



PURPOSEFULNESS

REFLECT. REENGINEER. REBOUND.

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FY 22 HIGHLIGHTS

₹5,063 Cr

Gross Loan Portfolio (GLP)

37.9%

Capital Adequacy Ratio

₹678 Cr

Net Total Income

60.9%

Cost-to-Income Ratio

₹(93) Cr

Profit After Tax

₹931 Cr

Market Capitalisation

₹3,849 Cr

Deposits

₹8,180 Cr

Total Assets

565

No. of branches

PURPOSEFULNESS

REFLECT. REENGINEER. REBOUND.

The world defines purposefulness as intentional, meaningful, and full of determination. In other words, knowing what one wants to do. To us at Suryoday, purposefulness assimilates all of these, and, more importantly accommodates the idea of proactively taking charge of work and life, irrespective of how the world around us behave and the market dynamics change.

This for us is our pursuit of purposefulness. Professional goals and aspirations are non-negotiable. It is the subtle art of knowing what we want for the stakeholders and then shaping all the components in a single-minded pursuit of achieving it. It is an art of not becoming a product of circumstances lived in reaction to events.

Being purposeful is what helped us sail through the current landscape of the pandemic. While we were also impacted, our focus and determination as a team to stay on the path, take the right guards at the right time helped us reflect and re-engineer processes, practices. This helped us rebound stronger.





A critical component of our pursuit of purposefulness is our customer. Irrespective of the circumstances around us, our focus on customer was unchanged. Whether it is responding with doorstep banking or keeping the business fully operational even during the worst phase of the pandemic, the customer was always our first priority. As a team, we faced every challenge without compromising on safety measures.

**Purposefulness is
all about Reflecting.
Reengineering and
Rebounding.**

COMPANY OVERVIEW

ENABLING DREAMS FOR A NEW WORLD

From a modest beginning in 2009 as a Micro Finance organisation to becoming a small finance bank in 2017 (one of the 10 institutions to be given the banking licence by the RBI) to being one of the well respected Small Finance Banks in India today, the journey for Suryoday has indeed been meaningful. One thing that remained constant right through the journey has been the single-minded focus on the customer. Simply put, it always was and is about enabling the dreams of our most important stakeholders – our customers. Financially empowering the country's unbanked and under-banked, help them achieve their goals, and aspirations and more importantly being a part of every milestone in their lives has helped us spread our footprint across 14 states and Union Territories serving almost two million customers.

We offer a range of asset- and liability-related products, to suit varying customer needs. These include Affordable Housing, Commercial Vehicle, Microfinance Loan to Inclusive customers, and liability products.

State-of-the-art technology facilitates our operations to be efficient and secure and helps us reach out to more customers. Our digital banking services include Internet/mobile banking, Aadhaar biometric identity, paperless loan processing, and payment methods mandated by the National Payments Corporation of India (NPCI). Suryoday partners with Fintech institutions to collect low-cost deposits through end-to-end technological integration that requires minimal face-to-face interaction.



5,252

Employees

19.2 Lakhs

Customers

565

Banking Outlets across 14 states and Union Territories

Our Credit Ratings

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

Our Strengths



Diversified asset portfolio and enhanced digital offerings



Focused approach on customer experience



Enhanced analytical-based customer offerings



Strong distribution supported by multiple delivery channels



Leveraging emerging technologies to enhance our digital footprint

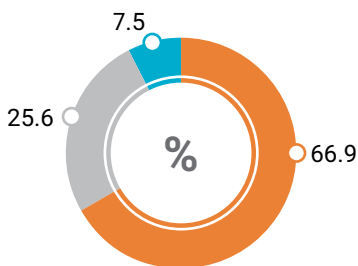


Strong credit processes and robust risk management framework



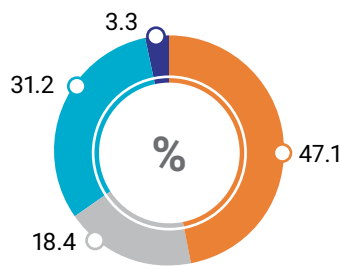
Experienced leadership team, professional management, and strong corporate governance

Loan Mix



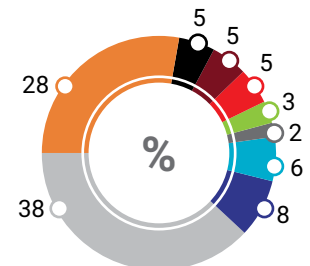
● Inclusive Finance ● Retail Assets ● Financial Intermediary Group (FIG)

Balance Sheet Mix



● Deposits ● Shareholders Fund ● Borrowings ● Other Liabilities and Provisions

Shareholding Pattern



● Promoter ● Foreign Venture Capital ● Mutual Funds ● Foreign Portfolio Investors ● Venture Capital Funds ● Financial Institutions/Banks ● Alternate Investment Funds ● Insurance Companies ● Others

COMPANY OVERVIEW

ESTABLISHING A FIRM FOUNDATION

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

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

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

2008
to 2013

2014
to 2016

2016
to 2018

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

2022

2021

2018
to 2020

- Long-term rating of '[ICRA] A' and short-term rating of 'A1+' from CRISIL. ICRA A1+ Reaffirmed
- Launched Micro home loan, star loan, Micro LAP
- IT Transformation program – PRAGYAN

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

PRODUCT PORTFOLIO

A PRODUCT FOR YOUR EVERY NEED



Liability Side (Deposits)

On the liabilities side, we provide current accounts, savings accounts, and other deposit accounts such as recurring deposits and fixed deposits. We have strengthened our liability franchise while focussing on steadily but sustainably building our retail deposit base, thereby providing a solid, low-cost source of funding. Although raising the deposit book is part of our strategy, the government’s initiative to increase the cover under DICGC insurance and Credit Guarantee Corporation (DICGC) insurance from ₹ 1 Lakh to ₹ 5 Lakh per deposit account encouraged retail depositors to further invest in the Bank deposits.

Objective

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

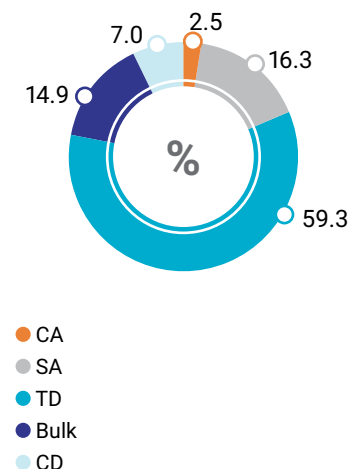
78.1%

Of total deposits were retail deposits in FY22 against 80% in FY21

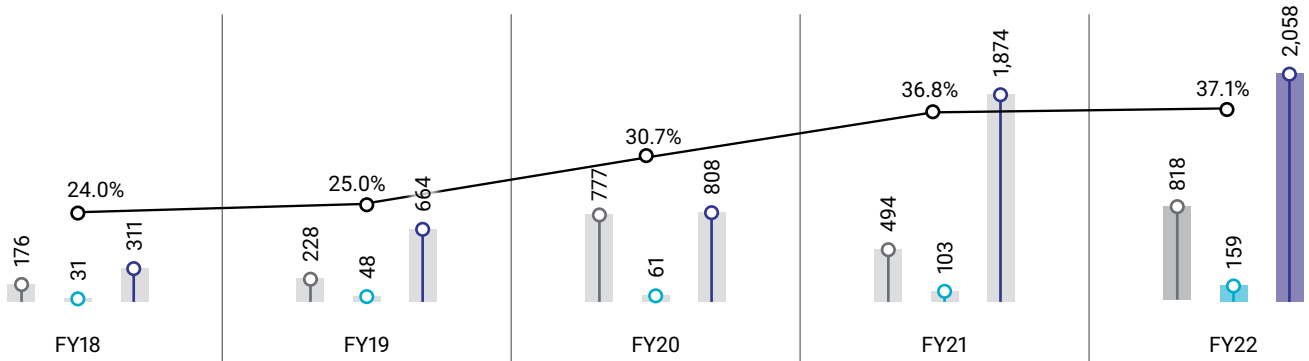
Highlights FY22

- Deposits grew ~18.2% Y-o-Y to ₹ 3,850 Crores. The proportion of granular retail deposits improved from ~54% in March 2020 to ~78% in March 2022 of the overall deposits.
- Sustainable and steady increase in the CASA ratio.
- CASA grew by 18.8% sequentially to ₹ 724 Crores in Q4FY22.
- Cost of deposits declined to 6.7% as on 31st March 2022 due to a consistent reduction in deposit rates.
- The Bank had a total of 98 liability-focussed branches as on 31st March 2022, primarily in the states of Maharashtra and Tamil Nadu.

Product mix



Liquidity as a % of the Balance Sheet



- Cash and balances with Reserve Bank of India, Balances with banks and money at call and short notice, Investment of total balance sheet (%)
- Balances with banks and money at call and short notice (₹ in Crores)
- Cash and balances with Reserve Bank of India (₹ in Crores)
- Investment (₹ in Crores)



PRODUCT PORTFOLIO



Asset Side (Diversification)

Suryoday's asset portfolio is varied, with loans to joint liability group clients, commercial vehicle loans, affordable housing loans, micro business loans, secured and unsecured business loans to MSME/SME and corporates, and financial intermediary group loans.

