catering to various customers segments. Since it has transformed from a microfinance institution into a Bank, it can leverage its existing customer base to offer other banking products such as deposits and insurance.
- c. **Form BC relationships:** The Bank has 7 liability BC branches and is envisaging to spread its network further by entering into more such relations that are cost effective and does not lead to dilution of services or brand.
- d. **Increase depth of products:** The Bank offers microfinance loans, CV loans, housing loans, and LAP, among others. It still has immense opportunity to expand its offerings in these product segments and also venture into new and adjacent segments.
- e. **Government initiatives on affordable housing:** The Government is taking several measures in the affordable housing space, including tax benefits and granting of special status. These measures bode well for the Bank for its housing loans segment.

- f. Widen geographic presence:** The Bank is delivering efficient services to customers through its strong branch network spread across 9 States and 2 Union Territories. The Bank has an opportunity to deepen its network in the existing States and also expand network to newer states.
- g. Referral banking:** The Bank has the potential to enter into a referral relationship with a large bank, wherein it can refer its existing clients in need of large-ticket loans to the larger bank.

FINANCIAL SUMMARY

The Bank successfully completed its second full year of banking operations as on March 31, 2019, with asset customer base of 11.5 lakh. Gross Loan Book (AUM) stands at ₹ 2,920 Crore with YoY growth of 76%. It mobilised deposits of ₹ 1,593 Crore as at March 31, 2019.

	Unit	FY 2018-19	FY 2017-18
Branches	#	382	241
-Micro finance Focussed outlets	#	211	215
-Bank Branches	#	171	26
NII	₹ crore	338.8	163.7
OPEX	₹ crore	196.0	131.4
PPoP*	₹ crore	212.2	70.4
PAT	₹ crore	86.6	10.1
Cost to Income	%	48.0	65.1
GNPA	%	1.8	3.5
NNPA	%	0.8	1.9
Networth	₹ crore	881	540
Capital Adequacy	%	36.0	37.9

*Pre-Provisioning Operating Profit

OPERATING RESULTS

Particulars (in ₹ Crore)	FY 2018-19	FY 2017-18	YoY%
Interest Earned	530.1	286.9	84.8%
Interest Expended	191.3	123.2	55.3%
NET INTEREST INCOME	338.8	163.7	107.0%
Processing Fees	38.4	23.1	66.2%
PSLC Income	16.9	9.4	79.8%
Other Income	14.1	5.5	156.4%
NET TOTAL INCOME	408.2	201.8	102.3%
Operating Expenses	190.4	126.7	50.3%
Employee Expense	126.7	87.2	45.3%
Other Expense	63.7	39.5	61.3%
OPERATING PROFIT	217.8	75.1	190.0%
Depreciation	5.6	4.7	19.1%
Provisions and Contingencies	6.5	4.7	38.3%
PBT	205.7	65.7	213.1%
Less: NPA Provision	41.2	50.0	-17.6%
Less: Floating Provision	26.1	-	
Net Profit Before Tax	138.4	15.7	781.5%
Tax	51.8	5.6	825.0%
Profit After Tax	86.6	10.1	757.4%

INTEREST INCOME

Interest income on advances increased by 91% as gross advances grew by 72% during the year to ₹ 2,741 Crore (excluding portfolio sold under direct assignment/securitisation and IBPC, gross of NPA provision) in FY 2018-19 from ₹ 1,596 crore in FY 2017-18. Net Interest margin (NIM) improved to 12.6% in FY 2018-19 from 10.2% in FY 2017-18 due to higher disbursement and replacement of high-cost grandfathered borrowings with deposits. Share of non-micro finance portfolio (commercial vehicles, housing loans, and SME/MSME loans) increased to 18% as at March 2019, having a marginal impact on interest income and NIM.

Income on investment of ₹ 33.7 Crore (up over 50% YoY) comprised of interest on SLR investments required to be maintained by the Bank, as per RBI guidelines, and non-SLR investments such as Commercial Paper and Certificate of deposits. This increase is primarily due to the increase in investment portfolio and its yield during the year.

FINANCE COST

The cost of funds has declined from 9.9% in FY 2017-18 to 9.2% (including negative carry on maintenance of SLR and CRR as per RBI guidelines) in FY 2018-19. This is mainly due to replacement of high-cost grandfathered borrowings during the year with a mix of low-cost deposits and refinance debt from NABARD and SIDBI.

During the year, the Bank utilised refinance lines available from NABARD and SIDBI as these are available for longer tenor of 3-5 years, and are available at comparatively cheaper rates since it does not attract SLR and CRR, as per RBI guidelines.

OTHER INCOME

Other income earned mainly consists of processing fees on loans disbursed during the year, income from sale of priority sector lending certificates (PSLC), insurance income, recovery from written off accounts, and banking charges.

The Bank earned processing fee income of ₹ 38.4 Crore as compared to ₹ 23.1 crore in FY 2017-18, primarily due to higher disbursements. Loan disbursement stands at ₹ 2,856 Crore compared to ₹ 1,718 Crore in FY 2017-18, noting an increase of more than 65%. Fee earned on sale of PSLC stand at ₹ 16.9 Crore, as compared to ₹ 9.4 Crore during FY 2017-18.

The Bank also earned an income of ₹ 3.9 crore on sale of insurance products in FY 2018-19, as compared to ₹ 2.2 Crore during FY 2017-18. The Bank has partnered with insurance companies like HDFC Life and Kotak Life for selling life insurance policies, and with ICICI Lombard and Kotak General Insurance for selling general insurance products.

OPERATING EXPENSES

Operating expenses increased by more 49.2% primarily due to increase in employee cost. Number of employees increased from 2,883 at March 2018 to 3,931 as at March 2019. Other operating expenses increased due to an increase in rental expenses as the total number of branches during the year increased from 241 in March 2018 to 382 to March 2019. Focus on cost optimisation and effective utilisation of resources helped reduce Cost to Income to 48% at the end of FY 2018-19. The Bank's Cost to Income ratio is the lowest in the SFB space as at March 2019.

PROVISIONS AND CONTINGENCIES

In the fiscal year ending March 2019, the Bank made an NPA provision of ₹ 7.6 crore (net of write-off of ₹ 33.6 Crore). It follows RBI guidelines for making provision on its non-performing portfolio. During the year, the Board approved creating floating provision as per RBI guidelines on outstanding micro finance portfolio @ 1.5%. Accordingly, the Bank created floating provision of ₹ 26.1 crore as accounting prudence. Management believes that creation of floating provision is important due to the unsecured nature of micro-finance portfolio and industry risks, including natural calamities.

In FY 2018-19 and part of FY 2019-20, significant natural calamities were witnessed across India, including floods and cyclones. Considering the lifecycle and profile of micro-finance customers, the Bank launched the Natural Calamity Insurance for its micro finance customers at a nominal insurance premium of ₹ 50 for coverage up to ₹ 50,000. The Bank has written-off non-performing advances of ₹ 33.6 Crore pertaining to its pre-demonetisation portfolio, i.e. portfolio created up to the demonetisation period in 2016. The income tax expense increased to ₹ 51.8 crore in line with higher profitability. Deferred tax charge was ₹ 10.6 Crore and ₹ 5.1 Crore for FY 2018-19 and FY 2017-18, respectively.

BALANCE SHEET PROFILE

Particulars (figures in ₹ crore)	FY 2018-19	FY 2017-18	YoY%
Net-worth	881	540	63%
Deposits	1,593	750	112%
Borrowings	1,124	718	57%
Loan Provisions (Standard assets and floating provision)	40	10	297%
Others Liabilities and Provisions	156	146	7%
Total	3,794	2,164	75%
Fixed Assets	19	14	36%
Cash and Bank	276	207	34%
Investments	664	311	114%
Advances	2,712	1,575	72%
Others	123	57	118%
Total Assets	3,794	2,164	75%

LIABILITY PROFILE OF THE BANK

Equity share capital and Reserve

Net-worth of the Bank as at March 31, 2019 was ₹ 881 crore, which includes ₹ 248 crore brought in by way of a private placement issue and ESOP allotment of ₹ 3 crore during the year. During the preferential issue, two new investors – DEG and Kotak Mahindra Life – invested in the Bank, apart from healthy participation from the existing investors.

DEPOSITS

The Bank mobilised deposits of ₹ 1,593 Crore with 11% share of CASA at the end of the year. Retail deposits formed 43% of total deposits and balance was mobilised through institutional deposits and certificate of deposit. Notably, the Bank pays interest on savings deposits on monthly basis and is one of the few banks offering monthly payment of interest.

Almost all bulk deposits (more than ₹ 1 Crore) are non-callable in nature i.e., they cannot be redeemed before maturity of the deposit, barring extreme circumstances such as death of the depositor, and dissolution of institutional depositor or the Bank. The Bank's strategy to accept non-callable deposits is critical to ensure availability of liquidity at the initial stages of setting up the Bank and having a control over cash outflow at any point of time.

Retail deposits primarily comprise of deposits from individuals and institutions in the form of current account, salary accounts, and deposits from non-resident Indians. The Bank's focus is on building a stable and granular depositor base as evidenced by more than 30% of retail-term deposits comprising of senior citizens. Retail deposits are sourced from branches by way of door-to-door visits, localised marketing such as conducting activities in societies, clubs, and supermarkets. The Bank has more than 43,000 accounts and more than 24,000 customers as at March 2019.

Retail deposits are sourced from a limited number of branches since the Bank was yet to start offering deposits from its micro-finance Focussed outlets. As at March 2019, the Bank had 59 Liability-Focussed Branches, compared to 26 as at March 2018.

Deposits from Micro Finance customers

Currently, the Bank sources deposits from bank branches and is presently in the process of offering deposits from other banking outlets. During FY 2019-20, the Bank will convert all its door-step service centres (micro finance Focussed lending outlets) into banking outlets to offer basic banking services to the underserved and financially excluded population.

In FY 2019-20, the Bank launched an unique proposition of accepting recurring deposits from its micro finance customers. It is getting a good response from customers and is expecting to garner significant customer base from its micro finance customers.

BUSINESS CORRESPONDENT (BC) MODEL FOR SOURCING DEPOSITS

During FY 2017-18, the Bank offered an unique proposition to provide an entrepreneurial opportunity to experienced bankers who can partner with the Bank and act as Business Correspondents for sourcing of deposits. Interested individuals are required to set up a Company for entering into an agreement with the Bank. The Bank offers fixed payout to these BCs in the initial period and makes it variable in the subsequent period in line with the achievement of the target.

The first such BC commenced operations in Chennai in March 2018; and during the latter part of FY 2018-19, the Bank tied up with 5 more BCs. In the first full year of its operations until March 2019, a BC which started operating in March 2018 garnered deposit of ₹ 46.2 Crore with more than 50% CASA. The Bank is looking to make this model successful with

onboarding of experienced bankers and making it a viable business proposition for both the entities. This model has resulted in significant cost efficiency, as compared to owned branches, since payouts are linked to performance of BCs.

BORROWINGS

During the year, the Bank repaid most of its grandfathered borrowings, except for ₹ 124 crore which remains outstanding as on March 2019. Furthermore, the proportion of deposits as a percentage of its funding went up to ~59%, which led to an overall reduction in cost of funds.

The Bank was able to access money market lines from other banks such as call money, term money, collateralised borrowing and lending obligation (CBLO), and repurchase transactions. During the year, the Bank borrowed from refinance agencies such as NABARD and SIDBI, which increased the overall term loan (TL) borrowing outstanding at the year end, however, with the benefit of long-term contractual liability.

OTHER LIABILITIES AND PROVISIONS

Other liabilities and provisions primarily comprise of interest accrued, but not due, on deposits and borrowings, sundry creditors, standard asset and floating provisions, and deposits sourced at the end of the year.

ASSET PROFILE OF THE BANK

Cash Equivalents and Money at Call and Short Notice

Cash equivalents includes cash-in-hand, balance with RBI and in RTGS Settlement Account and includes balance with other banks. Excess funding including deposits received at the end of the year are parked under money-market instruments for efficient utilisation of funds.

Product-wise summary

During FY 2018 and 2019, the Bank introduced new products – commercial vehicles, housing loans, loans against property, loans to SME/ MSME, overdraft against fixed deposit and lending to NBFCs.

Particulars as on (figures in ₹ crore)	FY 2018-19	FY 2017-18
Joint Liability Group	2,189	1,422
Micro SME ('T Nagar')	27	6
MSME	97	82
Secured business loans incl. LAP	68	35
HL	80	22
CV	218	9
Other (includes OD)	14	11
FIG	48	9
Gross Portfolio	2,741	1,596

Gross Portfolio does not include PSLC & Securitisation and is gross of provisions

INVESTMENTS

Total investments increased from ₹ 311.3 crore as at March 31, 2018 to ₹ 664.4 crore at March 31, 2019. This is primarily due to the Bank's cautious strategy of maintaining excess liquid investments in SLR and non-SLR investments. In light of tighter liquidity conditions prevailing in the market post default by IL&FS in September 2018, the management decided to maintain higher-than-required investments in liquid assets as a measure of prudence.

The Bank's SLR investments stood at ₹ 465.9 Crore which includes investment in long-dated Government Securities and Treasury Bills. Investment in non-SLR securities includes commercial paper and certificate of deposits.

Yield on investments improved due to a spike in interest rates. 10-year Government Security witnessed an increase in yield from 7.4% in March 2018 to more than 8% in March 2019. FY 2020 has witnessed significant drop in yield to less than 6.5% owing to lower than expected inflation, excess liquidity in the banking system and fiscal stimulus by RBI in the form of OMOs and Foreign Exchange (FX) swap during the period.