MFI Lending (Inclusive Finance)

Objective

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

We have approximately 16.3 Lakhs Joint Liability Group (JLG) customers for whom we provide eKYC onboarding assistance. A Quality Assurance staff is stationed at each location to assure sourcing quality and process integrity. Owing to the volatile business environment, incremental disbursements were handled with extraordinary prudence throughout the last two years. However, during post-pandemic waves, the business has increased dramatically, approaching pre-COVID

levels. Our focus was on retaining existing customers as well as on adding new bank customers. We are offering end-to-end digital services to customers from sourcing to collection through Vikas & Star loans.

- Over the course of the year, we added 9 banking locations in order to expand into new markets.
- The GNPA in the Inclusive Finance business was 14% as of March 31, 2022.

16 Lakhs

Customers banking with us

Highlights FY22

- JLG grew by 15.8% to ₹ 3,386 Crores in FY22 from ₹ 2,923 Crores in FY21.
- The GNPA in this product segment was 14%. GNPA significantly lower in the disbursement sourced post Covid.



Commercial Vehicles

Objective

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

Earlier, the Bank mostly handled retail loans and CV refinancing. During FY22, however, our approach has changed from financing large automobiles to refinancing used or medium-sized vehicles. On the back of small-ticket overdraft lending facilities, particularly to our targeted client class, i.e., small and retail transporters, we hope to digitally onboard a potentially-sizeable customer base. Small and

medium-size fleet owners were given access to an overdraft facility in the second half of FY22 to help them with their working capital needs. For small and medium fleet owners, the Bank began refinancing used vehicles during FY22.

1,317

Customers banking with us

Highlights FY22

- The Gross Loan Portfolio in this segment was ₹ 340 Crores, representing 7.0% of our total Gross Loan Portfolio.
- The average ticket size of these commercial vehicle loans was ₹ 15.9 Lakhs, with an average tenor of 40 months. The average yield for FY22 was 12.7%.
- Concentrating increasingly on refinancing and repurchase finance of small and medium segment vehicles, which ranges between ₹ 5 - ₹ 20 Lakhs ticket size.



PRODUCT PORTFOLIO

Affordable Housing Finance

Objective

Deepening reach in existing regions and markets to drive future growth.

The Bank offers housing loans to self-employed and salaried customers with increasing focus on non-agricultural town planning (NATP) approved property for the acquisition of apartments or self-construction of their properties. Loans are available for home building, home

remodelling, home extension, and home buying. Despite a downturn in the real estate market, the market for affordable home loans turned out to be more resilient, especially after the pandemic's initial wave had passed.

₹446 Cr

Housing Loan Portfolio in FY 22

Highlights FY22

- Gross Loan Portfolio in this segment was ₹ 446 Crores as of March 31, 2022, forming 8.8% of our overall Gross Loan Portfolio.
- The average ticket size of loan was ₹ 12 Lakhs and the average term was of 198 months.
- The total disbursement in this segment for the same period was ₹ 198 Crores, while the average yield for FY22 was 11.5%.
- GNPA for this product was 2.7%.
- Besides Maharashtra, expanded into other states like Gujarat and Odisha



Secured Business Loans

Objective

Grow secured business loans and offer more customised solutions.

Highlights FY22

- This segment's gross loan portfolio stood at ₹ 236 Crores, a 4.7% growth over the previous fiscal.
- The average ticket amount was ₹ 17.7 Lakhs, with a 119-month tenor.
- In this product segment, the GNPA was 5.6%. The newly-evolved business accounted for 85% of the total, with a much lower GNPA.

Individuals with proper documents and a good credit history are eligible for cash flow-based secured loans. Over a span of the past four years, the intended client profile for secured business loan products (SBL) has

evolved. By monitoring compliance with end-use of funds the Bank continues to improve the asset quality of loans provided under this segment.



Financial Intermediary Group

Objective

Calibrated lending to NBFCs having strong balance sheet and business model.

The Bank provides term loans to financial intermediaries i.e., NBFCs, MFIs and HFCs that further lend to retail customers in the form of housing finance, loans against property, supply chain finance,

microfinance, vehicle finance and similar sectors. These loans are typically provided to entities that are predominately rated BBB (-) and above from a recognised credit rating agency.

Highlights FY22

- The Gross Loan Portfolio in this segment was ₹ 380 Crores, forming 7.5% of our total Gross Loan Portfolio.
- The average ticket size was ₹ 11 Crores for an average tenor of 31 months.
- The disbursements under this segment were ₹ 349 Crores.
- The Bank did not record any NPA for this product segment.

MANAGEMENT MESSAGE

CHAIRMAN'S MESSAGE

Dear Shareholders,

The economy (both Global and Indian) has been battling with the financial impact of several waves of the COVID-19 pandemic for the past two years. However, fortunately, the third wave of the pandemic has had a lesser impact than the previous ones, providing a great sense of relief.

After experiencing muted economic growth in FY21, India has emerged as one of the world's fastest-growing major economies, with a GDP growth rate of 8.7%, a remarkable reversal and a testament to our entrepreneurial drive. The expansion is well supported by a significant increase in government tax receipts indicative of productivity gains.

During the year, the Government provided more than 1.56 billion doses of vaccine to nearly 660 million people making it one of the world's largest immunisation programmes. Contrary to initial forecasts, the geopolitical crisis due to the Russian-Ukraine conflict, appears to be a prolonged one. This has resulted in the global prices of crude oil, gas and food grains shooting up, signalling inflationary trends.

With a well-capitalised and well-regulated financial infrastructure, the Indian banking system has proved to be resilient faced with global slump. As per RBI data, Bank Credit was at ₹ 122.5 Lakh Crores as of March 31, 2022, clocking a growth rate of 8.5% despite slowdown due to pandemic.

Business Review

During the fiscal year, we focussed on strengthening the foundation of our business. We continued to work



on our business expansion goals and increased our branch network, which stood at 565 as of March 31, 2022. We continue to source new clientele even from far-flung places, in addition to smaller towns and semi-urban areas. This has been achieved, against the backdrop of near stagnant business in H1FY22 due to the impact of the second wave of COVID-19.

Suryoday has been focussing on expanding its retail granular deposit franchise, steadily during the last four years, and as a percentage of total deposits, this sector contributed to 78.14% in FY22. The CASA ratio increased to 18.8% on March 31,

2022, up from 15.4% on March 31, 2021. Further, in a first-of-its-kind, collaboration, we have partnered with Fintech companies on the lending side.

Our disbursements have increased 59% Y-o-Y. Our flagship product, Inclusive Finance Loans, contributed 67% of the total revenue. We provide microfinance loans to the country's unbanked and underbanked population and our business has almost recovered back to pre-pandemic levels. However, we need to take the optimism with caution, since delinquencies resulting from the

pandemic may linger on for some more time. Our compact commercial vehicle loan segment did have a good growth this year. Our product offering, which includes overdraft facility to small and medium-sized fleet owners to help them meet their working capital needs, opened up new revenue opportunities and the overall growth in this sector, was in tune with the revival seen in the logistics sector. We continued to focus on affordable home loans, especially in urban and semi-urban locations. Comparatively, this segment showed greater resilience and better collection efficiency and has the potential to emerge as a staple product in our portfolio, which we intend to tap with renewed focus. Our existing inclusive finance distribution reach and customer base provides a supplementary source for mobilising home loan accounts. The Bank's secured business loan (SBL) product continues to clock good growth, and we intend to refine the asset quality of loans provided under this segment, with greater emphasis on compliance and end-use monitoring.

Despite the fact that our net interest income climbed 42% Y-o-Y in FY22, spurt in NPL/s and higher provisioning needs did hurt our profitability. However, the Bank has a healthy capital adequacy ratio of 37.9% and a Tier-I ratio of 34.4%. The cost-to-income ratio in FY22 was 60.9%, down from 67.5% in FY21. Our cost of funds decreased by 116 basis points, to 6.8% in FY22, owing to lower deposit rates prevalent throughout the year and lower borrowing costs. We provided much-needed breather to our borrowers, whose income earning streams were severely impaired by

the pandemic, by restructuring their existing financial commitments and with improvement in their earnings, going forward, we expect the pullback to happen.

In terms of asset quality, the GNPA stood at 11.8% at the end of FY22, up from 9.4% in FY21. Net NPA was 6% in FY22 compared to 4.7% in the previous fiscal. Collection efficiency on a one-EMI basis was 87% at the end of March 2022, up from 46% in June 2020. It will be the Bank's prime endeavour to further improve upon the collection efficiency and bring down the levels of both Gross and Net NPA.

Improved process management

We are committed to upholding the highest levels of corporate governance in accordance with statutory and best practice requirements. We appreciate our human capital and have worked towards fostering an inclusive culture among our employees, enabling them to flourish as Bank ambassadors with a high level of receptivity and responsiveness. Our staff members, despite facing personal hardships and challenges during the pandemic, quickly got back to active business and efficient customer service, with improved use of technology. We have further digitised our processes, and will continue to invest in technology to efficiently scale our operations. We will continue to use analytics in a variety of areas, such as customer acquisition, cross-selling and upselling opportunities, enhanced customer experience, performance monitoring and risk analysis. Our strong risk management functions and the ability to capture early warning signals assist us in predicting asset-quality

slippages, enabling us to take corrective measures.

As responsible citizens, we believe in adding value to an inclusive community and our main theme of Corporate Social Responsibility has been financial inclusion for the under privileged and marginalised groups, in unbanked and under-banked areas. Our recent activities include increasing focus on financial literacy, skill development, preventive healthcare, and environment protection.

With improved use of technology and efficient process management, the Bank has put in place, suitable internal control measures to ensure that demanding compliance standards are met at all levels, besides strict adherence to our core operating principles.

The Way Forward

The microfinance and connected lines of business have almost recovered back to its pre-COVID levels of growth. We intend to continue our focus on expanding our business lines, while parallelly improving our collection efficiency.

I would like to take this opportunity to thank all our employees, business partners and associates, customers and stakeholders for their continuous support and faith in the Bank. I look forward to better days ahead, with the positive momentum generated.

Best wishes,

RAMACHANDRAN R.

Chairman

MANAGEMENT MESSAGE

MD & CEO'S MESSAGE



Dear Shareholders,

I am delighted to present the Annual Report for FY 22.

It provides a comprehensive and transparent perspective of our thinking and diverse approaches to our businesses, actions, accomplishments, and challenges in FY22. The year began with a focus on COVID-19, and its impact on the business. Geopolitical tensions, combined with the impact of the second and third waves of the pandemic, exacerbated the hard economic environment this year, particularly at the start of the fiscal year. New concerns have surfaced in

the latter part of the year as a result of Russia-Ukraine crisis, as well as rising crude oil and gas prices, various other commodities and food grains. Despite the adversity, Suryoday displayed a strong performance on the ground, with a 20.4% increase in AUM and a 59.2% increase in disbursements in FY22 compared to the previous year. We are glad to report that our “New-To-Bank” customer base has increased by 29% Y-o-Y, resulting in a total customer base of 19.2 Lakh clients as of March 31, 2022. Our priority remains to acquire new asset clients and retain existing customers through customised offers.

With a vibrant democracy and solid alliances, the Indian economy is back on pace for growth, with an expected GDP growth rate of 8.7% in FY22. We countered the COVID-19 pandemic by giving more than 1.56 billion doses of vaccine to more than 70% of the adult population. According to ICRA Research, notwithstanding macroeconomic concerns, credit growth in the banking industry is predicted to be about 8% in FY22 and 8.9-10.2% in FY23. This would result from non-food credit growth, which is still being led by retail and MSME industries. The difficulties stem from the performance of the restructured loan book, which

provides uncertainty regarding asset quality once these loans escape the moratorium. Furthermore, the Russia-Ukraine conflict offers macroeconomic issues such as cost inflation, increased interest rates, and exchange rate volatility, which could put a strain on asset quality. A high proportion of delinquent loans in the retail and MSME segments post-COVID is also a source of worry. Because India's banking industry is well capitalised and well-regulated, it has demonstrated resilience and successfully managed the global crisis.

As of March 31, 2022, the microfinance industry had a total loan portfolio of ₹ 2.85 Lakh Crores, with a total active loan account of 11.3 Crores and 5.8 Crores unique borrowers. Despite several obstacles from the second wave of the pandemic in Q4FY21 and Q1FY22, the microfinance portfolio rose by 10% Y-o-Y in March 2022. The extended lockdown to prevent the pandemic's spread has an impact on microfinance borrowers' ability to generate money and save. This was exacerbated by various state-imposed lockdowns that impacted MFIs' usual business activities, primarily disbursements and collection efficiencies. Credit costs are likely to rise in the near future as the industry confronts growing delinquencies.

Suryoday Small Finance Bank delivered a noteworthy performance in FY22. We made the most of our 565 touchpoints across 14 states and union territories, as well as a workforce of 5,252 employees.

Net total income increased by 39.3% Y-o-Y, from ₹ 486.9 Crores in FY21 to

Our strategic priorities

- Strong focus on customer experience and digital product for Inclusive Finance customers.
- Expand asset portfolio while focussing on secured lending.
- Strengthen retail liability franchise.
- Continued focus on technology and data analytics to grow operations.
- Expand geographic presence and penetrate further into existing geographies.

₹ 678 Crores in FY22, while Interest generated increased by 21.4%, from ₹ 776.1 Crores in FY21 to ₹ 941.8 Crores in FY22. Net interest income increased by 42% Y-o-Y to ₹ 585 Crores for the fiscal year ending 31 March 2022. After deducting write-offs and provisions, we posted a loss of ₹ (93) Crores.

The Gross Loan Portfolio rose by 20.4% from ₹ 4,206.0 Crores in FY21 to ₹ 5,063.4 Crores in FY22, on the strength of increased disbursements. During FY22, total assets increased by 22%, from ₹ 6,712 Crores to ₹ 8,181 Crores. Total advances or Assets under Management (AUM) increased by 20% from ₹ 4,206 Crores in FY21 to ₹ 5,063 Crores in FY22, owing to increased distribution and increase in disbursements post moratorium. Disbursements increased by 59% Y-o-Y to ₹ 3,528 Crores in FY22, primarily in the second half of FY22. Housing finance also saw substantial growth, with ₹ 198.5 Crores disbursed in FY22.

Deposits increased 18.2% Y-o-Y to ₹ 3,850 Crores in FY22. The proportion of granular retail deposits in total deposits increased from 54% in March 2020 to 78% in March 2022. We will continue to

focus on expanding the retail deposit base in the future.

Customer Focus

Our focus has always been on the consumer, and this has only grown over time. We believe in becoming a preferred partner to India's unbanked and underbanked segments, and we try to build longstanding relationships with our customers. This translates into us empowering people at the bottom of the pyramid across the country.

We will continue to focus on Inclusive Finance segment, deliver best in class products and services. As a strategy, we have gradually increased our non-inclusive finance portfolio over the last few quarters, with the non-inclusive finance mix increasing from 27% in September 2021 to 33% in March 2022. We offered a new product offering of overdraft facility to small and medium-size fleet owners in the small commercial vehicle category to suit their working cash requirement. This would assist us in developing enduring relationships over time. We seek to digitally onboard a potentially huge client base by providing small-ticket overdraft loan options to our targeted customer group, namely small and retail

MANAGEMENT MESSAGE

MD & CEO'S MESSAGE

transporters. During the year, we also launched a refinancing loan facility for small and medium fleet operators, and we want to focus further on this market. This decreases the danger of single large client exposure and granular retail book growth.

In the housing segment, the Bank launched small-ticket home loans with an average ticket size of ₹ 2-10 Lakhs aimed at clients such as traders who sell commodities such as fruits and vegetables, hardware, provision stores, and stationery, among others. This has been launched under the 'Aarambh - Micro Home Loans' banner. In the housing segment, we will source home loan customers by leveraging our current inclusive finance distribution reach and customer base. Based on our expertise and understanding of the various customer groups, the Bank continues to refine the asset quality of loans granted under the Secured Business Loan (SBL) segment by monitoring compliance with end-use limitations.

The SBL product remains the Bank's focus area, with secured business loans under revised credit policies issued at an average ticket size of 17.7 Lakhs, with an average tenor of 119 months and an average return

of 13.0%. The Bank disbursed ₹ 69.4 Crores under this product sector in FY21. In terms of collections, the new portfolio has performed well compared to other segments, recovering from the lows seen in June 2020. We intend to strengthen our ties with these consumers by opening liability accounts and selling third-party products.

Suryoday's emphasis on expanding the retail granular deposit franchise yielded outstanding results in FY22. Our total retail deposits increased to 78.14% of total deposits, up from 54% in FY20. The CASA ratio increased to 18.8% as on March 31, 2022, from 15.4% as on March 31, 2021. CASA's clientele has grown gradually but steadily.

Digitisation – The way forward

Through our many technology platforms and partnerships, we have been able to efficiently scale our operations right from onboarding and through the customer lifecycle. Conversion to a fully digital onboarding process for Inclusive Finance customers has drastically reduced the turnaround times and increased output. The adoption of "e-KYC" and "Video-KYC" has simplified and eliminated paper-based

onboarding. In collaboration with three payment banks, the Bank provides sweep-in capabilities for creating accounts and fixed deposits. In addition to loans made to inclusive finance customers under the Emergency Credit Line Guarantee Scheme (ECLGS), Smile OD, a facility enabling consumers to satisfy their working capital needs, is entirely digital and involves the creation of bank accounts in real time. The Bank is working on structuring the product portfolio.

The Bank has partnered with Fintech partners to provide unsecured business loan financing. The objective is to embrace digital partnerships in order to provide our customers products and services with greater value. The number of overall digital transactions has sequentially increased with the introduction of UPI transactions and online transactions through netbanking.

The other product is a digital fixed deposit for amounts as low as ₹ 1,000. At these Mobile BC Centres, even non-Suryoday Bank customers can open a fixed deposit in less than a minute thanks to this pioneering industry initiative. The seamless digital experience these products

produce helps users save time and also helps the Bank expand its customer base.