ADVANCES

Advances increased by 72% mainly due to an increase in disbursements during the financial year. Disbursements increased by 66% to ₹ 2,856 Crore in FY 2018-19, compared to ₹ 1,718 Crore in FY 2017-18 with Inclusive Finance contributing to ~85% of the total disbursement. Outstanding balance of securitisation and IBPC transactions stood at ₹ 227 crore, as compared to ₹ 119 crore in the previous year. The Bank witnessed significant contribution by non-micro finance business leading to a drop in proportion of the micro finance business.

Details of Gross Portfolio, Gross Non-Performing Assets (NPAs), Net NPAs and Provision:

March 2019				₹ crore			
Product	Gross portfolio	GNPA	Provision	NNPA	GNPA %	NNPA%	PCR %
Total	2,741	49.6	28.7	20.9	1.8%	0.8%	57.9%

Gross portfolio does not include IBPC and Securitisation

The Bank witnessed growth in its micro finance portfolio on account of increase in productivity across all regions, roll-out of mobility solutions during the year, and opening of branches during Q4 FY 2019. The Bank added 77 new micro finance focussed outlets across Tamil Nadu, Karnataka, Gujarat, Odisha, Madhya Pradesh, Uttar Pradesh and Maharashtra.

The Bank initiated operations in the eastern part of UP through the BC model, and later it opened its own branches during the last quarter of the financial year. The Bank started operating in Rajasthan in Q1 of FY 2019-20 through the BC model. Micro finance business is operating through 291 branches across 9 States and 2 Union Territories as at March 31, 2019.

The Bank wrote-off ₹ 33.6 Crore worth of loan book which pertains to portfolio created until the demonetisation period. It has taken several measures to contain the delinquency such as deploying separate collection teams to recover from delinquent customers, incentivising branch staff for collections, setting up senior management task force to analyse impacted regions, restructuring of delinquent loans with Board approval etc. The Bank continues to pursue recovery for those customers which are written off in the system.

Notably, NPA post announcement of demonetisation i.e., portfolio created from January 1, 2017 was 0.48% as on March 2019. The Bank has been able to control delinquency for portfolio created post announcement of demonetisation and continues to be risk-Focussed while disbursing. New customer addition ratio improved to 53%, which shows an expansion in customer base and dispersed growth.

Retail Assets Portfolio

Growth in non-micro finance portfolio primarily came from financing commercial vehicles, housing loans, SME/MSME sector (secured/unsecured loans) and lending to financial intermediaries. These loans are provided to non-micro finance customers and operates under a separate business vertical.

Commercial Vehicle

The Bank started financing commercial vehicles during March 2018 and expanded its portfolio and operating regions during FY 2018-19. The Bank provides finance predominantly for commercial vehicles viz. trucks, construction equipment and buses. The Bank primarily funds new vehicles to small, medium and large fleet operations and credible retail customers. It has limited exposure to used commercial vehicles and refinancing

of existing vehicles, and will expand its portfolio during FY 2019-20. The Bank has a total of 821 loans at the end of the year, with an average ticket size of ₹ 26.6 lakh. The portfolio has not observed significant delinquency as at March 2019, displaying strong underwriting and customer profile.

HOUSING LOANS

Housing finance was started during FY 2017-18 and is primarily provided to the affordable segment with an average ticket size of ₹ 10-15 lakh. The Bank finances salaried and self-employed segments with an average yield of more than 12% on the portfolio as at March 2019. It primarily operates in Maharashtra, Tamil Nadu and Madhya Pradesh. The Bank foresees significant opportunity in the affordable housing segment and expects significant contribution from it in terms of growth.

Secured Business Loans and Loan Against Property

Secured business loans are provided to SME/MSME customers operating in the organised sector and having an established track record with acceptable vintage of business operation. Commercial/residential property is accepted as security and underwriting is based on the underlying creditworthiness of the borrower/business.

Loan against Property was started during FY 2017-18 with an average ticket size ranging between ₹ 2-5 lakh. Finance was provided to the unorganised sector, and during FY 2018-19 the management decided to change the customer profile to provide secured business loans due to indiscipline of small borrowers with respect to repayment. The outstanding portfolio of secured business loans and LAP as at March 2019 stood at ₹ 68 Crore.

Unsecured MSME/SME Loans

The Bank commenced providing finance to the MSME sector during FY 2016-17 and expanded this portfolio in FY 2017-18. Finance was provided to the micro segment primarily in the unorganised segment, such as shopkeepers. Similar to LAP, due to indiscipline of small borrowers with respect to repayment, the Bank shifted its customer profile in FY 2018-19 to provide finance to the organised sector. Centralised underwriting, acceptable income proofs such as IT / GST returns, adequate vintage of operations, and a dedicated collection team was set up during FY 2017-18 and 2019 to focus on the segment. SME financing was started in FY 2018-19 with a dedicated team focusing on sourcing credible customers.

Financing to the micro customer segment was also started under the Inclusive Finance cluster during FY 2017-18. Notably, the Bank observed a significant improvement in customer sourcing for the product and improved its customer profile, leading to as less as ~0.7% delinquency on the portfolio as at March 2019. The Bank internally branded these as 'T-Nagar' loans since the operation was started from T-Nagar in Chennai. The outstanding portfolio of this segment stood at ₹ 27 Crore with an average ticket size of ₹ 1 lakh. A dedicated collection team, constant touch with customers and templated underwriting helped the Bank to contain delinquency and provide superior returns.

Loans to Financial Intermediaries Group (FIG)

Loans to FIG commenced during Q4 of FY 2017-18 and expanded during FY 2018-19. The Bank did not expand the portfolio significantly primarily due to subdued market sentiments post-default by IL&FS in September 2018. Financing is provided to MSMEs and micro finance NBFCs having a sustainable business model and vintage. Centralised underwriting, reliable management, sustainable business model, continuous portfolio analysis and strong connect with management are the key to providing finance to these institutions. Outstanding portfolio at March 2019 was ₹ 48 Crore with 'nil' delinquency.

Priority Sector Lending (PSL)

The Bank is required to maintain 75% of its outstanding advances in the priority sector as at each quarter end, as per the operational guidelines applicable to SFBs. The Bank successfully achieved its PSL target for the year under review.

CAPITAL ADEQUACY

Particulars (₹ Crore)	31-Mar-19	31-Mar-18
Tier 1 Capital	850	522
Tier 2 Capital	59	48
Total Capital	909	570
Total Risk Weighted Assets	2,525	1,501
Tier 1 CRAR	33.7%	4.8%
Tier 2 CRAR	2.3%	3.1%
Capital Adequacy (%)	36.0%	37.9%

The Bank maintained a healthy capital adequacy ratio of 36.0%, as compared to RBI's requirement of 15%. Tier I capital ratio comprised of equity capital and accounts for 33.7% of the capital adequacy ratio. Tier II capital comprises of subordinated debt of ₹ 60 crore and standard assets and floating provision of ₹ 33.5 crore. 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.

FIXED ASSETS

Network expansion led to an increase in fixed assets deployment across regions. The Bank opened 141 new banking outlets during the year. It generally follows an asset-light model for its IT equipment through operating lease from financing institutions.

OTHER ASSETS

Other assets comprise of interest accrued on advances, interest accrued on investments, advance tax, deferred tax, and security deposits for branches amongst others.

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. Retail banking serves retail customers through a branch network. Exposures are classified under retail banking taking into account status of borrower (orientation criterion), nature of product, granularity of exposure and quantum thereof. Corporate segment comprises of all advances to companies and statutory bodies, which are not included under Retail Banking and Other Banking, comprising of residual portfolio which cannot be classified into any other business segment.

Transfer pricing is based on an internally approved yield curve or at an agreed transfer rate on the funding provided by treasury to another business segment.

MIGRATION TO INDIAN ACCOUNTING STANDARDS (IND AS)

Banks in India currently prepare their financial statements as per the guidelines issued by RBI, the Accounting Standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), converged with International

Financial Reporting Standards (IFRS) for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). The roadmap required banks to migrate to Ind AS for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. In April 2018, RBI decided to defer the implementation of Ind AS by one year and again in April 2019 it was deferred indefinitely until further notice as the legislative amendments recommended by it were still under the consideration of the Government of India.

The Bank has accordingly started the process of migrating to Ind AS based financial statements. The key impact areas for the Bank include loan loss provision, accounting of financial instruments, employee stock options, deferred tax and implementation of technology systems. Of these, the accounting of financial assets differs significantly from Indian GAAP in many areas, which include classification, fair valuation, expected credit losses, effective interest rate accounting and derecognition. The Bank's Ind AS implementation project also focuses on technical evaluation of GAAP differences, selection of accounting policies and choices, evaluation of data requirements, business impact analysis and skill development in the Bank through regular trainings and workshops. Roadmap includes evaluation of technological changes required which will be implemented in due course.

RATINGS

The Bank was upgraded to 'A' (stable) from 'A-' (stable) by ICRA rating agency in September 2018. Rating agency CRISIL assigned highest short-term rating of 'A1+' in November 2018 and ICRA upgraded short-term rating to 'A1+' in February 2019.

INTERNAL CONTROLS

Internal controls ensure that superior compliance standards are followed at all levels with strict adherence to operating guidelines for Small Finance Banks. The Bank's independent compliance function is mainly responsible for monitoring the highest level of compliance monitoring and reporting, and also to provide employee training and necessary guidance on various policies, updating management on new compliance requirements and ensuring. 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 CA firm has tested controls for the last two financial years with satisfactory results.

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 and leads to employee satisfaction, unflagging motivation, and high retention rate. Employees have a sense of belongingness in such an environment and feel empowered in driving business profitability.

Training and development

The Bank has separate a talent development department responsible for providing training to various business and support functions. 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 mobile-based Learning Management Systems in FY 2019-20 which provide latest updates on the Bank's policies and processes to all employees.

Performance improvement

Incentives are provided to performers in the respective business segments to motivate and execute quality deliverables along with control over performance parameters. The Bank provides continuous guidance to improve the performance of those employees whose performance has not met the required standards.

CAUTIONARY STATEMENT

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We 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. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Corporate Governance Report

SURYODAY SMALL FINANCE BANK LIMITED (the Bank) believes that good corporate 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 fulfill the Bank's fiduciary role and responsibility towards all its stakeholders in terms of enhancing long term values.

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 and the directions issued by the Reserve Bank of India (RBI) for small finance banks.

As on March 31, 2019, the Bank's Board comprised of Nine Directors as follows:

Independent Directors	Dr. (Mrs.) Sheela Bhide (Part-time Chairperson) Mr. R. Ramachandran, Mr. Mrutunjay Sahoo, Mr. Jyotin Mehta and Mrs. Meena Hemchandra
Investor Directors	Mr. Venkatesh Natarajan, Mr. Ranjit Shah and Mr. Aleem Remtula (Mr. John Arunkumar Diaz ceased to be Investor Director wef August 30, 2018)
Executive Director	Mr. R. Baskar Babu, Managing Director & Chief Executive Officer

During the year under review, the Board met eight (8) on May 30, 2018, July 9, 2018, August 3, 2018, October 22, 2018, November 2, 2018, January 3, 2019, February 6, 2019 and February 18, 2019. The gap between any two meetings did not exceed one hundred and twenty days.

The number of Board meetings attended by the Directors is as follows:

Name of the Director	No. of meetings held during their tenure	No. of meetings attended
Dr. (Mrs.) Sheela Bhide	8	6
Mr. R. Ramachandran	8	8
Mr. Arun Diaz (upto 30.8.2018)	3	3
Mr. Venkatesh Natarajan	8	6
Mr. Mrutunjay Sahoo	8	8
Mr. Jyotin Mehta	8	8
Mr. R. Baskar Babu	8	8
Mr. Ranjit Shah (wef 2.11.2018)	4	4
Mr. Aleem Remtula (wef 15.12.2018)	3	2
Ms. Meena Hemchandra (wef 15.12.2018)	3	3

2. COMMITTEES OF THE BOARD

The Board has constituted various Committees of Directors as required under the provisions of the Companies Act, 2013 and the RBI Directions

a) Audit Committee

The Audit Committee, constituted as per the provisions of Section 177 of the Companies Act, 2013 and the RBI directions, comprises of the following Directors with majority of Independent directors :

1. Mr. Jyotin Mehta : Chairperson
2. Dr. (Mrs.) Sheela Bhide : Member
3. Mr. R. Ramachandran : Member
4. Mrs. Meena Hemchandra (wef 5.2.2019) : Member
5. Mr. Ranjit Shah (wef 5.2.2019) : Member
6. Mr. Aleem Remtula (wef 5.2.2019) : Member
7. Mr. John Arunkumar Diaz (upto 30.8.2018) : Member

The Managing Director & Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer and the Head- Internal Audit attend all Audit Committee meetings as Invitees; Statutory Auditors attend meetings in which Financial results are discussed and reviewed. The Company Secretary acts as the Secretary to the Committee.

The functions of the Audit Committee, interalia, include :

- (i) Review the annual financial statements and auditor's 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 effectiveness of the internal audit function and ensure that corrective actions are being taken in a timely manner.
- (iv) Ensure that any concerns 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.

Meetings of the Audit Committee:

During the year under review, the Committee met six (6) times on April 25, 2018, May 29, 2018, July 9, 2018, August 2, 2018, November 1, 2018 and February 5, 2019.

Details of attendance of each member at the Audit Committee Meetings are as follows:

Name of the Director	No. of Meetings held during the Director's tenure	No. of meetings attended
Mr. Jyotin Mehta	6	6
Dr. (Mrs.) Sheela Bhide	6	3
Mr. R. Ramachandran	6	6
Mr. Arun Diaz (upto 30.8.2018)	4	4
Mrs. Meena Hemchandra (wef 5.2.2019)	1	1
Mr. Ranjit Shah (wef 5.2.2019)	1	-
Mr. Aleem Remtula (wef 5.2.2019)	1	-

Vigil Mechanism/ Whistle Blower Policy

The Bank believes in the conduct of its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour.

Towards this objective, the Whistle Blower Policy has been formulated as part of corporate governance norms and transparency where the employees, customers, stakeholders or Non-Governmental Organisations (NGOs) are encouraged to prefer any complaints which have not been resolved or not satisfactorily resolved within the usual applicable protocols. The employees may refer any complaints covering areas such as corruption, misuse of office, criminal offences, suspected / actual fraud, failure to comply with existing rules and regulations and acts resulting in financial loss/ operational risk, loss of reputation, etc. detrimental to depositors' interest/ public interest. The Policy provides for referring complaints under Protected Disclosures to the Vigilance Officer.

During the year under review, no complaints were received under the Whistle Blower Policy.

b) Nomination and Remuneration Committee:

The Nomination and Remuneration Committee of the Board has been constituted in accordance with requirements of Section 178 of the Companies Act, 2013 and the RBI Directions.

The composition of the Committee is as under:

- | | |
|------------------------------------|---------------|
| 1. Mr. Mrutunjay Sahoo | : Chairperson |
| 2. Dr. (Mrs.) Sheela Bhide | : Member |
| 3. Mr. Venkatesh Natarajan | : Member |
| 4. Mr. Jyotin Mehta (wef 5.2.2019) | : Member |
| 5. Mr. Ranjit Shah (wef 5.2.2019) | : Member |

The brief terms of reference includes 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, ensure 'fit and proper' status of proposed Directors and recommend their appointment to the Board, review 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 four (4) times on May 30, 2018, July 9, 2018, November 1, 2018 and February 5, 2019.

Details of attendance of each member at the Nomination & Remuneration Committee (NRC) meetings are as follows:

Name of the Director	No. of NRC meetings held during the Director's tenure	No. of meetings attended
Mr. Mrutunjay Sahoo	4	4
Dr.(Mrs.) Sheela Bhide	4	3
Mr. Venkatesh Natarajan	4	2
Mr. Jyotin Mehta (wef 5.2.2019)	-	-
Mr. Ranjit Shah (wef 5.2.2019)	-	-

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 comprises of basic salary, special allowance, perquisites and retiral benefits and performance linked incentive as may be approved by the Board, the shareholders and the RBI, subject to the overall limits of remuneration governed by the Companies Act, 2013 read with the shareholders' approval.

Details of remuneration paid to the MD & CEO in the Financial Year 2018-2019:

Name of Director	Salary (including allowances) & other Funds (₹)	Contribution to Provident (₹)	Perquisites in cash or kind (₹)
Mr. R. Baskar Babu	1,17,13,596	5,04,000	16,006

Mr. R Baskar Babu holds 47,03,578 Equity shares in the Bank as on March 31, 2019.

(ii) *Remuneration to Non- Executive Directors:*

The Non-Executive Directors do not draw any remuneration from the Bank other than sitting fees. Details of sitting fees paid to Non-Executive Directors during the year 2018-2019 are given below:

Name of Director	Sitting fees paid for Meetings attended (₹ in lakhs)	Total no. of Shares held in the Bank as on March 31, 2019
Dr. (Mrs) Sheela Bhide	4.15	Nil
Mr. R. Ramachandran	6.50	Nil
Mr. Mrutunjay Sahoo	5.40	Nil
Mr. Venkatesh Natarajan	3.00	Nil
Mr. Jyotin Mehta	6.30	Nil
Mr. Ranjit Shah (wef 2.11.2018)	Nil*	Nil
Mrs. Meena Hemchandra (wef 15.12.2018)	1.75	Nil
Mr. Aleem Remtula (wef 15.12.2018)	0.60	Nil
Mr. Arun Diaz (upto 30.8.2018)	3.10	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") has carried out the annual Board evaluation exercise. A separate meeting of Independent Directors was held to review the performance of non-independent Directors and performance of the Board as a whole.

The performance of the Committees was evaluated by the respective Committees at their meetings.

The Board undertook evaluation of the Independent directors including the Chairperson. Further, the Board also undertook evaluation of performance of each of the Directors.

The Board reviewed and discussed the overall performance of the Board and its Committees and found it to be satisfactory.

c) Corporate Social Responsibility (CSR) Committee:

The CSR Committee which has been constituted under the provisions of Section 135 of the Companies Act, 2013 comprises of the following Directors:

1. Mr. R. Ramachandran : Chairperson
2. Mr. R. Baskar Babu : Member
3. Mr. Mrutunjay Sahoo : Member
4. Mr. Venkatesh Natarajan : Member
5. Dr. (Mrs.) Sheela Bhide(wef 5.2.2019) : Member
6. Mr. Aleem Remtula (wef 5.2.2019) : Member

The terms of reference of the Committee include 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, monitoring the implementation of CSR objectives of the Bank, recommending the amount of expenditure to be incurred on the CSR activities and monitoring and overseeing the CSR spend on an annual basis.

During the year under review, the Committee met twice on May 29, 2018 and November 01, 2018. Details of attendance of each member at the CSR Committee meetings are as follows:

Name of the Director	No. of CSR meetings held during the Director's tenure	No. of meetings attended
Mr. Venkatesh Natarajan	2	1
Mr. R. Ramachandran	2	2
Mr. Mrutunjay Sahoo	2	2
Mr. R. Baskar Babu	2	2
Dr. (Mrs.) Sheela Bhide (wef 5.2.2019)	-	-
Mr. Aleem Remtula (wef 5.2.2019)	-	-

d) Risk Management Committee:

The Risk Management Committee of the Bank consists of the following Directors:

1. Mr. R. Ramachandran : Chairperson
2. Mr. R. Baskar Babu : Member
3. Mr. Venkatesh Natarajan : Member
4. Ms. Meena Hemchandra (wef 5.2.2019) : Member

The terms of reference of the Committee include evaluating the risk management framework of the Bank and ensuring aligning 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 the 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 and reviewing of all Board- approved policies of the Bank from time to time.

During the year under review, the Committee met four (4) times on May 29, 2018, August 2, 2018, November 2, 2018, and February 6, 2019.

Details of attendance of each member at the Risk Management Committee (RMCB) meetings are as follows:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. R Ramachandran	4	4
Mr. Venkatesh Natarajan	4	1
Mr. R Baskar Babu	4	4
Ms. Meena Hemchandra(wef 5.2.2019)	1	1

e) Committee for review of wilful defaulters and monitoring high value frauds:

This Committee reviews the status of wilful defaulters, if any, and monitors high value frauds. This Committee consists of the following Directors:

1. Ms. Meena Hemchandra (wef 5.2.2019) : Chairperson
2. Mr. R. Baskar Babu : Member
3. Mr. Mrutunjay Sahoo : Member
4. Mr. R. Ramachandran : Member
5. Mr. Ranjit Shah (wef 5.2.2019) : Member
6. Mr. Jyotin Mehta (upto 5.2.2019) : Member
7. Mr. Venkatesh Natarajan (upto 5.2.2019) : Member

The main terms of reference of the Committee include reviewing cases of wilful defaults of cases involving ₹ 25 lakhs and above and identified as such by the management, monitoring and follow up cases of frauds involving amounts of ₹ 1 Crore and above, identifying the systemic lacunae if any that facilitated perpetration of the fraud and put in

place measures to plug the same, identifying the reasons for delay in detection, if any, reporting to top management of the bank and RBI and undertaking NPA review on a periodic basis in order to detect signals of potential fraud / wilful default.

This Committee met twice during the year on July 9, 2018 and February 5, 2019.

Details of attendance of each member at the Committee meetings are as follows:

Name of the Director	No. of meetings held during the Directors' tenure	No. of meetings attended
Mrs. Meena Hemchandra (wef 5.2.2019)	1	1
Mr. Mrutunjay Sahoo	2	2
Mr. R Ramachandran	2	2
Mr. R Baskar Babu	2	2
Mr. Ranjit Shah (wef 5.2.2019)	1	-
Mr. Jyotin Mehta (upto 5.2.2019)	1	1
Mr. Venkatesh Natarajan (upto 5.2.2019)	1	1

f) Customer Service Committee:

This Committee consists of the following Directors:

1. Dr. (Mrs.) Sheela Bhide : Chairperson
2. Mr. R. Baskar Babu : Member
3. Mr. Jyotin Mehta : Member
4. Mr. R. Ramachandran : Member
5. Ms. Meena Hemchandra (wef 5.2.2019) : Member
6. Mr. Ranjit Shah (wef 5.2.2019) : Member
7. Mr. John Arunkumar Diaz (upto 30.8.2018) : Member

The terms of reference of this Committee 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.

This Committee met 4 times during the year on May 29, 2018, August 2, 2018, November 1, 2018 and February 5, 2019. Details of attendance of each member at the Customer Service Committee meetings are as follows:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Dr. (Mrs.) Sheela Bhide	4	2
Mr. R. Ramachandran	4	4
Mr. Jyotin Mehta	4	4
Mrs. Meena Hemchandra (wef 5.2.2019)	1	1
Mr. Ranjit Shah (wef 5.2.2019)	1	-
Mr. R. Baskar Babu	4	4
Mr. John Arunkumar Diaz (upto 30.8.2018)	2	2

g) IT Strategy Committee:

This Committee consists of the following Directors:

1. Ms. Meena Hemchandra (wef 5.2.2019) : Chairperson
2. Mr. Jyotin Kantilal Mehta : Member
3. Mr. John Arunkumar Diaz (upto 30.8.2018) : Member
4. Dr.(Mrs.) Sheela Bhide (upto 5.2.2019) : Member
5. Mr. Venkatesh Natarajan : Member
6. Mr. Aleem Remtula (wef 5.2.2019) : Member

The terms of reference of this Committee include approving the Information Technology (IT) strategy, and 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, facilitating and building 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 them.

This Committee met twice during the year under review on July 9, 2018 and November 1, 2018. Details of attendance of each member at the IT Strategy Committee meetings are as follows:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mrs. Meena Hemchandra (wef 5.2.2019)	-	-
Mr. Jyotin Mehta	2	2
Mr. Venkatesh Natarajan	2	1
Mr. Aleem Remtula (wef 5.2.2019)	-	-
Dr. (Mrs.) Sheela Bhide (upto 5.2.2019)	2	1
Mr. John Arunkumar Diaz (upto 30.8.2018)	1	1

h) Credit Committee:

This Committee consists of the following Directors:

1. Mr. Mrutunjay Sahoo : Chairperson
2. Mr. R. Baskar Babu : Member
3. Mr. Jyotin Mehta : Member
4. Mr. Aleem Remtula (wef 5.2.2019) : Member
5. Mr. John Arunkumar Diaz (upto 30.8.2018) : Member

The terms of reference of the Credit Committee includes 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.

This Committee met 4 times during the year under review on May 29, 2018, August 2, 2018, November 1, 2018 and February 5, 2019. Details of attendance of each member at the Credit Committee meetings are as follows:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Mrutunjay Sahoo	4	1
Mr. Jyotin Mehta	4	4
Mr. R. Baskar Babu	4	4
Mr. Aleem Remtula (wef 5.2.2019)	1	-
Mr. John Arunkumar Diaz (upto 30.8.2018)	2	2

i) *Stakeholder's Relationship and Investors' Grievance Committee:*

This Committee comprises of :

- | | | |
|----|---|---------------|
| 1. | Dr. (Mrs.) Sheela Bhide | : Chairperson |
| 2. | Mr. Mrutunjay Sahoo | : Member |
| 3. | Mr. Venkatesh Natarajan (wef 5.2.2019) | : Member |
| 4. | Mr. Ranjit Jayantilal Shah (wef 5.2.2019) | : Member |
| 5. | Mr. Aleem Remtula (wef 5.2.2019) | : Member |
| 6. | Mr. John Arunkumar Diaz (upto 30.8.2018) | : Member |

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

This Committee met twice during the year under review on July 9, 2018 and February 5, 2019. Details of attendance of each member at the Committee meetings are as follows:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Dr. (Mrs.) Sheela Bhide	2	1
Mr. Mrutunjay Sahoo	2	2
Mr. Venkatesh Natarajan (wef 5.2.2019)	1	-
Mr. Ranjit Shah (wef 5.2.2019)	1	1
Mr. Aleem Remtula (wef 5.2.2019)	1	-
Mr. John Arunkumar Diaz (upto 30.8.2018)	1	1

3. GENERAL BODY MEETINGS

- a) Information regarding General Body Meetings held during the three previous years and the Special Resolutions passed thereat:

Sr No	Date and time of General Meetings	Venue	Brief description of Special resolutions passed
1	EGM held on 15.3.2019 at 11.00 a.m.	Hotel Park, CBD Belapur, Navi Mumbai-400614	Issue of Equity Shares on Private Placement basis.
2	AGM held on 31.8.2018 at 3.30 p.m.	Hotel Park, CBD Belapur, Navi Mumbai-400614	Increase in remuneration payable to MD; Alteration of MOA and AOA increasing the Authorised Share Capital; Issue of shares on preferential basis to the key promoter; Alteration of ESOP Scheme-2016.
3	Postal Ballot held on 22.1.2018	NA	Amendment of Articles of Association.
4	AGM held on 31.8.2017 at 3.30 p.m.	The Park Hotel, CBD Belapur, Navi Mumbai-400614	Variation in terms of appointment of Part-time Chairman and Variation in terms of appointment of Managing Director & Chief Executive Officer of the Bank.
5	EGM held on 20.2.2017 at 11.00 a.m.	Registered Office	Appointment of Statutory Auditors, issue of shares to promoters by way of preferential allotment and private placement.
6	EGM held on 22.12.2016 at 11.00 a.m.	Registered Office	Approval of ESOP Scheme, 2016, and issue of shares on preferential basis to key promoter.