The Bank is using analytics to increase customer acquisition, cross-selling and upselling opportunities, enhance customer experience, ensure MIS and performance monitoring and management, and strong risk analysis. This year, the Bank has further invested in a robust platform, for analytics and insights into business development and collections. The Bank has also invested in route optimisation technologies for centre allocation to the RO, which aids in enhancing efficiency and making it easier for the RO to perform business and collect dues from the customer.

Way Forward

We are firmly committed to deliver to our existing inclusive finance customers segment, better product offering and enhanced customer experience with secured lending business. We will expand our financing for affordable housing and refinancing of commercial vehicles into retail medium ticket size vehicles funding. To meet the operating capital needs of the various business segments,

the Bank will focus primarily on the secured business loan segments.

Suryoday introduced the Vikas and Star Loan products for existing microfinance consumers, providing an end-to-end digital solution that includes digital repayment. The goal is to really scale it up in a sustainable way throughout the remaining months of FY23 and target roughly 2-5 Lakh clients for these loans.

Through the implementation of many such measures, our goal is to increase the loan book by 20 to 25% each year. In addition to the loan book, we hope to increase our customer base by 15 to 20% in FY23. Suryoday intends to gradually grow its non-inclusive finance portfolio from the current 33% to the 50-55% range by FY25. On the deposit side, we see a lot of potential in leveraging our JLG customers and offering them liability solutions. Suryoday intends to extend its footprint in new states cautiously while enhancing its position in existing areas.

We are expanding our value proposition for stakeholders. Our objective is to focus on producing long-term value for our employees, customers, and shareholders by

using our natural resilient nature, agility, and ability.

Acknowledgement

I thank the Board of Directors, the Government of India, our Business Associates, Customers, and Shareholders, without whom Suryoday would not be where it is today. These successes would not have been achievable without the persistent efforts of our dedicated employees. I would like to thank all stakeholders on behalf of the Bank and myself, and I look forward to their ongoing patronage, counsel, and support.

Warm Regards

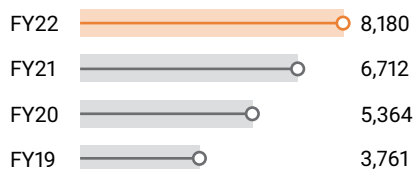
Baskar Babu Ramachandran
MD & CEO

KEY PERFORMANCE INDICATORS

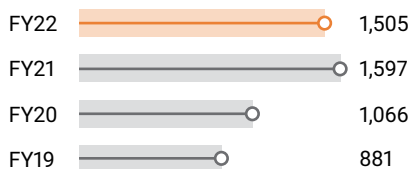
GROWING AT A CONSISTENT PACE

Balance Sheet Metrics

Total Assets (₹ in Crores)



Net Worth (₹ in Crores)



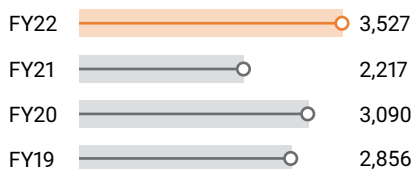
Gross Loan Portfolio (₹ in Crores)



Deposit (₹ in Crores)

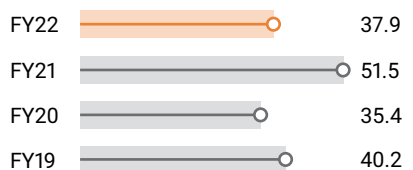


Disbursement (₹ in Crores)

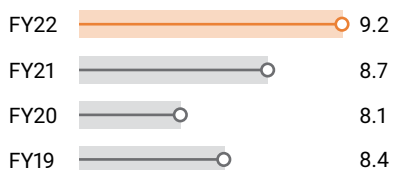


Key Ratios

CRAR (%)



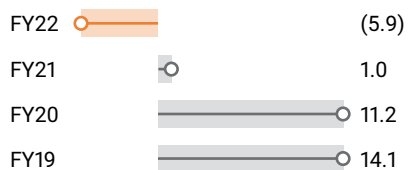
Operating Expense Ratio (%)



ROA (%)



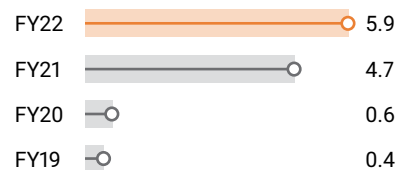
ROE (%)



GNPA (%)

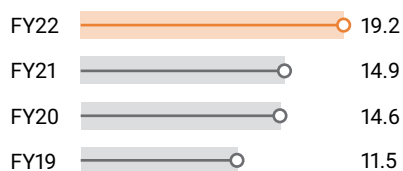


NNPA (%)

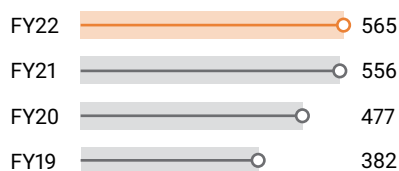


Non-Financial Metrics

Customer Base (Lakhs)



Branches

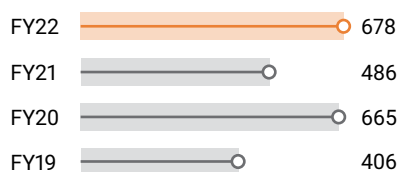


Profit & Loss Metrics

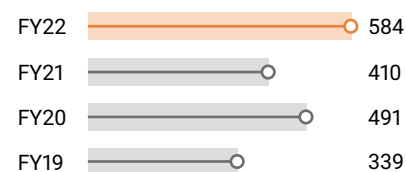
Revenues (₹ in Crores)



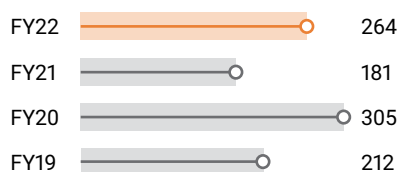
Net Total Income (₹ in Crores)



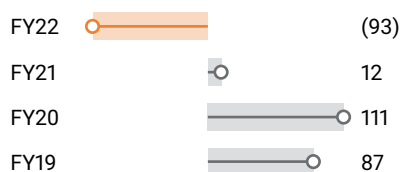
Net Interest Income (₹ in Crores)



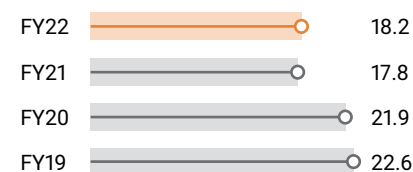
Pre-provisioning Operating Profit (₹ in Crores)



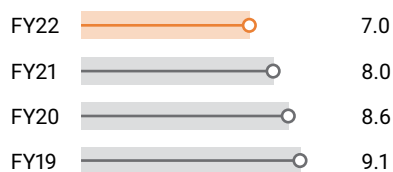
Profit After Tax (₹ in Crores)



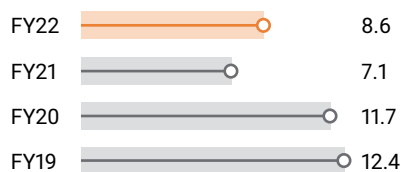
Yield on Advances (%)



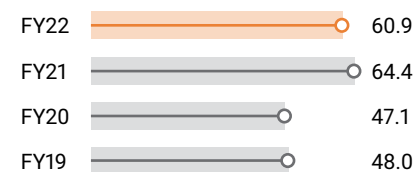
Cost of Funds (%)



Net Interest Margins (%)



Cost to Income Ratio (%)



OPERATING ENVIRONMENT

GROWING AMIDST CHALLENGES

The pandemic affected us like it did every other business. What kept us on track was our pursuit of purposefulness. This helped us stay optimistic. Our inclusive finance portfolio grew by over 15.8% Y-o-Y through March 2022, as compared to the previous year. The large unbanked and underserved banking population, and the need to financially empower them with robust business processes backed by the best technology is what we are looking forward to. Given India's rising middle class population, the affordable housing sector is expected to grow rapidly. The potential market size for affordable housing in urban India is predicted to grow by a factor of 1.5 from an estimated 25 million families in 2010 to 38 million in 2030. Given the large unmet demand, favourable demographics, a housing shortage, and government actions such as tax cuts, the sector's long-term growth prospects remain positive. Suryoday is geared to play a meaningful part in this growth opportunity.

The rapidly developing road and highway infrastructures, as well as the expanding online retail and shipping networks, will be the key drivers of the domestic small commercial vehicle (CV) industry during the next five years. This category is growing as a result of increased urbanisation,

increased small and medium-sized businesses, and increased product transit between local and regional destinations. We have set our business goals along these opportunities and are well placed to service this growing market.

Secured Business Loans and Loans against Property are important components of economic growth. The pandemic impacted these spheres and, in turn, the borrower's cash flow in the previous fiscal. Being a secured industry, the sector is expected to revive with high-quality assets very soon and Suryoday has meaningful offerings to tap into these opportunities.