Sr No	Date and time of General Meetings	Venue	Brief description of Special resolutions passed
7	AGM held on 22.9.2016 at 10.30 a.m.	Registered Office	For issue of NCDs on private placement, change of name of Company from 'Suryoday Micro Finance Limited' to 'Suryoday Small Finance Bank Limited', alteration of Memorandum and Articles of Association, re-appointment of MD & CEO.
8	AGM held on 22.9.2016 at 10.30 a.m.	Registered Office	For issue of NCDs on private placement, change of name of Company from 'Suryoday Micro Finance Limited' to 'Suryoday Small Finance Bank Limited', alteration of Memorandum and Articles of Association, re-appointment of MD & CEO.
9	EGM held on 15.4.2016 at 11.00 a.m.	Registered Office	For increase in Authorised Share capital from ₹ 50 crore to ₹ 75 crore, consequent changes in Memorandum & Articles of Association, issue of shares to Promoters on preferential basis.

- 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: Currently, there is no proposal to pass any Special resolution through Postal Ballot. Special resolutions by way of Postal Ballot, if required to be passed in the future, will be decided at the relevant time.

5. GENERAL SHAREHOLDER INFORMATION:

(a) Company Registration Details:

The Bank is registered with the Registrar of Companies, Maharashtra under CIN U65923MH2008PLC261472

(b) AGM Date, Time and Venue:

Thursday, September 26, 2019 at 11.30 am at Park Hotel, CBD Belapur, Navi Mumbai 400614

Book Closure dates: September 23, 2019 to September 26, 2019 (both days inclusive)

(c) Financial Calendar (tentative):

Financial reporting for the quarter ended June 2019	By August 15, 2019
Financial reporting for the quarter / half year ending September, 2019	By November 15, 2019
Financial reporting for the quarter / 9 months' ending December, 2019	By February 15, 2020
Financial reporting for the year ending March 31, 2020	By May 30, 2020
Annual General Meeting for the year ending March 31, 2020	on or before 30 September, 2020

(d) 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 scrip Code being 950240

(e) Names of Debenture Trustees:

S. No.	Name of Trustee	Address
1.	IDBI Trusteeship Services Limited	Asian Building, Grd Floor, R. Kamani Marg, Mumbai - 400 001
2.	Catalyst Trusteeship Limited [Formerly GDA Trusteeship Limited]	Windsor, 6th Floor, Office No-604, C.S.T. Road, Kalina, Santacruz (East), Mumbai-400 098
3.	Axis Trustee Services Limited	Axis House, 2 Floor, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400 025

(f) Dematerialisation of shares:

The equity shares of the Bank can be held in demat form. With effect from October 2, 2018, the Company has been allotting shares only in demat form in line with the MCA requirements in this regard. We are registered with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) ISIN: INE428Q01011

(g) SEBI Complaints redressal systems (SCORES):

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

(h) Registrar And Share Transfer Agent For Equity Shares And Non-Convertible Debentures:

Karvy Fintech Private Limited (formerly known as Karvy Computershare Pvt Ltd.)
Karvy Selenium, Tower- B, Plot No 31 & 32., Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad, 500032, India.

Tel: 040-67161500/ 040-2331 2454 Fax: 040-2331 1968 Email: einward.ris@karvy.com/ support@karvy.com

(i) 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.

(j) Shareholders' and Investors's Helpdesk:

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

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

(k) 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 at: Our Customer care (Phone Banking) Numbers: 1800 266 7711

Write to smile@suryodaybank.com

(l) Distribution of shareholdings as on March 31, 2019:

Distribution of shareholding based on nominal value as on 31st March 2019						
S. No	Category (No. of Shares)	Number of Shareholders	% of Shareholders	Number of Shares Held	Nominal Value of Shares	% of Share Capital
1	1 to 5,000	635	86.87	5,08,582	50,85,820	0.62
2	5001 to 10,000	38	5.2	3,09,645	30,96,450	0.38
3	10001 to 20,000	11	1.5	1,57,565	15,75,650	0.19
4	20001 to 50,000	5	0.68	1,56,250	15,62,500	0.19
5	50001 to 1,00,000	4	0.55	3,29,210	32,92,100	0.4
6	100001 to 10,00,000	15	2.05	61,37,982	6,13,79,820	7.53
7	10,00,001 & above	23	3.15	7,39,83,248	73,98,32,480	90.69
Total		731	100.00	8,15,82,482	81,58,24,820	100.00

(m) Shareholding pattern as on March 31, 2019:

Particulars	No. of shares held	% of total share capital
Promoters	2,19,09,732	26.86
Banks, Financial Institutions	48,91,672	6.00
Domestic Corporate bodies	30,99,385	3.80
FII's	78,96,562	9.68
Foreign Corporate bodies	1,93,03,169	23.66
Others	2,44,81,962	30.00
TOTAL	8,15,82,482	100.00

Independent Auditor's 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 31 March 2019, the profit and loss account, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking 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 31 March 2019, and 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 SAs 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 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.

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 period. 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.

Key audit matter	How the matter was addressed in our audit
Identification of Non-Performing Assets ('NPAs') and Provisions on Advances	
<i>Refer to the accounting policies in the Financial Statements: "Significant Accounting Policies- use of estimates" and "Note 7 to the Financial Statements: Asset Quality"</i>	
Significant estimates and judgment involved Identification of NPAs is made based on the assessment of criteria stipulated in the Reserve Bank of India ('RBI') guidelines with regard to the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' such as past due status. NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA, all facilities to such a borrower will be treated as an NPA, except for in certain cases as permitted by RBI. Provisions in respect of such NPAs and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under RBI guidelines, prescribed from time to time and Bank's internal credit policy.	Our key audit procedures included: Design and operating effectiveness of controls <ul style="list-style-type: none"> Performed process walkthroughs to identify key controls used in the process of identification and provision for loan portfolio. Assessed the design and implementation of controls in respect of the Bank's identification of NPAs process and provision for loan portfolio, measurement and timely recognition of provision, completeness and accuracy of reports used in the provision process and management review processes over the calculation of provision Assessed the reliability of management's information, which included overdue reports. Involved our information system specialists in the audit of this area to assess data integrity and calculation of days past due.

Independent Auditor's Report (contd.)

Key audit matter	How the matter was addressed in our audit
<p>We identified NPA identification and provision on loans and advances as a key audit matter because of the significant effort involved by management in identifying NPAs and provision for NPAs based on RBI guidelines and Bank's internal credit policy and on account of the significance to these estimates to the financial statements of the Bank.</p>	<p>Substantive tests</p> <ul style="list-style-type: none"> Performed test of detail procedures, on a sample basis, to assess NPA identification, calculation of provisions as at 31 March 2019. Performed procedures to assess completeness, accuracy and relevance of data and reports used and determine whether the same is in compliance with the RBI prescribed guidelines with regard to the Asset Classification & Provisioning and the Bank's accounting policy. Performed test of detail procedures over standard asset provisioning calculations as provided by the Bank. Assessed management's rationale for floating provisions and additional provisions on select stressed assets. Enquired with management regarding specific portfolio risk in client segments or regions. Assessed the appropriateness of disclosures in the financial statements in accordance with RBI's prescribed guidelines with regards to Asset Classification and Provisioning.
Information technology	
<p>IT systems and controls</p> <p>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 misstated.</p> <p>In addition, large transaction volumes and the increasing challenges to protect the integrity of the Bank's systems and data, cyber security has become a more significant risk in recent periods.</p> <p>We have identified 'IT systems and controls' as a key audit matter because of automation, number of systems being used by the management and the complexity of the IT architecture.</p>	<p>Our key IT audit procedures included:</p> <ul style="list-style-type: none"> Obtained an understanding of the General IT Control i.e. Access Controls, Program/ System Change, Program Development, Computer Operations (i.e. Job Processing, Data/ System Backup, Incident Management) over key financial accounting and reporting systems, and supporting control systems (referred to as in-scope systems). Tested the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems. Obtained an understanding of the IT application controls covering: <ul style="list-style-type: none"> user access and roles, segregation of duties; and key interfaces, reports, reconciliations and system processing Tested select IT application controls for design and operating effectiveness for the audit period. For a selected group of key controls over financial and reporting systems, we performed testing to determine that these controls remained unchanged during the audit period or were changed following the standard change management process. We obtained an understanding IT infrastructure i.e. operating systems and databases supporting the in-scope systems.

Independent Auditor's Report (contd.)

Information other than the financial statements and Auditor's Report thereon

The Bank's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual report, but does not include the financial statements and our auditor's report thereon. The Bank's Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the Bank's Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

The Bank's management and Board of Directors are 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 state of affairs, profit 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, provisions of section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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, management and the Board of Directors are 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The 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 adequate internal financial controls with reference to the 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

Independent Auditor's Report (contd.)

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 of the current period 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.

Report on other legal and regulatory requirements

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 and section 133 of the Act.

- (A) As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
- since the key operations of the Bank are automated with the key applications integrated to the core banking systems, 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 have visited 13 branches.

- (B) Further, as required by section 143(3) of the Act, we report that:

- we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- 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;
- 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;
- in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- on the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
- with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'; and
- with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of

Independent Auditor's Report (contd.)

the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. the Bank does not have any pending litigations which would impact its financial position as at 31 March 2019 – Refer Schedule 12 and Note 18(13) and 18(15) to the financial statements;
 - ii. the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 18(13) and 18(15) to the financial statements;
 - iii. there were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Bank.
- (h) The disclosures required on holdings as well as dealing in specified bank notes during the period from 8 November 2016 to 30 December 2016 as

envisaged in notification G.S.R. 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank

- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

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.

For **B S R & Associates LLP**

Chartered Accountants

Firm's Registration No: 116231W/W-100024

Ashwin Suvarna

Partner

Membership No: 109503

Mumbai

29 May 2019

Annexure A to the Independent Auditor's Report

of even date on the financial statements of Suryoday Small Finance Bank Limited for the year ended 31 March 2019

Report on the Internal Financial Controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

(Referred to in paragraph (B)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Suryoday Small Finance Bank Limited ("the Bank") as of 31 March 2019 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls 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 "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Bank's management and Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial control with reference to financial statement criteria established by the Bank considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("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, prescribed under section 143(10) of the Act, to the extent applicable to

an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether 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, 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 judgment, 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 company's internal financial controls 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 company's internal financial control with reference to financial statement 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 company; (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 company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Annexure A to the Independent Auditor's Report (contd.)

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 statement

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

For **B S R & Associates LLP**

Chartered Accountants

Firm's Registration No: 116231W/W-100024

Ashwin Suvarna

Partner

Membership No: 109503

Mumbai

29 May 2019

Balance Sheet

at at March 31, 2019

₹ in '000

	Schedule	As at March 31, 2019	As at March 31, 2018
CAPITAL AND LIABILITIES			
Capital	1	815,825	674,967
Reserves and Surplus	2	7,990,467	4,722,647
Deposits	3	15,934,252	7,495,200
Borrowings	4	11,242,276	7,178,324
Other Liabilities and Provisions	5	1,954,976	1,563,870
TOTAL		37,937,796	21,635,008
ASSETS			
Cash and Balances with Reserve Bank of India	6	483,038	308,210
Balances with Banks and Money at Call and Short Notice	7	2,280,576	1,763,401
Investments	8	6,643,927	3,113,436
Advances	9	27,118,993	15,749,472
Fixed Assets	10	189,764	135,407
Other Assets	11	1,221,498	565,082
TOTAL		37,937,796	21,635,008
Contingent Liability	12	285,386	77,920
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 Balance Sheet

As per our report of even date

For **B S R & Associates LLP**

Chartered Accountants

Firm's Registration No: 116231W/W-100024

For and on behalf of the Board of Directors of

Suryoday Small Finance Bank Ltd.

Ashwin Suvarna

Partner

Membership No: 109503

Sheela Bhide

Chairperson

[DIN 01843547]

R. Baskar Babu

Managing Director and

Chief Executive Officer

[DIN 02303132]

Jyotin Mehta

Director

[DIN 00033518]

Bhavin Damania

Chief Financial Officer

Geeta Krishnan

Company Secretary

Place: Mumbai

Date: May 29, 2019

Place: Mumbai

Date: May 29, 2019

Statement of Profit and Loss

for the year ended March 31, 2019

₹ in '000

	Schedule	Year ended March 31, 2019	Year ended March 31, 2018
I. INCOME			
Interest Earned	13	5,301,080	2,868,815
Other Income	14	693,474	380,443
TOTAL		5,994,554	3,249,258
II. EXPENDITURE			
Interest Expended	15	1,912,921	1,231,546
Operating Expenses	16	1,959,550	1,313,764
Provisions and Contingencies		1,256,102	602,696
TOTAL		5,128,573	3,148,006
III. PROFIT			
Net Profit for the Year		865,981	101,252
Balance in Profit and Loss account brought forward		631,326	555,936
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		(216,495)	(25,313)
Transfer to Investment Fluctuation Reserve		(19,410)	-
Transfer to Capital Reserve		(405)	-
Transfer to Investment Reserve		-	(549)
Balance carried over to Balance Sheet		1,260,997	631,326
V. EARNING PER EQUITY SHARE (Face Value of ₹ 10 per share)			
Basic	18 (2)	12.79	1.55
Diluted	18 (2)	12.61	1.55

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

The schedules referred to above form an integral part of the Statement of Profit and Loss

As per our report of even date
For **B S R & Associates LLP**
Chartered Accountants
Firm's Registration No: 116231W/W-100024

For and on behalf of the Board of Directors of
Suryoday Small Finance Bank Ltd.