15.8%

YoY growth of Inclusive Finance Portfolio through March 2022



RESPONDING TO EXTERNAL ENVIRONMENT

STRATEGICALLY POSITIONED TO MAKE THE MOST OF THE TAILWINDS

Our robust business practices, non-negotiable policies of Governance, Compliance and Risk Management will help us capitalise on the opportunities, face challenges, if any, and emerge as a winner

Key strengths

- Suryoday strongly believes in having a customer-centric approach with a focus on financial inclusion, and is aimed at forging lasting relationships with the customers.
- The Bank has a diversified portfolio, from inclusive finance loans to liability products and various deposit products. We endeavour to customise the products based on the needs of our customers.
- Since its inception as a bank, the focus has been on growing the fast-evolving granular deposit franchise.
- We are consistently focussed on digitisation, and extensively use digital technology in all our operations across functions.
- The Bank has a strong credit profile and rating, and has a robust risk management framework in place.
- We have robust distribution channels which help us to carry out our operations through banking outlets, various digital channels and alternative delivery channels.
- Our strong and experienced leadership team is ably supported by requisite domain expertise.

Key strategies

- S1** Expand asset portfolio while focussing on secured lending
- S2** Strengthen retail liability franchise
- S3** Continued focus on technology and data analytics to grow operations
- S4** Expand geographic presence and penetrate further into existing geographies

STRATEGIC FOCUS AREA

EXPAND ASSET PORTFOLIO WHILE FOCUSING ON SECURED LENDING

S1

The Bank undertook several measures to boost its emphasis on the secured lending asset portfolio during the fiscal. We provide loans to joint liability groups (JLGs), commercial vehicle loans, affordable housing loans, secured business loans (SBL), Vikas loans, loans to financial intermediary groups (FIGs), among others. Suryoday attracted more than 0.4 Lakh new customers, bringing its total customer base to 19.2 Lakh happy customers.

Despite the impact of the COVID-19 wave, our AUM climbed by 20% Y-o-Y to ₹ 5,063 Crores. Following the second wave, disbursement increased. Inclusive finance accounted for over 67% of the total, with the remaining 33% made up of non-inclusive finance loan categories such as commercial vehicle loans, house loans, business loans, among others. The Bank

disbursed ₹ 3,528 Crores in FY22, increasing 59% Y-o-Y, with the majority disbursements done in the second half. The housing financing industry grew strongly during the time, with increased monthly disbursements. In microfinance, we focussed on retaining existing clients, while adding new ones.

In terms of asset quality, the GNPA for FY22 was 11.8%, up from 9.4% in FY21. Similarly, the NNPA was 6.0% in FY21, up from 4.7% in FY21. In FY22, the total provisions stood at ₹ 392 crores, with a provision coverage ratio of 69.8%. Our collection efficiency on a one-EMI basis was 87% at the end of March 2022, up from 46% in June 2020. Overall collection efficiency is 116% in March 2022, and has been regularly higher than 100% since December 2020.

19.2 Lakhs

Total customer base

₹5,063 Cr

AUM as on March 31, 2022

₹3,528 Cr

Disbursements as on
March 31, 2022

11.8%

GNPA in FY22

6.0%

NNPA in FY22

STRATEGIC FOCUS AREA

STRENGTHEN RETAIL LIABILITY FRANCHISE

S2

During FY22, we strengthened our retail franchise. Deposits increased by 18.2% Y-o-Y to ₹ 3,849 Crores. Granular retail deposits accounted for 78% of total deposits in FY22, up from 54% in FY20. Suryoday partnered with Paytm for a wholly digital financing programme for MSME up to ₹ 5 Lakhs, a first-of-its-kind effort by any SFB. We have also partnered with Lendingkart to provide loan funding up to ₹ 10 Lakhs.

We have steadily expanded our deposit franchise, and our goal has been to concentrate on expanding the retail granular deposit franchise.

The Bank's CASA ratio increased to 18.8% in FY22, from 15.4% in FY21. The Bank has steadily and consistently built its CASA base. Total deposits as of FY22 were ₹ 3,849 Crores, with CASA deposits for ₹ 724 Crores, retail deposits for ₹ 2,284 Crores, and bulk deposits for ₹ 842 Crores. Compared to this, in FY21, total deposits were ₹ 3,256 Crores, with CASA deposits for ₹ 503 Crores, retail deposits for ₹ 2,102 Crores, and bulk deposits for ₹ 651 Crores.

₹3,849 Cr

Deposit as on
March 31, 2022

79%

Share of Granular
retail deposits

18.8%

CASA ratio in FY22

STRATEGIC FOCUS AREA

CONTINUED FOCUS ON TECHNOLOGY AND DATA ANALYTICS TO GROW OPERATIONS



Our emphasis on technology has allowed us to quickly scale our operations in key areas such as customer experience, digital transaction processing, enterprise accounting, expenditure management, human resources, process management, risk management, and governance. We developed a paperless onboarding process for originating micro banking loans and opening bank accounts using technology. Through its many technology platforms, the Bank manages various stages of consumers' financial transactions, from onboarding to customer management.

We have consistently invested in digital technologies and analytics, collaborating with fintech firms to provide business intelligence and analytics. The goal of focussing on analytics is to improve market

potential identification for prioritising which geographies the Bank should focus on, identifying relevant products for cross-selling and upselling, conducting detailed portfolio reviews as part of risk management functions, and improving early warning systems and delinquency prediction for better asset quality control.

In FY22, the Bank launched Pragyan, a transformation project aimed at bringing IT systems in-house. We also invested in the analytical platform, which BIA uses for analytics and insight into company development and collections. Further, we invested in route optimisation technologies for centre allocation to the RO, which aids in enhancing efficiency and making business and collection easier for the RO.

8%

Proportion of revenues invested towards technology in FY22

5,376

Video KYC account openings in FY22



Our powerful data analytics systems equip us with



Business and risk management analytical insights to follow customer behaviour by evaluating consumer repayment capability based on monthly obligations payable to multiple lenders