Ashwin Suvarna
Partner
Membership No: 109503

Sheela Bhide
Chairperson
[DIN 01843547]

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

Jyotin Mehta
Director
[DIN 00033518]

Bhavin Damania
Chief Financial Officer

Geeta Krishnan
Company Secretary

Place: Mumbai
Date: May 29, 2019

Place: Mumbai
Date: May 29, 2019

Cash Flow Statement

for the year ended March 31, 2019

₹ in '000

	Year ended March 31, 2019	Year ended March 31, 2018
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		
Profit before tax	1,383,791	157,336
Adjustments for:		
Depreciation on fixed assets	55,938	46,644
Amortisation of premium on held to maturity investments	17,348	16,047
Profit on sale of fixed assets	(82)	(210)
Provision for non performing assets	76,464	72,330
Provision for diminution in value of investment	-	(1,120)
Floating provision	260,569	-
Provision for standard assets	34,049	19,878
Employee stock option expenses	25,563	35,047
Interest on amortisation of short term borrowing	-	70,719
Bad debts written off	335,615	427,931
	2,189,255	844,602
Adjustments for:		
(Increase)/Decrease in investment	(3,248,744)	3,697,382
Increase in advances	(11,781,600)	(8,053,185)
Increase in deposit	8,439,052	7,274,573
Increase in others assets	(517,246)	(53,358)
Increase in other liabilities	96,487	944,024
	(7,012,051)	3,809,436
Direct tax paid (net of refunds)	(656,979)	(78,581)
Net cash flow (used in)/from operating activities	(5,479,775)	4,575,457
CASH FLOW USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	(104,750)	(116,371)
Proceeds from sale of fixed assets	84	1,381
(Increase)/decrease in capital work in progress	(5,547)	10,948
Net decrease in fixed deposit (under lien)	273,610	147,139
Net Investment in banking book	(299,094)	(886,455)
Net cash used in investment activities	(135,697)	(843,358)

Cash Flow Statement

for the year ended March 31, 2019

₹ in '000

	Year ended March 31, 2019	Year ended March 31, 2018
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	140,858	34,320
Proceeds from share premium	2,376,277	221,275
Proceeds from borrowings	10,220,000	2,200,007
Repayment of borrowings	(6,156,048)	(5,308,158)
Net cash generated from/(used in) financing activities	6,581,087	(2,852,556)
Net increase in cash and cash equivalents	965,615	879,543
Cash and cash equivalents as at April 1, 2018	1,688,660	809,117
Cash and cash equivalents as at March 31, 2019	2,654,275	1,688,660

As per our report of even date
For **B S R & Associates LLP**
Chartered Accountants
Firm's Registration No: 116231W/W-100024

For and on behalf of the Board of Directors of
Suryoday Small Finance Bank Ltd.

Ashwin Suvarna
Partner
Membership No: 109503

Sheela Bhide
Chairperson
[DIN 01843547]

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

Jyotin Mehta
Director
[DIN 00033518]

Bhavin Damania
Chief Financial Officer

Geeta Krishnan
Company Secretary

Place: Mumbai
Date: May 29, 2019

Place: Mumbai
Date: May 29, 2019

Schedules to the Financial Statements

as at March 31, 2019

SCHEDULE 1 - CAPITAL

₹ in '000

	As at March 31, 2019	As at March 31, 2018
Authorised capital		
100,000,000 (March 31, 2018: 75,000,000) equity shares of ₹ 10 each	1,000,000	750,000
Issued, Subscribed and Paid-up Capital		
81,582,482 (March 31, 2018: 67,496,672) equity shares of ₹ 10 each fully paid up (refer note 18 (1.2))	815,825	674,967
	815,825	674,967

SCHEDULE 2 - RESERVES AND SURPLUS

₹ in '000

	As at March 31, 2019	As at March 31, 2018
I. Statutory Reserve		
[Created pursuant to Section 17(2) of Banking Regulation Act, 1949]		
Opening Balance	176,152	150,839
Addition during the year (refer note 18 (3.1))	216,495	25,313
Total	392,647	176,152
II. Capital Reserve		
Opening Balance	-	-
Addition during the year (refer note 18 (3.4))	405	-
Total	405	-
III. Share Premium Account		
Opening Balance	3,880,055	3,648,223
Addition during the year	2,388,298	232,182
Amounts utilized toward share issue expenses	-	(350)
Total	6,268,353	3,880,055
IV. General Reserves		
Opening Balance	476	419
Addition during the year	1,329	57
Total	1,805	476
V. Employee Stock Options Outstanding Account (ESOP)		
Opening Balance	34,089	9,656
Employee compensation expense for the year	25,563	35,047
Transfer to Securities Premium Account	(12,022)	(10,557)
Transfer to General Reserve for Non- exercise of ESOP's	(1,329)	(57)
Total	46,301	34,089
VI. Investment Reserve Account		
Opening Balance	549	-
Addition during the year (refer note 18 (3.2))	-	549
Total	549	549
VII. Investment Fluctuation Reserve		
Opening Balance	-	-
Addition during the year (refer note 18 (3.3))	19,410	-
Total	19,410	-
VIII. Balance in Profit and Loss Account	1,260,997	631,326
Total	7,990,467	4,722,647

Schedules to the Financial Statements

as at March 31, 2019

SCHEDULE 3 - DEPOSITS

₹ in '000

	As at March 31, 2019	As at March 31, 2018
A. I. Demand Deposits		
i) From banks	116,174	3,098
ii) From others	344,458	143,001
Total (i)	460,632	146,099
II. Savings Bank Deposits	1,331,824	680,526
III. Term Deposits		
i) From banks	6,136,935	4,016,000
ii) From others	8,004,861	2,652,575
Total (iii)	14,141,796	6,668,575
Total	15,934,252	7,495,200
B. I. Deposits of branches in India	15,934,252	7,495,200
II. Deposits of branches outside India	-	-
Total	15,934,252	7,495,200

SCHEDULE 4 - BORROWINGS

₹ in '000

	As at March 31, 2019	As at March 31, 2018
I. Borrowings in India*		
i) Reserve Bank of India	-	200,000
ii) Other banks	33,775	1,298,939
iii) Other institutions and agencies	10,008,501	2,214,385
iv) Unsecured redeemable debentures and term loan (Subordinate debts included in Tier 2 capital)	600,000	600,000
v) Non convertible debentures (excluding subordinate debts)	250,000	1,350,000
Total	10,892,276	5,663,324
II. Borrowings outside India*	350,000	1,515,000
Total	11,242,276	7,178,324

* Including secured borrowings of ₹ 43.87 crores (previous year ₹ 264.30 crores)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ in '000

	As at March 31, 2019	As at March 31, 2018
I. Bills payable	23,440	472
II. Inter - office adjustments (net)	-	-
III. Interest accrued	328,507	140,767
IV. Others (including provisions)		
(i) Contingent provisions against standard assets	73,748	39,698
(ii) Others Liabilities (including provisions)	1,529,281	1,382,933
Total	1,954,976	1,563,870

Schedules to the Financial Statements

as at March 31, 2019

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ in '000

	As at March 31, 2019	As at March 31, 2018
I. Cash in hand	53,500	31,505
II. Balances with Reserve Bank of India		
i) in Current accounts	429,538	276,705
ii) in Other accounts	-	-
Total	483,038	308,210

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

₹ in '000

	As at March 31, 2019	As at March 31, 2018
I. In India		
i) Balances with banks		
a) In Current accounts	141,317	153,258
b) In Other deposit accounts*	109,339	410,319
Total (i)	250,656	563,577
ii) Money at call and short notice		
a) With banks	1,880,000	850,000
b) With other institutions	149,920	349,824
Total (ii)	2,029,920	1,199,824
Total	2,280,576	1,763,401
II. Outside India		
i) In Current account	-	-
ii) In Deposit account	-	-
iii) Money at call and short notice	-	-
Total	-	-
Total	2,280,576	1,763,401

*Deposit with banks include ₹ 10.93 crore (March 31, 2018: ₹ 38.30 crore) under lien marked towards term loans availed from banks, financial institutions; and cash collateral placed in connection with securitisation of receivables.

SCHEDULE 8 - INVESTMENTS

₹ in '000

	As at March 31, 2019	As at March 31, 2018
A. Investments in India		
i) Government securities	4,659,495	2,868,144
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	-	-
v) Subsidiaries / joint ventures	-	-
vi) Others (Certificate of Deposit, Mutual fund and Commercial Paper)	1,984,432	245,292
Total (A)	6,643,927	3,113,436

Schedules to the Financial Statements

as at March 31, 2019

₹ in '000

	As at March 31, 2019	As at March 31, 2018
B. Investments outside India		
i) Government securities	-	-
ii) Subsidiaries / joint ventures	-	-
iii) Others (equity shares and bonds)	-	-
Total (B)	-	-
Total	6,643,927	3,113,436
C. Investments		
i) Gross value of investments		
a) In India	6,643,927	3,113,436
b) Outside India	-	-
Total	6,643,927	3,113,436
ii) Provision for depreciation		
a) In India	-	-
b) Outside India	-	-
Total	-	-
iii) Net value of investments		
a) In India	6,643,927	3,113,436
b) Outside India	-	-
Total	6,643,927	3,113,436

SCHEDULE 9 - ADVANCES

₹ in '000

	As at March 31, 2019	As at March 31, 2018
A.		
i) Bills purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	119,890	87,296
iii) Term loans	26,999,103	15,662,176
Total	27,118,993	15,749,472
B.		
i) Secured by tangible assets	4,201,341	813,502
ii) Covered by Bank / Government guarantees	-	-
iii) Unsecured	22,917,652	14,935,970
Total	27,118,993	15,749,472
C. I. Advances in India		
i) Priority sectors (Refer note 22)	3,748,130	2,165,444
ii) Public sector		
iii) Banks		
iv) Others	23,370,863	13,584,028
Total	27,118,993	15,749,472
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)

Schedules to the Financial Statements

as at March 31, 2019

SCHEDULE 10 - FIXED ASSETS

₹ in '000

	As at March 31, 2019	As at March 31, 2018
A. Premises		
At cost on March 31 of preceding year	31,872	-
Additions during the year	-	31,872
Deductions during the year	-	-
Total	31,872	31,872
Depreciation		
As at March 31 of the preceding year	2,580	-
Charge for the year	2,783	2,580
Deductions during the year	-	-
Total	5,363	2,580
Net Block	26,509	29,292
B. Other Fixed assets (including furniture and fixtures)		
Gross Block		
At cost on March 31 of the preceding year	197,913	115,642
Additions during the year	104,750	84,499
Deductions during the year	(4,971)	(2,228)
Total	297,692	197,913
Depreciation		
As at March 31 of the preceding year	100,121	57,115
Charge for the year	53,155	44,064
Deductions during the year	(4,969)	(1,058)
Total	148,307	100,121
Net Block	149,385	97,792
C. Assets given on lease	-	-
D. Capital work in progress	13,870	8,323
Total	189,764	135,407

SCHEDULE 11 - OTHER ASSETS

₹ in '000

	As at March 31, 2019	As at March 31, 2018
I. Inter - office adjustments (net)	-	-
II. Interest accrued	424,698	270,224
III. Tax paid in advance/tax deducted at source (net of provision for tax)	40,473	6,840
IV. Stationery and stamps	414	263
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred tax assets (net)	237,189	131,651
VII. Others	518,724	156,104
Total	1,221,498	565,082

Schedules to the Financial Statements

as at March 31, 2019

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ in '000

	As at March 31, 2019	As at March 31, 2018
I. Claims against the bank not acknowledged as debts - taxation	32,163	31,071
II. Claims against the bank not acknowledged as debts - others	-	-
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	253,223	46,849
Total	285,386	77,920

SCHEDULE 13 - INTEREST EARNED

₹ in '000

	Year ended March 31, 2019	Year ended March 31, 2018
I Interest/discount on advances/bills	4,932,895	2,580,432
II Income on investments	337,234	223,799
III Interest on balances with Reserve Bank of India and other inter-bank funds	29,262	62,447
IV Others	1,689	2,137
Total	5,301,080	2,868,815

SCHEDULE 14 - OTHER INCOME

₹ in '000

	Year ended March 31, 2019	Year ended March 31, 2018
I Commission, exchange and brokerage	448,132	260,614
II Profit on sale of investments (net)	39,781	25,000
III Profit/(Loss) on sale of revaluation of investments	-	-
IV Profit/(Loss) on sale of fixed assets (net)	82	210
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	205,479	94,619
Total	693,474	380,443

Schedules to the Financial Statements

as at March 31, 2019

SCHEDULE 15 - INTEREST EXPENDED

₹ in '000

	Year ended March 31, 2019	Year ended March 31, 2018
I Interest on deposits	829,144	244,275
II Interest on Reserve Bank of India/ inter-bank borrowings	163,160	299,989
III Other interest	920,617	687,282
Total	1,912,921	1,231,546

SCHEDULE 16 - OPERATING EXPENSES

₹ in '000

	Year ended March 31, 2019	Year ended March 31, 2018
I Payments to and provisions for employees	1,266,735	872,244
II Rent, taxes and lighting	124,296	74,282
III Printing and stationery	24,441	15,578
IV Advertisement and publicity	24,004	2,228
V Depreciation on Bank's property	55,938	46,644
VI Director's fees/remuneration, allowances and expenses	3,466	2,648
VII Auditors' fees and expenses	4,558	4,218
VIII Law charges	24,412	3,973
IX Postage, telegrams, telephones, etc.	23,874	19,789
X Repairs and maintenance	170,489	122,758
XI Insurance	24,429	16,062
XII Other expenditure (includes professional fees)	212,908	133,340
Total	1,959,550	1,313,764

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SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

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.766/16.13.216/2017-18 dated 24 July 2017 and published in the Gazette of India (part III- Section 4) dated 2 September 2017. The Bank operates with 171 banking outlets and 211 door step service centres.

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

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mark to-market loss is charged to profit and loss account and gain, if any, is ignored as per RBI guidelines.

Valuation

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

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

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

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

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund. Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

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.

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 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.

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

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

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

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

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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.

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. 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 where it 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 asset is put to use considering residual value of 5% of the cost.

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.

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H. Intangible Assets

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.

Assets individually costing ₹ 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.

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 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.

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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 over the tenor of the borrowings.

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. Investment Reserve Account

In accordance with the aforesaid Master Circular, 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.

S. 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.

T. Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

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SCHEDULE 18 - NOTES TO THE FINANCIAL STATEMENTS

1. Capital

1.1 Capital to Risk Weighted Assets Ratio (CRAR)

The following table sets forth, for the year indicated, computation of capital adequacy as per operating guidelines.

Particulars	As at March 31, 2019	As at March 31, 2018
Common equity tier I Capital ratio (%)	33.67%	34.79%
Tier 1 Capital ratio (%)	33.67%	34.79%
Tier 2 Capital ratio (%)	2.31%	3.15%
Total Capital ratio (CRAR) (%)	35.98%	37.94%
Percentage of the shareholding of the Government of India in public sector banks	-	-
Amount of Additional Tier 1 capital raised of which;		
Perpetual Non Cumulative Preference Shares (PNCPS):	-	-
Perpetual Debt Instruments (PDI)	-	-

Subordinated debt (Tier II capital) outstanding as at March 31, 2019 is ₹ 60 crore (March 31, 2018 : ₹ 60 crores).

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

In accordance with 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, 2019, the Bank allotted 283,727 (March 31, 2018 : 331,982) equity shares having face value of ₹ 10 each aggregating to ₹ 3.28 crores including share premium (March 31, 2018 : ₹ 2.34 crore) in respect of stock options exercised.

Pursuant to Shareholders' approval, the Bank has issued 13,802,083 (March 31, 2018 : 3,100,000) equity shares having face value of ₹ 10 each aggregating to ₹ 248.44 crores including share premium (March 31, 2018 : ₹ 23.25 crore).

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

Particular	March 31, 2019		March 31, 2018	
	Equity shares	Amount	Equity shares	Amount
Equity shares at the beginning of the year	67,496,672	67.50	64,064,690	64.06
Addition pursuant to stock options exercised	283,727	0.28	331,982	0.34
Addition pursuant to equity shares issued during the year	13,802,083	13.80	3,100,000	3.10
Equity shares outstanding at the end of the year	81,582,482	81.58	67,496,672	67.50

Share issue expenses :

Share issue expenses of ₹ 2.79 crore is debited to Profit and loss account for the year ended March 31, 2019, pending approval from RBI to debit share premium account in accordance with RBI/2006-07/132 DBOD.BPBC No. 31 / 21.04.018/ 2006-07. For the year ended March 31, 2018 share issue expenses of ₹ 0.04 crore were debited to share premium account.

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2. Earnings per equity share

Particulars	March 31, 2019	March 31, 2018
Net profit after tax (₹ in crore)	86.60	10.13
Weighted average number of equity shares in computing the basic earnings per share	67,712,250	65,163,944
Basic earnings per share(₹)	12.79	1.55
Weighted average number of equity shares in computing the diluted earnings per share	68,686,960	65,302,594
Diluted earnings per share(₹)	12.61	1.55
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, 2019	March 31, 2018
Weighted average number of equity shares in computing the basic earnings per share	67,712,250	65,163,944
Effect of potential equity shares outstanding	974,710	138,650
Weighted average number of equity shares in computing the diluted earnings per share	68,686,960	65,302,594

Basic earnings per share is calculated 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 ₹ 21.65 crore (March 31, 2018: ₹ 2.53 crore) out of profits for the year ended March 31, 2019 to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI circular DBOD.No.BPBC.24/21.04.018/ 2000-2001 dated September 23, 2000.

3.2 Investment Reserve

During the year ended March 31, 2019, the Bank has appropriated ₹ Nil (net of taxes) (March 31, 2018: ₹ 0.05 crore) from Profit and Loss Account to Investment Reserve as per RBI guidelines.

3.3 Investment Fluctuation Reserve

During the year ended March 31, 2019, the Bank has appropriated ₹ 1.94 crore (net of taxes and statutory reserves) (March 31, 2018: Nil) from Profit and Loss Account to Investment Fluctuation Reserve as per RBI guidelines.

3.4 Capital Reserve

During the year ended March 31, 2019, the Bank has appropriated ₹ 0.04 crore (net of taxes and statutory reserves) (March 31, 2018: Nil) from profit and loss account and transferred to capital reserves being the profit from sale of investments under HTM category as per RBI guidelines.

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4. Employees Stock Option Scheme

The Bank has share- based payment schemes for its employees. Schemes in operation during the year ended March 31, 2019 are Employee Stock Option Scheme 2014 and Employee Stock Option Scheme 2016.

During the year-ended March 31, 2019, the Bank has issued 1,131,000 options under the Employee Stock Option Scheme 2016.

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

Particulars	Employee stock option scheme 2014	Employee stock option scheme 2016				
Grant Date(s)	June 26, 2014	January 19, 2017	July 27, 2017	March 1, 2018	July 16, 2018	February 5, 2019
Number of Options granted	521,500	1,510,000	550,000	306,950	407,000	724,000
Method of Settlement	Equity	Equity				
Vesting	40% after one year from the date of grant i.e. July 1, 2015	25% after one year from the date of grant and every year thereafter.				
	30% after two years from the date of grant i.e. July 1, 2016					
	balance 30% after three years from the date of grant i.e. July 1, 2017					
Exercisable period	3 years from the Vesting date	3 years from the Vesting date				
Vesting Conditions	No vesting conditions has been prescribed	From second vesting tranche onwards, based on performance rating of the employee				
Exercise Price Per Option (₹)	₹ 36	₹ 108	₹ 125	₹ 127	₹ 140	₹ 173

Following are the outstanding options as at year end:

Particulars	Employee stock option scheme 2014		Employee stock option scheme 2016	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Total Options granted and outstanding at the beginning of the year	1,200	175,950	1,804,158	1,510,000
Add: Options granted during the year	-	-	1,131,000	856,950
Less: Options forfeited / lapsed during the year	-	(2,400)	(350,659)	(403,160)
Less : Options exercised during the year	(1,200)	(172,350)	(282,527)	(159,632)
Options Outstanding as at end of the year	-	1,200	2,301,972	1,804,158
- Vested	-	1,200	276,307	145,704
- Yet to Vest	-	-	2,025,665	1,658,454

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

The key assumptions used in Black Scholes model for calculating value of options as on the date of the grant are:

Variables	Employee stock option scheme 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

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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

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

Variables	For the year ended March 31, 2019	For the year ended March 31, 2018
Employee stock option expenditure (included in schedule 16 (I))	2.56	3.50

Variables	For the year ended March 31, 2019	For the year ended March 31, 2018
Employee stock options outstanding account (included in schedule 2 (V))	4.63	3.41

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

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
1) Value of Investments		
i) Gross value of investments		
- In India	664.39	311.34
- Outside India	-	-
ii) Provisions for depreciation on investments		
- in India	-	-
- Outside India	-	-
iii) Net value of investments		
- In India	664.39	311.34
- Outside India	-	-
2) Movement of provisions held towards depreciation on investments:		
i) Opening balance	-	0.11
ii) Add: Provision made during the year	0.79	0.04
iii) Less: Write back of excess provision during the year	(0.79)	(0.15)
iv) Closing balance	-	-

Schedules to the Financial Statements

as at March 31, 2019

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, 2019		As at March 31, 2018	
	₹ in crore	%	₹ in crore	%
Held to Maturity	265.12	39.90%	236.94	76.10%
Available for Sale	399.27	60.10%	74.40	23.90%
Held for Trading	-	-	-	-
Total	664.39	100%	311.34	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, 2019 are as follows:

Category	Minimum outstanding	Maximum outstanding	Daily average outstanding	(₹ in crore)
				As at 31 March 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	-	-	-	-

The Details relating to repo/reverse repo transactions (in face value terms) during the year ended March 31, 2018 are as follows:

Category	Minimum outstanding	Maximum outstanding	Daily average outstanding	(₹ in crore)
				As at 31 March 2018 Outstanding
Securities sold under repo	10.83	20.86	19.17	20.86
Government Securities	10.83	20.86	19.17	20.86
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	1.89	81.48	18.67	81.48
Government Securities	1.89	81.48	18.67	81.48
Corporate Debt Securities	-	-	-	-

5.3 Sale and Transfer to /from HTM Category

During the years ended March 31, 2019 and March 31, 2018, 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.BPBC.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 has not availed the said option.

Schedules to the Financial Statements

as at March 31, 2019

5.4 Issuer-wise composition of non-SLR investments

Balance as at March 31, 2019

(₹ in crore)

Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1. Public sector undertakings	-	-	-	-	-
2. Financial institutions	-	-	-	-	-
3. Banks	148.44	-	-	-	-
4. Private bodies corporate	-	-	-	-	-
5. Subsidiaries / Joint ventures	-	-	-	-	-
6. Others	50.00	-	-	-	-
7. Provision held towards depreciation	-	-	-	-	-
Total	198.44	-	-	-	-

Balance as at March 31, 2018

(₹ in crore)

Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1. Public sector undertakings	-	-	-	-	-
2. Financial institutions	24.53	-	-	-	-
3. Banks	-	-	-	-	-
4. Private bodies corporate	-	-	-	-	-
5. Subsidiaries / Joint ventures	-	-	-	-	-
6. Others	-	-	-	-	-
7. Provision held towards depreciation	-	-	-	-	-
Total	24.53	-	-	-	-

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, 2019, there are no non performing Non - SLR investments (March 31, 2018 - Nil).

5.6 Details of investment in Security Receipts (SRs)

As at March 31, 2019, there are no investment in SRs (March 31, 2018 - Nil).

6. DERIVATIVES

During the year ended March 31, 2019, the Bank has not undertaken any derivative transaction and there is no outstanding position as at the year end (March 31, 2018 : Nil). Hence, disclosure related to Forward Rate Agreement / Interest Rate Swap/ Credit default Swap and Exchange Traded Interest Rate Derivatives are not provided.

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as at March 31, 2019

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.

(₹ in crore)		
Particulars	As at March 31, 2019	As at March 31, 2018
(i) Net NPAs to Net Advances (%)	0.77%	2.25%
(ii) Movement of NPAs (Gross)		
Gross NPAs as on April 1 of particular year	56.57	51.25
Additions (fresh NPAs) during the year	33.08	51.79
Sub Total (A)	89.65	103.04
Less :-		
- Upgradation	0.13	0.08
- Recoveries (excluding Recoveries made from upgraded accounts)	6.34	3.60
- write offs	33.56	42.79
Sub Total (B)	40.03	46.47
Gross NPAs (A-B)	49.62	56.57
(iii) Movement of Net NPAs		
(a) Opening balance	35.49	37.40
(b) Additions during the year	10.64	32.42
(c) Reductions during the year	25.24	34.33
Closing balance	20.89	35.49
(iv) Movement of provisions for NPAs (excluding provision on standard assets and floating provision)		
(a) Opening balance	21.08	13.85
(b) Provision made during the year	22.44	19.37
(c) Write off/ write back of excess provision *	14.79	12.14
Closing balance	28.73	21.08

* Provision made on written-off accounts for the year have been rotted 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 no write-offs done by the Bank which remain outstanding in the books of the branches.

There are no Technical or Prudential write offs during the year (March 31, 2018 : Nil).

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, 2019 (March 31, 2018 : Nil).

7.4 Floating provision

(₹ in crore)		
Particulars	As at March 31, 2019	As at March 31, 2018
Opening balance	6.26	6.26
Provision made during the year	26.06	-
Drawdown made during the year	-	-
Closing balance	32.32	6.26

*Floating provision is included under "Provision and Contingencies" (Refer note 15)

Schedules to the Financial Statements

as at March 31, 2019

7.5 Disclosure of Restructured Assets

The Bank has restructured the following accounts during the year ended March 31, 2019.

S. 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					
Assets Classification																					
Details																					
1	Restructured Accounts as on April 1 of the FY (opening figures)	-	-	-	-	-	-	-	-	-	15	10	-	-	25	15	10	-	-	25	
		-	-	-	-	-	-	-	-	-	-	0.02	0.00	-	-	0.02	0.02	0.00	-	0.02	
		-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00	-	0.00	
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	174	11	49	234	174.00	11.00	49.00	-	-	234	
		-	-	-	-	-	-	-	-	-	-	0.39	0.01	0.03	0.43	0.39	0.01	0.03	-	0.43	
		-	-	-	-	-	-	-	-	-	-	0.02	0.00	0.03	0.05	0.02	0.00	0.03	-	0.05	
3	Upgradations to restructured standard category during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the year.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-0.05	-	-	-0.05	-0.05	-	-	-	-	-0.05
		-	-	-	-	-	-	-	-	-	-	0.02	-	0.00	0.02	0.02	-	0.00	-	0.00	0.02
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Downgradations of restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-1	-12	13	0.00	-	-1	-12	13	-	0.00	
		-	-	-	-	-	-	-	-	-	-	-0.00	-0.01	0.01	0.00	-0.00	-0.01	0.01	-	0.00	
		-	-	-	-	-	-	-	-	-	-	-0.00	-0.00	0.00	0.00	-0.00	-0.00	0.00	-	0.00	
7	Write-offs/ Recovery of restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-14	-8	-	-	-22	-14	-8	-	-	-22	
		-	-	-	-	-	-	-	-	-	-	-0.02	-0.00	-	-	-0.02	-0.02	-0.00	-	-0.02	
		-	-	-	-	-	-	-	-	-	-	-0.00	-0.00	-	-	-0.00	-0.00	-	-	-0.00	
8	Restructured Accounts as on March 31 of the FY (closing figures)	-	-	-	-	-	-	-	-	-	174	1	62	237	174	1	62	-	237	-	
		-	-	-	-	-	-	-	-	-	-	0.34	0.00	0.03	0.38	0.34	0.00	0.03	-	0.38	
		-	-	-	-	-	-	-	-	-	-	0.03	0.00	0.03	0.07	0.03	0.00	0.03	-	0.07	

Schedules to the Financial Statements

as at March 31, 2019

7.5 Disclosure of Restructured Assets

The Bank has restructured the following accounts during the year ended March 31, 2018.