Pin code-based market analysis to identify expanding markets



Delinquency and static pool analytics



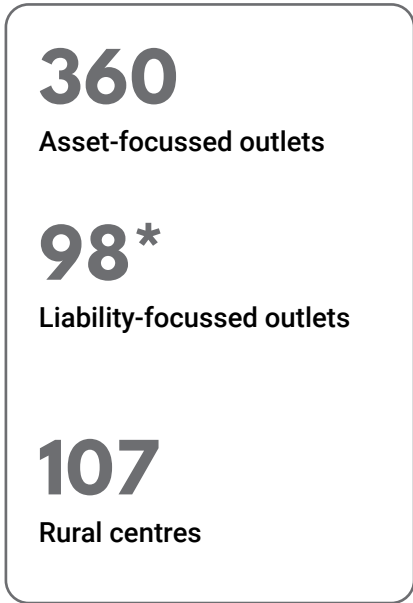
Cohort analysis and further insights

STRATEGIC FOCUS AREA

EXPAND GEOGRAPHIC PRESENCE AND PENETRATE FURTHER INTO EXISTING GEOGRAPHIES

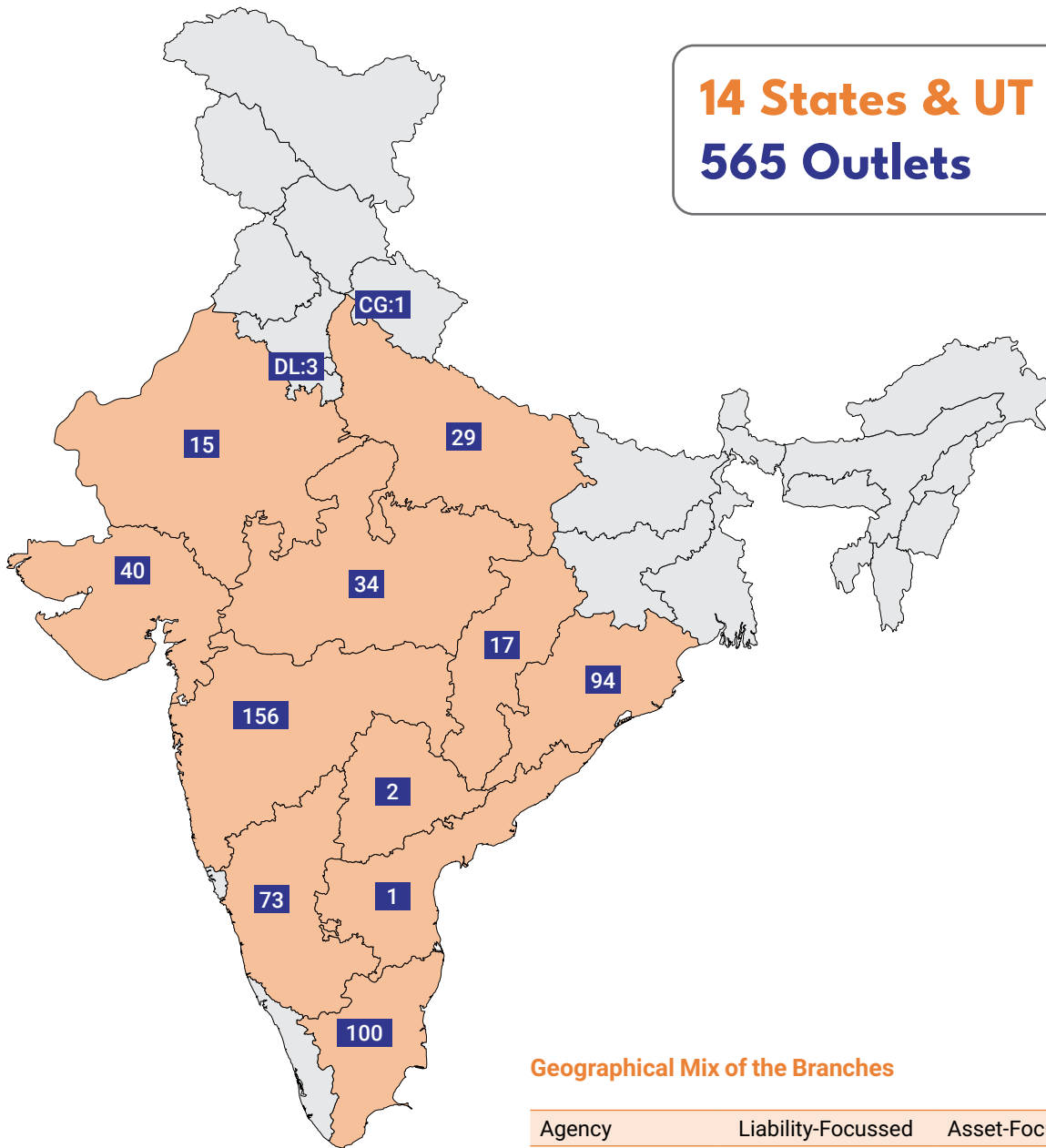


While we carefully open new banking outlets and expand our business correspondent (BC) network, we also would like to improve and promote consumer usage of alternative delivery channels, mobile and internet banking. We believe that our network of BCs will help us to penetrate further into the geographies where we presently operate, as well as expand into new regions. We want to use our BCs' experience to manage specific banking outlets in rural areas, as well as enter into agreements with corporate BCs to expand our asset portfolio in the states where we operate. We believe that our collaboration with BCs delivers operational and financial savings for our operations.



**Including 26 composite branches*

14 States & UT
565 Outlets



Geographical Mix of the Branches

Agency	Liability-Focussed	Asset-Focussed	URC
Tamil Nadu*	17	66	17
Maharashtra	42	72	42
Odisha	10	49	35
Karnataka	11	49	13
Madhya Pradesh	2	32	0
Gujarat	5	35	0
Others	11	57	0
Total	98	360	107

Note: * Includes Puducherry

HUMAN RESOURCE

EMPHASIS ON IMPROVED PEOPLE-CENTRICITY

Suryoday is a people-centric organisation. We are always looking for ways to improve the work environment and motivate our employees by fostering a positive work culture and implementing new initiatives. As a result, we go out of our way to inculcate in our employees a sense of purpose and ownership to ensure the Bank's future success.

Suryoday values its human capital and offers numerous chances for personal and professional development. Across our branches and outlets, we provide a safe, conducive, and productive work environment for our employees. In order to improve productivity and effectiveness, we also conduct regular skill and people development training.



We have worked hard to foster an inclusive culture among our staff, allowing them to flourish as Banks' ambassadors, bringing smiles to the faces of all our stakeholders. Across the year, we undertook the following measures:

Implementation of CBS Migration Training throughout the organisation in both virtual (MS Teams) and classroom settings

Preparation of training content for systems (Servosys CRM, Sumeru Mobile app for Collection), processes (Bank Branch Operations), and products (JLG FD), and delivery of training

Conducted cybersecurity training across the organisation

Nomination of employees for External Training Programs for functional competence

Production of short videos in which workers discuss their overall experience working with the Bank

Conducted area-specific motivational workshops, in which, top achievers share their ideas and thoughts with their co-workers

Conducted multiple sessions on the ICICI Lombard app 'IL Take Care' for all staff

Initiated the linkage of Learning Management System (LMS) with the HRMS

Organised catch-up sessions of women employees at Suryoday over a cup of tea

Conducted a feedback survey for all staff



Talent acquisition

1,258

Offers released

991

New joinees

946

Exits



Talent management

1,115

Confirmations

792

Background Checks

111

Staff Loans/OD

165

Memos/
Disciplinary Actions

530

F&F Settlements



Talent engagement

1,636

Employee connect

1,220

New Joiners Connect

1,053

Exit Interviews

124

Promotion Interviews



Talent development

2,295

Number of Staff trained

111

Number of Batches

Number of people trained through

3,939

Adhira Program
(Financial Capability of
Domestic Workers)

3,922

Ujwal Program
(Financial Capability for Students)

3,753

SwayamShree Program
(Financial Capability for Parents)

Employee testimonials

Mitesh Kumar Patel

Area Manager Business
Vadodara Area - Gujarat

It has been 11 years! Time seems to fly fast, and I have completed 11 years of service with this excellent organisation!

I want to thank my superiors at Suryoday Bank for their unwavering support and direction, as well as my teammates, without whom I would not have been able to accomplish such an incredible decade full of beautiful experiences and learnings.

I am delighted to be a part of our Suryoday family, which provides sufficient possibilities for me to grow according to my talents. I am also confident that the organisation will continue to support and advice me, helping me perform at my best in the future as well!

Pramod Kamble

State Head
Quality Assurance - Uttar Pradesh

My career began with the role of Relationship Officer, and I am now employed as the State Head. Being able to observe Suryoday's development over the course of my employment here fills me with a sense of immense pride. The wonderful work culture at Suryoday contributes to my sense of accomplishment in my role here. And there is a long way to go.

CUSTOMER MANAGEMENT

REDEFINING CUSTOMER EXPERIENCE

We have ensured that our clients remain the most important reason for our existence by designing products that improve customer pleasure, providing a seamless digital experience for our consumers, moving the needle on inclusive banking, and expanding financial literacy. They remain our primary priority.



Customised products

Offering and processing small ticket Fixed Deposits (minimum of ₹ 1,000) to consumers via Customer Service Points (CSPs) in 100 seconds

Vikas and Star loan products to provide consumers with end-to-end digital services ranging from sourcing to collections

Increasing the proportion of microloans and LAPs in the total mix

Natural Calamity Insurance for inclusive finance customers, which covers losses and damages caused by natural disasters

A recurring deposit product for consumers of inclusive finance to bring them into the formal banking channel

Ease of Onboarding

- Conversion of inclusive finance to 100% digital onboarding, which cut turnaround time and increased efficiency.
- 'e-KYC' and 'Video-KYC' has made customer onboarding simple and paperless. The facility is available in three languages – English, Hindi and Marathi.
- Emphasis on the economic and social impact.
- Improved financial capacities of low-income households through a more localised banking approach and a wide range of financial solutions that address expanding demands in urban, semi-urban, and rural regions.

Case Study



Bhagyamma

Gundlupet, Karnataka
Housing Loan Customer

Mrs. Bhagyamma is in the milk business for the past 25 years, and was seeking a housing loan but had no prior knowledge on how to approach the bank for it. Her co-applicant is Mr. Manjunath D, working in the Dairy as a milk tester for the past 25 years and having agri income. She got to know about the new home loan product from one of Suryoday's ex-employee and approached the Bank for a loan through him. Not only Bhagyamma was explained in detail the home loan process and the documents to be submitted but the entire process of approval was smooth, consumed less time and without hassles. The only time she was asked to visit the branch was for the signing of the final loan papers. She is very satisfied with the prompt overall service provided and with the timeline taken to provide the loan because her friends are still waiting for their loans from other banks. Compared to them she got the loan in a very short period of time. Overall, Bhagyamma says Suryoday Bank has made an impact and changed her life for the better.



Suman Sarkar

Kolkata, West Bengal
Customer Onboarding

Trust you are doing good.

On behalf of my entire family (all are now your Bank's customers), I would like to express our sincere admiration for the amazing efforts put by you for a smooth onboarding at your Bank as a customer. We appreciate everything that you have done to help us in every aspect, starting from account opening to FD booking. Despite this challenging situation (COVID-19), the way you have extended your support to fulfil all our requirements is appreciable. I admire your dedication, commitment, and the vast knowledge which you have shown towards fulfilling our every need.

Hope we will be getting similar support in future too.

Thank you once again for all your support.



Mr Umapati Radhey Shyam Tiwari

Nigdi, Pune

I have taken loan from Suryoday Small Finance Bank Limited for refinance on 2 vehicles in the month of November 2021. I have been in transport business since 2014 and majorly transporting automobile parts across India.

I have 25 vehicles in my fleet and my major financier is HDFC Bank. When Suryoday Small Finance Bank employees approached me for refinance, we had couple of meetings in my office and they explained me the loan details with utmost clarity. I did not have to travel to the Bank for my loan. All meetings took place in our office. I am happy that the Bank has refinanced my vehicles in few days. I plan to take my future vehicle loans from Suryoday itself. I am thankful to the Bank for the speedy and timely services.

CORPORATE SOCIAL RESPONSIBILITY

CARING FOR COMMUNITIES

As a responsible corporate citizen, we are dedicated to helping those who are less fortunate. Apart from undertaking regular CSR activities, this year we continued to extend all our support to communities in need during the successive phases of the pandemic.



CSR Initiatives

The Suryoday Foundation is one of the implementing agencies for the Bank's primary CSR projects. We concentrated on low-income communities that had been disproportionately impacted by the outbreak. The Bank has a well-defined and Board-approved Corporate Social Responsibility (CSR) policy in place. The primary goal is to increase financial inclusion among the unbanked and underbanked income categories. Our CSR Committee identifies specific areas that require attention, suggests their implementation, and evaluates these efforts on a regular basis. Recent activities have focussed on increasing financial literacy, developing a skill-upgrading programme, disease prevention, and environmental protection.



Initiatives during the year

Held financial literacy programmes for domestic workers, children, and parents, with 3,939, 3,922, and 3,753 participants respectively

A grant was awarded to the Rotary Club of Madras Charitable Trust for COVID-19 vaccination and preventive healthcare through the Mobile Van; about 10,500 persons from slums and villages were vaccinated

Provided grants to Sri Kamakshi Trust for old-age home repairs

Provided grants to the Varshini Illam Trust for the early diagnosis of abnormalities in children aged 0 to 3 years

A grant was made to the Rotary District Charitable Trust for a short video on COVID vaccine awareness



14,054

People accessed different social security products FY22 (PMJJY, PMSBY)

10,500

Health Camp Beneficiaries

11,614

Beneficiaries of financial literacy programmes



GOVERNANCE

STRONG CORPORATE GOVERNANCE

The Bank’s Board of Directors is committed to maintaining a high level of corporate governance in accordance with statutory and best practice standards. In addition to maintaining a constant focus on corporate governance, the Board and management conduct a thorough examination and evaluation of its corporate governance principles and implementation.

Furthermore, the Bank’s Corporate Governance Policy specifies the general structure of governance via the Board of Directors and numerous Board Committees. As at 31 March 2022, there were nine (9) Committees of the Board as enlisted below:

Board of Directors



M M C M M

Mr. R Ramachandran

Non-Executive Chairperson and Independent Director



M C C M M

Mr. Mrutunjay Sahoo

Independent Director



C M M M M

Mr. Jyotin Mehta

Independent Director

Committees

Ⓒ Chairman / Chairperson

Ⓜ Member

Name of the Committee

- Audit Committee ● Risk Management Committee ● Nomination and Remuneration Committee
- Stakeholders’ Relationship Committee ● Corporate Social Responsibility Committee ● IT Strategy Committee
- Customer Service Committee ● Credit Committee
- Committee for review of wilful defaulters and monitoring high value frauds



M M M C M

Mrs. Meena Hemchandra

Independent Director
(up to May 22, 2022)



M C M M C

Mr. John Arunkumar Diaz

Independent Director



M C M M C

Mr. Krishna Prasad Nair

Independent Director
(with effect from July 22, 2021)



M M M M

Mr. Ranjit Shah

Investor Director



M M M M

Mr. Aleem Remtula

Investor Director



M M M M M

Mr. Baskar Babu Ramachandran

Promoter, MD and CEO

Board demography and independence

6

Number of
Independent Directors

62 years

Average Board age

1

Number of woman
Director on Board

17

Number of Board
meetings held in FY22

84%

Board attendance
in Board meetings

GOVERNANCE

Leadership Team



Baskar Babu Ramachandran
MD & CEO



Narayan Rao
Chief Services Officer



Kanishka Chaudhary
Chief Financial Officer



Krishna Kant Chaturvedi
Company Secretary



Dhara Vyas
Chief People Officer and Head CSR



Vaman Kamat
Chief Credit Officer
(up to July 5, 2022)



Yogesh Dixit
Chief Risk Officer



Vibha Gawde
Chief Audit Officer



R Mohan
Head Legal



Sanjaya Jena

Head Inclusive Finance
Business West and East



Anand Balaji

Head Inclusive Finance Business
South and Admin



Gaurav Pawra

Head Mortgages Business



Mohit Sapru

Head Wheels Business



Deepti Malik

Head Retail Banking



Sudhakar Mogera

Head FIG and Partnership Business



Vishwanath Bhat

Head Micro HL Business



Shankar Surendran

Chief Compliance Officer



Vishal Singh

Chief Information Officer

GOVERNANCE

Risk Management

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



Directors' Report

Dear Members,

Your Directors are pleased to present the Fourteenth Annual Report of the Bank together with the Audited Financial Statements for the financial year ended March 31, 2022.

FINANCIAL HIGHLIGHTS

The Bank's performance during the financial year (FY) ended March 31, 2022 as compared to the previous financial year, is summarized below:

Particulars	₹ in crores	
	FY 2021-22	FY 2020-2021
Advances	4,750.9	3,982.8
Deposits and borrowings	6,401.1	4,922.3
Total Income	1035.4	852.5
Operating Expenses	770.5	694.3
Operating Profit	264.9	158.3
Provisions and Contingencies (including tax)	357.9	146.4
Profit for the year	(93.0)	11.9
Add: Surplus brought forward from previous year	205.2	204.8
Amount available for appropriation	112.1	216.7
Statutory Reserve under section 17 of the Banking Regulation Act, 1949	0	3.0
Investment Fluctuation Reserve	0	7.9
Capital Reserve	0.2	1.0
Surplus carried to Balance Sheet	112.0	204.9
EPS (Basic)	(8.76)	1.32
EPS (Diluted)	(8.76)	1.31

OVERVIEW OF OPERATIONS

The net interest income for the year was ₹ 678.0 crores as compared to ₹ 486.9 crores in the previous year. The loss for the year ended March 31, 2022 was ₹ 93.0 crores largely due to the impact of the COVID-19 situation on business and the additional provisions made during the year.

The Gross Loan Portfolio and the total deposits at ₹ 5,063.4 crores and ₹ 3,849.8 crores grew by 20.4% and 18.2 % respectively as compared to the previous year. As at March 31, 2022, retail deposits constituted 78.14 percent of the overall deposits of the Bank.

The Capital Adequacy Ratio (CRAR) was 37.9 % as at March 31, 2022 (March 31, 2021: 51.5%) as compared to the statutory minimum required 15%.

Cost to income ratio for the year ended March 31, 2022 was 60.9 % as compared to 67.5% for the previous year. Return on assets (ROA) declined from 0.2% in FY21 to (1.29)% in FY22 primarily on account of higher provisioning on account of COVID related impact on the business of the Bank.

The number of banking outlets increased from 556 in March 2021 to 565 in March 2022 including 158 Unbanked Rural Centres.

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

Customer- related initiatives

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

Digital Tie-Ups

- Partnerships with three Payment Banks to offer their customers sweep account facilities and fixed deposits.
- Total deposits through partnership as at March 31, 2022 was ₹ 151.2 cr.
- Collaboration with Fintechs for MSME lending program on a completely digital platform.

Directors' Report

SMILE Over Draft

- Launched overdraft product (SMILE-OD) for inclusive finance customers in FY22 to meet their working capital needs.

DIVIDEND

On account of loss/ inadequacy of profits, the Board of Directors do not recommend any dividend for the financial year 2021-22.

CHANGE IN NATURE OF BUSINESS

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

SHARE CAPITAL

Authorised capital:

During the year under review, there was no change in the Authorised Share Capital of the Bank and as at March 31, 2022, the Authorized Share Capital stood at ₹ 125 crores (Rupees One hundred and twenty five crores) divided into 12,50,00,000 (Twelve crore fifty lakh) equity shares of ₹ 10 (Rupees Ten) each.

Paid up Capital:

During the year under review, the Bank issued and allotted 27,923 Equity shares under the ESOP Scheme-2016. As at March 31, 2022 the Paid up Capital stood at ₹ 106,15,87,490 (Rupees One hundred six crores fifteen lakh eighty seven thousand four hundred and ninety only) divided into 10,61,58,749 (Ten crore sixty one lakh fifty eight thousand seven hundred and forty nine) equity shares of ₹ 10 (Rupees Ten) each. During the year, the Bank has not issued any equity shares with differential voting rights.

CREDIT RATINGS

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

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

*During the year, ICRA has re-affirmed A1+ credit ratings for enhanced amount of Certificate of Deposits programme from existing ₹130 crore to ₹ 330 crore.

CAPITAL ADEQUACY

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

As at March 31, 2022, the Capital Adequacy Ratio of the Bank stood at 37.9 %, well above the regulatory minimum requirement of 15%. Tier I ratio of the Bank stood at 34.4% well above regulatory requirement of 6% and Tier II capital was at 3.4%.

SUBSIDIARY, ASSOCIATE AND JOINT VENTURE COMPANIES

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

ANNUAL RETURN

The Annual Return as mandated under Section 92 (3) read with Section 134 (3) of the Companies Act, 2013 in prescribed Form MGT-7 is available on the website of the Bank and the same can be accessed at <https://www.suryodaybank.com/assets/pdf/agm/MGT-7-Annual-Return-Financial-Year-2021-22.pdf>

BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 2013 the Banking Regulation Act, 1949 (the 'BR Act'), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), other applicable laws and the Articles of Association of the Bank. As on March 31, 2022, the Board of the Bank had nine Directors, out of which six were Independent Directors, two Non-Executive Non-Independent Directors and one Managing Director and CEO.