S. no	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total				
		Standard	Sub-standard	Doubtful	Loss	Standard	Sub-standard	Doubtful	Loss	Standard	Sub-standard	Doubtful	Loss	Standard	Sub-standard	Doubtful	Loss	Total
Assets Classification																		
Details																		
1	Restructured Accounts as on April 1 of the FY (opening figures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	19	11	-	-	19	11	-	-	30
		-	-	-	-	-	-	-	-	0.02	0.01	-	-	0.02	0.01	-	-	0.03
		-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	-	-	0.00
3	Upgradations to restructured standard category during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	"Increase/(decrease) in borrower level outstanding of existing restructured cases during the year"	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	-	-	0.00
		-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	-	-	0.00
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Down gradations of restructured accounts during the FY	-	-	-	-	-	-	-	-	-1	1	-	-	-1	1	-	-	0.00
		-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	-	-	0.00
		-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	-	-	0.00
7	Write-offs/ Recovery of restructured accounts during the FY	-	-	-	-	-	-	-	-	3	2	-	-	3	2	-	-	5
		-	-	-	-	-	-	-	-	0.00	0.01	-	-	0.00	0.01	-	-	0.01
		-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	-	-	0.00
8	Restructured Accounts as on March 31 of the FY (closing figures)	-	-	-	-	-	-	-	-	15	10	-	-	15	10	-	-	25
		-	-	-	-	-	-	-	-	0.02	0.00	-	-	0.02	0.00	-	-	0.02
		-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	-	-	0.00

Schedules to the Financial Statements

as at March 31, 2019

7.6 Disclosures on the scheme for sustainable Structuring of Stressed Assets (S4A), as at March 31, 2019

There were no accounts during the year where S4A has been applied. (March 31, 2018 : Nil)

7.7 Disclosures on Flexible Structuring of Existing Loans

There were no accounts taken up for flexibility structuring during the year. (March 31, 2018 : Nil)

7.8 Disclosures on Strategic Debt Restructuring (SDR) Scheme (accounts which are currently under the stand-still period)

There were no accounts during the year where SDR scheme has been applied. (March 31, 2018 : Nil)

7.9 Disclosures on change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

There were no accounts during the year where change in ownership outside SDR Scheme was made. (March 31, 2018 : Nil)

7.10 Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

There were no accounts during the year where change in ownership of projects under implementation was made. (March 31, 2018 : 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 RBI.

(₹ in crore)

Particulars	As at March 31, 2019	As at March 31, 2018
(i) No. of accounts sold during the year	68,201	-
(ii) Aggregate value of accounts sold during the year	103.56	-
(iii) Aggregate Consideration received during the year	92.17	-
(iv) Additional Consideration realised in respect of account transferred in earlier years	-	-
(v) Aggregate gain over net book value during the year	10.68	-
(vi) MRR	11.40	-
(vii) First Loss	16.60	-
(vii) Outstanding Balance	52.83	-
(viii) No. of SPV transaction for securitisation transaction	2	-

8.2 Details of Direct assignment transactions

(₹ in crore)

Particulars	As at March 31, 2019	As at March 31, 2018
(i) No. of accounts	126,182	-
(ii) Aggregate value of accounts sold to SC	123.73	-
(iii) Aggregate Consideration	111.36	-
(iv) Aggregate gain over net book value	6.51	-

Schedules to the Financial Statements

as at March 31, 2019

9. EXPOSURE

9.1 Exposure to Real Estate Sector

(₹ in crore)

Particulars	As at March 31, 2019	As at March 31, 2018
A) Direct exposure	106.95	45.59
(i) Residential mortgages	98.50	45.59
(of which housing loans eligible for inclusion in priority sector advances)	77.31	43.89
(ii) Commercial real estate	8.45	-
(iii) Investments in mortgage backed securities (MBS) and other securitised	-	-
a) Residential	-	-
b) Commercial real estate	-	-
B) Indirect exposure	-	-
Fund based and non-fund based exposures on National Housing Bank and housing finance Company (HFCs).	-	-
Total Exposure to Real Estate Sector	106.95	45.59

9.2 Capital Market Exposure

As at March 31, 2019, the Bank does not have any Capital Market Exposure. (March 31, 2018 : Nil)

9.3 Risk Category wise Country Exposure

The Bank's exposures are concentrated in India, hence country risk exposure as at March 31, 2019 is Nil. (March 31, 2018 : Nil)

9.4 Intra Group Exposure

The Bank does not have any group entities, hence intra group exposure as at March 31, 2019 is Nil. (March 31, 2018 : 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, 2019. (March 31, 2018: Nil)

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

During the year ended March 31, 2019, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed under extant RBI guidelines. (March 31, 2018 : Nil)

10. CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURE AND NPA'S

10.1 Concentration of deposits

(₹ in crore)

Particulars	As at March 31, 2019	As at March 31, 2018
Total deposits of twenty largest depositors	711.97	443.40
Percentage of deposits of twenty largest depositors to total deposits of the Bank	44.68%	59.16%

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as at March 31, 2019

10.2 Concentration of advances

(₹ in crore)

Particulars	As at March 31, 2019	As at March 31, 2018
Total advances to twenty largest borrowers	139.83	28.99
Percentage of advances of twenty largest borrowers to total advances of the Bank	5.10%	1.82%

10.3 Concentration of exposure

(₹ in crore)

Particulars	As at March 31, 2019	As at March 31, 2018
Total exposure to twenty largest borrowers / customers*	398.76	96.95
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	12.77%	5.78%

*Represents credit and investment exposures as per RBI guidelines on exposure norms

10.4 Concentration of NPAs

(₹ in crore)

Particulars	As at March 31, 2019	As at March 31, 2018
Total gross exposure to top four NPA accounts	2.59	0.17

11. SECTOR-WISE ADVANCES

(₹ in crore)

	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%
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%
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%

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as at March 31, 2019

(₹ in crore)

	March 31, 2018		
	Outstanding total gross advances	Gross NPAs	Percentage of gross NPAs to Total advances in that sector
A. Priority Sector			
1. Agriculture and allied activities	103.47	1.26	1.22%
2. Advances to industries sector eligible as priority sector lending	0.53	0.02	3.07%
3. Services	68.52	2.99	4.36%
4. Personal loans	45.65	0.09	0.20%
Sub total (A)	218.17	4.36	2.00%
B. Non Priority Sector			
1. Agriculture and allied activities	506.08	8.32	1.64%
2. Industry	6.09	0.19	3.07%
3. Services	832.67	43.60	5.24%
4. Personal Loans	33.02	0.10	0.32%
Sub total (B)	1,377.86	52.21	3.79%
Total (A+B)	1,596.03	56.57	3.54%

Schedules to the Financial Statements

as at March 31, 2019

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
(₹ in crore)												
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	91.01	95.41	2,711.90
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	-	-	-	-	-	-	-	-	-	-	-	-

	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
(₹ in crore)												
As at March 31, 2018												
Deposits	0.78	15.35	5.02	1.34	33.97	39.15	86.71	230.90	335.59	0.68	0.03	749.52
Advances	3.70	17.58	26.29	35.84	89.88	94.02	264.62	451.56	512.51	52.15	26.80	1,574.95
Investments	33.69	20.56	7.70	3.55	14.06	25.95	26.41	21.08	143.42	14.91	0.01	311.34
Borrowings	-	20.00	13.66	2.41	40.34	104.42	175.09	151.49	168.39	42.03	-	717.83
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.

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as at March 31, 2019

13. CONTINGENT LIABILITIES

(₹ in crore)

Contingent liabilities	March 31, 2019	March 31, 2018
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	-
Service tax liability	0.55	0.52
Income tax liability	2.67	2.59
Undrawn commitments	8.05	4.68
Others	0.67	-

14. PROVISION ON STANDARD ASSETS

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Provision towards standard assets	7.37	3.97

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:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Provision for depreciation on Investment	-	(0.11)
Provision towards NPA	7.65	7.23
Provision towards Income tax	62.33	10.72
Deferred Tax Benefit	(10.55)	(5.11)
Provision for Standard Assets	3.40	1.99
Write off of advances	33.56	42.79
Other provision and contingencies *	29.22	2.76
Total	125.61	60.27

*Includes floating provision of ₹ 26.06 crore (March 31, 2018: Nil).

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.

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16. BUSINESS RATIO

Particulars	March 31, 2019	March 31, 2018
Interest income as a percentage to working funds (See Note 1, 2)	18.38%	16.51%
Non-interest income as a percentage to working funds(See Note 1, 2)	2.40%	2.19%
Operating profit as a percentage to working funds(See Note 1, 2, 3)	7.36%	4.05%
Return on assets (average) (See Note 1)	3.00%	0.58%
Business (deposit plus net advances) per employee (₹ in crore) (See Note 4, 5)	1.09	0.77
Profit per employee (₹ in crore) (See Note 5)	0.03	-
Provision coverage ratio (See Note 6)	57.90%	37.27%

- 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 does not include write off.

17. EMPLOYEE BENEFITS

Employment benefits - Gratuity

The Bank has non-contributory defined benefit arrangement providing gratuity benefits expressed in terms of final monthly salary and years of service. Every employee who has completed five years or more of service gets a gratuity on cessation of employment at 15 days salary (last drawn basic salary) for each completed year of service, subject to a maximum of ₹ 20 lakhs (March 31,2018: ₹ 20 Lakhs). The scheme is funded with LIC of India and HDFC Standard Life Insurance Company Ltd. The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet.

(₹ in crore)

Expenses recognised in the Profit and Loss Account	March 31, 2019	March 31, 2018
Current service cost	1.11	0.79
Interest cost on benefit obligation	0.18	0.13
Past Service Cost	-	0.05
Expected return on plan assets*	(0.05)	(0.07)
Net actuarial (gain)/ loss recognized in the year	0.13	(0.14)
Employer Expenses	1.37	0.76

*Represents expected returns determined by the actuary

Net Liability/ (Asset) recognised in the Balance Sheet	March 31, 2019	March 31, 2018
Present value of Defined Benefit Obligation	3.81	2.62
Fair value of plan assets	0.69	0.87
Net liability recognized in balance sheet	3.12	1.75
Less: Unrecognised Past Service Cost	-	-
Liability recognized in Balance Sheet	3.12	1.75

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(₹ in crore)

Reconciliation of Defined Benefit Obligation (DBO)	March 31, 2019	March 31, 2018
Present Value of DBO at start of year	2.63	2.07
Interest cost	0.18	0.13
Current service cost	1.11	0.79
Past Service Cost	-	0.05
Benefits paid	(0.24)	(0.27)
Actuarial (gain)/ loss	0.13	(0.15)
Present Value of DBO at end of year	3.81	2.62

Reconciliation of Fair Value of Plan Assets	March 31, 2019	March 31, 2018
Fair Value of Plan Assets at start of year	0.87	1.08
Expected return on plan assets	0.05	0.07
Contributions by the employer	-	-
Benefits paid	(0.24)	(0.27)
Actuarial (loss)/ gain	0.01	(0.01)
Fair value of plan assets at end of year	0.69	0.87
Estimated employer contributions for the next year	0.50	0.50
Actual return on plan assets	0.06	0.06

The principal assumptions used in determining gratuity obligations for the Bank's plan are shown below:	March 31, 2019	March 31, 2018
Discount rate	6.70%	7.00%
Expected rate of return on assets	7.00%	6.50%
Employee turnover	25.00%	25.00%
Salary growth rate	7.50%	7.50%
Mortality Rate	IALM 2012-14 (Ult.)	IALM 2006-08Ult.
Expected average remaining working lives of employees	3 Years	3 Years

Percentage break-down of total plan assets	March 31, 2019	March 31, 2018
Insurer Managed Funds (non unit-linked)	61.00%	55.50%
Insurer Managed Funds (unit-linked)	39.00%	44.50%
Total	100.00%	100.00%

Planned Asset Break up for Unit Linked Fund	March 31, 2019	March 31, 2018
Debentures and Bonds	65.27%	59.85%
Government Securities	32.74%	33.30%
Deposits, Money market instruments and net current assets	1.99%	6.85%
Total	100.00%	100.00%

Planned Asset Break up for Non Linked Fund	March 31, 2019	March 31, 2018
Government Securities	21.98%	25.53%
Corporate Bonds	66.80%	67.86%
Cash and Deposit	11.22%	6.61%
Total	100.00%	100.00%

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(₹ in crore)

Experience Adjustments	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Present Value of DBO	3.81	2.62	2.07	1.40	0.88
Fair Valuation of Plan Assets	0.69	0.87	1.08	1.11	0.47
Funded Status [Surplus/(Deficit)]	(3.12)	(1.75)	(0.99)	(0.29)	(0.41)
Experience adjustment on plan liabilities : (Gain) / Loss	0.04	(0.16)	(0.02)	-	0.08
Experience adjustment on plan Assets : Gain / (Loss)	0.01	0.01	0.01	(0.03)	(0.02)

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 at the start of the year.

Employment benefits - Leave Availment

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at March 31, 2019 is ₹ 0.62 crore (Non-funded) (March 31, 2018: ₹ 0.36 crore).

Assumption used :

Discount rate : 6.7%

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.

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, 2019, 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, evaluation of the performance of the whole time directors and Key Managerial Personnel and framing of guidelines for the Employees Stock Option Scheme.

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:

- 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.
- The Employee Policies Manual of the Bank approved by the Board on January 23, 2017 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, 2019 was 3,931.

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as at March 31, 2019

(b) Information relating to the design and structure of remuneration processes.

Key features and objectives of remuneration policy: As stated above, the remuneration of Directors, key managerial personnel and senior management employees is governed by the Policy on appointment and remuneration of Directors, key managerial personnel and senior management employees and the Employee Policies Manual of the Bank covers the Compensation Policy for all employees of the Bank.

The broad objective of both policies is to establish standards on compensation/ remuneration 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;

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. The Bank seeks to align remuneration with both individual and company performance and is based on individual roles, responsibilities, skill set and performance.

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 reviewed as part of periodic review. However, no changes were recommended in financial year 2018-19.

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 include, inter alia, contribution to strategic decision making, review of risk assessment and mitigation, review of financial statements and business performance, and appropriate benchmarks as per industry standards and performance of the individual and the Bank.

Discussion of the ways in which these measures affect remuneration: As per the Policy, remuneration is adjusted for all types of risks, Compensation outcomes are symmetric with risk outcomes, payout schedules are sensitive to the time horizon of risks and is consistent with risk alignment.

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.

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(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 : performance based incentives and Stock options

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: Performance linked incentives/ bonus will be applicable to eligible employees and shall be dependent upon the performance of the Company and the individual employee. Grant of ESOPs are overseen by the NRC and the ESOP Administration Committee of the Bank.

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B) Quantitative Disclosure

The following table sets forth, for the period indicated, the details of quantitative disclosure for remuneration of Managing Director & Chief Executive Officer.

Sr. No	Subject	March 31, 2019	March 31, 2018
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings : 4	Number of meetings : 2
	Remuneration paid :	₹ 0.01 crore	₹ 0.01 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year.	1 employee	None
(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* : ₹ 1.05 crore Variable pay : ₹ 0.17 crore	Fixed Pay* : ₹ 0.90 crore Variable pay : ₹ 0.00 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

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19. SEGMENT REPORTING

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by 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 banks and financial institutions. 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 companies and statutory bodies, 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 Operations

Other Banking operations includes other items not attributable to any particular business segment. This segment includes income from para banking activities such as distribution of third party products and the associated costs.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities such as deferred tax etc.

Geographical segments

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

Segment reporting for the year ended March 31, 2019 is given below:

(₹ in crore)

Particulars	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 tax					(51.78)
Extraordinary profit/loss					-
Net Profit					86.60

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(₹ in crore)

Particulars	Treasury	Retail banking	Corporate	Other banking operations	Total
Other information:					
Segment assets	918.35	2,716.86	119.82	10.98	3,766.01
Unallocated assets					27.77
Total assets					3,793.78
Segment Liabilities	1,239.89	1,655.34	11.65	5.86	2,912.74
Unallocated liabilities					0.41
Total liabilities					2,913.15
Capital employed					880.63
Capital expenditure					10.48
Depreciation					5.59

Segment reporting for the year ended March 31, 2018 is given below:

(₹ in crore)

Particular	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	26.33	320.24	0.12	2.25	348.94
Segment Result	0.59	14.24	(0.15)	1.94	16.62
Unallocated expenses					(0.89)
Operating Profit					15.73
Income taxes					(5.60)
Extraordinary profit/loss					-
Net Profit					10.13
Other information:					
Segment assets	464.84	1,664.79	18.83	1.19	2,149.65
Unallocated assets					13.85
Total assets					2,163.50
Segment Liabilities	19.98	1,593.57	9.51	0.30	1,623.36
Unallocated liabilities					0.38
Total liabilities					1,623.74
Capital employed					539.76
Capital expenditure					11.64
Depreciation					4.66

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20. LIQUIDITY COVERAGE RATIO

Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

Particulars	Quarter ended June 30, 2018				Quarter ended September 30, 2018				Quarter ended December 31, 2018				Quarter ended March 31, 2019			
	Total		Total		Total		Total		Total		Total		Total			
	unweighted value (average)*	weighted value (average)*	unweighted value (average)*	weighted value (average)*	unweighted value (average)*	weighted value (average)*	unweighted value (average)	weighted value (average)	unweighted value (average)	weighted value (average)	unweighted value (average)	weighted value (average)	unweighted value (average)	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 requirements	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 obligations	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%								

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Quantitative information on Liquidity Coverage Ratio (LCR) as on March 31, 2018:

Particulars	Quarter ended June 30, 2017				Quarter ended September 30, 2017				Quarter ended December 31, 2017				Quarter ended March 31, 2018			
	unweighted value (average)*	weighted value (average)*	unweighted value (average)*	weighted value (average)*	unweighted value (average)*	weighted value (average)*	unweighted value (average)*	weighted value (average)*	unweighted value (average)*	weighted value (average)*	unweighted value (average)*	weighted value (average)*	unweighted value (average)*	weighted value (average)*	unweighted value (average)*	weighted value (average)*
1 Total High Quality Liquid Assets (HQLA)	277.81		277.81		198.87		198.87		163.03		163.03		195.32		195.32	
Cash Outflows																
2 Retail deposits and deposits from small business customers of which:	33.94	3.39	94.89	9.49	150.83	15.08	215.08	21.51								
(i) Stable deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Less stable deposits	33.94	3.39	94.89	9.49	150.83	15.08	215.08	21.51								
3 Unsecured wholesale funding, of which:	14.11	12.37	43.38	29.86	84.84	66.30	92.60	41.36								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	1.94	0.19	15.03	1.50	20.60	2.06	51.38	5.14								
(iii) Unsecured debt	12.17	12.17	28.35	28.35	64.24	64.24	41.22	36.22								
4 Secured wholesale funding	30.19	30.19	24.68	24.68	22.17	22.17	35.85	35.85								
5 Additional requirements of which:	36.55	36.55	30.45	30.45	26.35	26.35	23.49	23.49								
(i) Outflows related to derivative exposures and other collateral requirements	36.55	36.55	30.45	30.45	26.35	26.35	23.49	23.49								
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	25.60	25.60	26.34	26.34	70.73	70.73	86.90	82.90								
7 Other contingent funding obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Total cash outflows	108.10		120.82		200.63		205.11									
Cash Inflows																
9 Secured lending (e.g. reverse repo)	-	-	-	-	-	-	30.00	-								
10 Inflows from fully performing exposures	70.77	35.39	79.80	39.90	131.63	84.96	168.40	116.07								
11 Other cash inflows	58.98	58.25	27.99	27.38	64.91	63.74	28.90	28.07								
12 Total cash inflows	129.75	93.63	107.79	67.28	196.50	148.70	227.30	144.14								
21 Total HQLA	277.81		198.87		163.03		195.32									
22 Total Net Cash Outflows	27.04		53.53		51.94		60.97									
23 Liquidity Coverage Ratio (%)	1028%		372%		314%		320%									

*The weighted value and unweighted value are calculated by monthly simple average. From 1 October 2018, the Bank started computing LCR on daily basis.

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as at March 31, 2019

Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

The objective of LCR is to ensure that the Bank maintains an adequate stock of unencumbered High Quality Liquid unencumbered Assets (HQLA) that can be converted into cash to meet its liquidity needs for 30 calendar days 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 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 31 December 2017 and reaching the minimum requirement of 100% by 1 January 2021. The LCR requirement effective January 1, 2019 is 80%.

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 comprises 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.

Reason for LCR in excess of minimum regulatory requirement are as follows:

Gradual increase in HQLA during the year due to excess liquidity maintained to meet disbursements and maintaining contingency funding.

Reason for decline in LCR during the year:

Gradual increase in repayments as compared to inflow during the year.

The major sources of funding are deposits, inter-bank borrowings, refinance from financial institutions and certificates of deposit.

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.

21. DEFERRED TAX ASSETS

As at March 31, 2019, the Bank has recorded net deferred tax asset of ₹ 23.72 crore (March 31, 2018 : ₹ 13.17 crore), included in other assets.

The composition of Deferred Tax Assets (DTA) is as under :

	(₹ in crore)	
	March 31, 2019	March 31, 2018
Loan loss provision	20.77	11.45
Employee benefits	1.31	0.74
Depreciation	1.60	0.97
Others	0.04	0.01
Deferred Tax Asset	23.72	13.17

Schedules to the Financial Statements

as at March 31, 2019

22. SALE OF PSLC

(₹ in crore)

Type of PSLCs	March 31, 2019	March 31, 2018
Agriculture	-	-
Small and Marginal Farmers	915.00	490.00
Micro Enterprises	1,175.75	795.25
General	-	-
Total	2,090.75	1,285.25

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 on an annual basis. In the case of smaller entities i.e. entities with exposure to banking industry of less than ₹ 25 crore and as identified by the Bank as having any foreign exchange exposure, the Bank recognises an incremental provision at 10 basis points on all such exposures.

In accordance with RBI guidelines, as at March 31, 2019 the Bank holds standard asset provisions of ₹ 0.13 crore (March 31, 2018: Nil) and maintains capital of ₹ 0.24 crore (previous year: Nil) in respect of the unhedged foreign currency exposure of its customers

24. LEASES

Operating lease primarily comprises of office premises, vehicle, computers and tablets, which are renewable at the option of the Bank. The following table sets forth the details of future rentals payable on operating leases :

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Not later than one year	5.42	0.93
Later than one year but not later than five years	9.85	2.54
Later than five years	0.32	0.33
Total	15.59	3.80
The total lease payments recognised in the Statement of Profit and Loss account for the year	10.59	6.46

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

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
(a) No. of complaints pending at the beginning of the year	-	-
(b) No. of complaints received during the year	495	109
(c) No. of complaints redressed during the year	478	109
(d) No. of complaints pending at the end of the year	17	-

Schedules to the Financial Statements

as at March 31, 2019

26. AWARD PASSED BY THE BANKING OMBUDSMAN

Particulars	March 31, 2019	March 31, 2018
(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 company during the year ended March 31, 2019 is ₹ 0.54 crore (March 31, 2018 ₹ 0.61 crore) under section 135 of the Companies Act, 2013

- b) Amount spent during the year on:

(₹ in crore)

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purposes other than (i) above	0.75	-	0.75
Total	0.75	-	0.75

Amount spent during the previous year on:

(₹ in crore)

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purposes other than (i) above	0.66	-	0.66
Total	0.66	-	0.66

- c) Break-up of amount spent on CSR activities

Particulars	Included in expenses head	March 31, 2019	March 31, 2018
Cost of employees engaged for social activities	Payments to and provisions for employees (Schedule 16 - I)	0.69	0.64
Other social initiative expenditure	Other expenditure (Schedule 16 - IV)	0.06	0.02
Total		0.75	0.66

28. RELATED PARTY DISCLOSURE

The Bank has only one related party i.e. Mr. R Baskar Babu, Managing Director (MD) and Chief Executive Officer. 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 1 July 2015.

29. OFF BALANCE SHEET SPV

There are no off balance sheet SPVs sponsored by the Bank which need 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, 2018: Nil).

Schedules to the Financial Statements

as at March 31, 2019

31. DEPOSITOR EDUCATION AND AWARENESS FUND

In accordance with the guidelines issued by RBI, the Bank is required to transfer 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. The Bank has started its banking operations from 23 January 2017 and has not completed ten years in operation. Hence, is not applicable to the bank.

32. BANCASSURANCE BUSINESS

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

(₹ in crore)

Nature of income	Sunday, March 31, 2019	Saturday, March 31, 2018
For selling life insurance policies	3.00	1.33
For selling non-life insurance policies	0.95	0.90
Total	3.95	2.23

33. OVERSEAS ASSETS, NPAS AND REVENUE

The Bank does not hold any overseas assets / NPA as at March 31, 2019 and no overseas operations were undertaken during the year ended March 31, 2019; hence revenue from overseas operation is Nil. (March 31, 2018: Nil)

34. FRAUD CASES REPORTED

During the year ended March 31, 2019, the Bank has reported 71 cases of fraud amounting to ₹ 0.15 crore against which the Bank has made a provision of ₹ 0.02 crore, adjusted for recovery.

35. PENALTIES LEVIED BY THE RBI

During the year ended March 31, 2019, no penalty was imposed by RBI on the Bank (March 31, 2018: Nil).

36. LETTER OF COMFORT

The Bank has not issued letter of comfort during the year ended March 31, 2019 (March 31, 2018: Nil).

37. 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 **B S R & Associates LLP**
Chartered Accountants
Firm's Registration No: 116231W/W-100024

For and on behalf of the Board of Directors of
Suryoday Small Finance Bank Ltd.

Ashwin Suvarna
Partner
Membership No: 109503

Sheela Bhide
Chairperson
[DIN 01843547]

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

Jyotin Mehta
Director
[DIN 00033518]

Bhavin Damania
Chief Financial Officer

Geeta Krishnan
Company Secretary

Place: Mumbai
Date: May 29, 2019

Place: Mumbai
Date: May 29, 2019

Basel III (Pillar 3) Disclosures

As at 31st March 2019

As per RBI Circular DBR.No.BPBC.4/21.06.201/2015-16 dated 1st July, 2015 read with the RBI Circular on Prudential Guidelines on Capital Adequacy and Liquidity Standards, Banks are required to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III Framework. These disclosures have not been subjected to audit or limited review. These disclosures are available on the Bank's website at: <https://www.suryodaybank.com/assets/pdf/policies/Pillar-III-Disclosure-March-19-Final-20-1.pdf>



Suryoday Small Finance Bank Limited

Registered and Corporate Office:
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CBD Belapur, Navi Mumbai - 400 614