The certificate pursuant to Regulation 34(3) read with paragraph number C.10(i) of Schedule V to the SEBI Listing Regulations for the financial year ended March 31, 2022 from Mr. Tushar Shridharani, Practicing Company Secretary, confirming that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of the Bank, is attached as **Annexure 1** to this Report.

During the year under review:

- Mr. Krishna Prasad Nair [DIN 02611496] was appointed as Independent Director for a period of five years effective from July 22, 2021 to July 21, 2026, at the

Directors' Report

Thirteenth Annual General Meeting (AGM) held on September 20, 2021.

- (ii) Mr. Mrutunjay Sahoo [DIN 00015715] was re-appointed as Independent Director of the Bank for a period of three years effective from September 22, 2021 to September 21, 2024, at the Thirteenth Annual General Meeting (AGM) held on September 20, 2021.
- (iii) The Bank received approval from the RBI for re-appointment of Mr. Ramachandran Rajaraman [DIN 01953653], as Part-time Non-executive Chairperson of the Bank with effect from January 1, 2022 up to September 23, 2023.

Mr. Ranjit Shah [DIN 00088405], Investor Director, being longest in office, retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment. The Board of Directors at their meeting held on May 19, 2022, basis the recommendation of the Nomination and Remuneration Committee, has recommended the re-appointment of Mr. Ranjit Shah.

Mr. Jyotin Mehta [DIN 00033518], aged 64, was appointed as Independent Director of the Bank with effect from August 31, 2017 for a period of five years and will hold office upto August 30, 2022. Pursuant to the recommendation of the Nomination & Remuneration Committee, the Board at its meeting held on May 19, 2022 approved the proposal relating to the re-appointment of Mr. Jyotin Mehta as Independent Director of the Bank for a period of three years with effect from August 31, 2022 (i.e up to August 30, 2025). He has provided the necessary consent for being re-appointed as Independent Director of the Bank. His re-appointment will be placed for approval of the shareholders at ensuing Annual General Meeting.

MEETINGS OF THE BOARD OF DIRECTORS/ COMMITTEES OF THE BOARD

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

DECLARATION BY INDEPENDENT DIRECTORS

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

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

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

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

BOARD EVALUATION

Pursuant to the provisions of section 178(2) read with Schedule IV of the Companies Act, 2013 and Regulation 19 of SEBI Listing Regulations, the Board of Directors of the Bank had engaged the services of external agency for carrying out the annual evaluation of Board, statutory committees of the Board and individual directors. Further, the performance evaluation of other Committees was carried out in accordance with the criteria for evaluation was based on the Policy for Performance Evaluation of the Bank.

Directors' Report

All Directors provided their responses on the questionnaires based on the said criteria. At a separate meeting of the Independent Directors, the performance of non-independent Directors and the performance of the Board as a whole were reviewed. The report of an external agency strengthened our view that the Bank had a good corporate governance framework and that the diversity and skill sets in the present composition of the Board was good. The Board deliberated upon the outcome of the evaluation report and found the performance of the Board as a whole, the Board Committees, the Chairman, the MD & CEO and other individual directors to be satisfactory.

KEY MANAGERIAL PERSONNEL

As of March 31, 2022, Mr. Baskar Babu Ramachandran, Managing Director and CEO, Mr. Kanishka Chaudhary, Chief Financial Officer and Ms. Geeta Krishnan, Company Secretary and Compliance Officer were the Key Managerial Personnel of the Bank in terms of section 203(1) of the Companies Act, 2013 and Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Changes in the Key Managerial Personnel of the Bank: Mr. Bhavin Damania resigned as Chief Financial Officer of the Bank w.e.f. close of business hours on December 31, 2021 and Mr. Kanishka Chaudhary was appointed as Chief Financial Officer of the Bank w.e.f. January 13, 2022.

Ms. Geeta Krishnan ceased to be Company Secretary and Compliance Officer of the Bank with effect from close of business hours on April 30, 2022 on account of superannuation and Mr. Krishna Kant Chaturvedi was appointed as Company Secretary and Compliance Officer of the Bank with effect from May 2, 2022.

EMPLOYEES STOCK OPTION SCHEME

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

RELATED PARTY TRANSACTIONS

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

RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

There are no material changes affecting the financial position of the Bank subsequent to the close of the financial year 2021-22, details of which are covered under Management Discussion & Analysis, forming part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

Directors' Report

- b. they have 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, 2022 and of the loss of the Bank for the year ended on that date;
- c. they have taken sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- d. the annual accounts are prepared on a going-concern basis;
- e. the requisite internal financial controls followed by the Bank are adequate and were operating effectively;
- f. proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

MANAGEMENT DISCUSSION & ANALYSIS

The Report on Management Discussion & Analysis for FY 2021-22, as stipulated in SEBI Listing Regulations forms part of the Annual Report.

CORPORATE GOVERNANCE

The Bank is committed towards establishing and adhering the best Corporate Governance practices in accordance with the rules and regulations applicable to the Bank. The Report on Corporate Governance along with the Certificate issued by Mr. Tushar Shridharani, Secretarial Auditors of the Bank confirming compliance with the Corporate Governance requirements under Regulation 34 and other applicable provisions of the SEBI Listing Regulations forms part of the Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

During the year under review, the Bank undertook a major part of its CSR initiatives through an implementing agency viz. Suryoday Foundation. The CSR activities undertaken during the year were Financial Literacy programs and community engagement programs and programs related to managing the Covid-19 crisis. The details of CSR activities in FY 2021-22 including those of ongoing projects are mentioned in the prescribed format and attached as **Annexure 3** to this Report.

BUSINESS RESPONSIBILITY REPORT

In terms of Regulation 34(2)(f) of the SEBI Listing Regulations, top 1000 listed companies based on their market capitalisation as at March 31, 2022 are required to submit a Business Responsibility Report (BRR) as part of their Annual Report. The said Report forms part of the Annual Report and also uploaded on the website of the Bank and the same can be accessed at <https://www.suryodaybank.com/Annual-Report#>

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

STATUTORY AUDITORS AND THEIR REPORT

M/s. Walker Chandio & Co LLP, Chartered Accountants (FRN 001076N/ N500013), were appointed as Statutory Auditors of the Bank with the approval of the Reserve Bank of India at the Annual General Meeting held on September 20, 2021 to hold office from the conclusion of the Thirteenth Annual General Meeting until the conclusion of the Sixteenth Annual General Meeting of the Bank i.e. for FY 2021-22 to FY 2023-24, subject to approval of the RBI for re-appointment on annual basis.

The Report, given by the Statutory Auditors on the financial statements of the Bank for the year ended on March 31, 2022, forms part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report. Also, no offence of fraud was reported by the Auditors of the Bank under section 143(12) of the Companies Act.

As per para 6.1 of the RBI Circular No. RBI/2021-22/25 Ref. No.DoS.CO.ARG/SEC.01/08.91.001/ 2021-22 dt. April 27, 2021, the Committee of the Board shall monitor and assess the independence of the Auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Further, as per para 3.1 of the said RBI Circular, the Bank is required to take prior approval of RBI for their continuation on an annual basis.

The Audit Committee and the Board of Directors at their meetings held on May 19, 2022 have reviewed the performance of the Statutory Auditors and found satisfactory and they were acting independently without conflict of interest with the management.

The Bank has sought approval of the RBI for continuation of appointment of M/s. Walker Chandio & Co LLP, Chartered Accountants (FRN 001076N/ N500013) for FY 2022-23.

Directors' Report

SECRETARIAL AUDITORS AND THEIR REPORT

Pursuant to the provisions of Section 204 of the Companies Act, the Board has appointed Mr. Tushar Shridharani, Practising Company Secretary (C.P. 2190) as Secretarial Auditor to conduct Secretarial Audit of the Bank for FY 2021-22. The Secretarial Audit Report for FY 2021-22 is enclosed to this Directors' Report as **Annexure 4**. The report is self-explanatory and does not contain any qualification, reservation or adverse remark.

The Bank has complied with the prescribed Secretarial Standards on meetings issued by the Institute of Company Secretaries of India for the financial year ended March 31, 2022.

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 2021-22 are as follows:

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

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

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Bank has in place a Whistle Blower Policy which has been formulated as part of corporate governance norms and transparency where employees, customers and other stakeholders of the Bank including Non-Governmental Organizations ("NGOs") are encouraged to voice genuine

concerns of grievances about unprofessional conduct without the fear of reprisal to the person raising the concern.

The Policy provides a framework to promote responsible and secure whistle blowing with respect to any breach or violation of the Bank's Code of Conduct on any matter.

Please refer <https://www.suryodaybank.com/assets/pdf/policies/Corporate-Governance-Policies-Whistle-Blower-Policy.pdf> for text of the Policy. The functioning of the Whistle Blower mechanism is subject to review by the Audit Committee.

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

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

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

DEPOSITS

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

MAINTENANCE OF COST RECORDS

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

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

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

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

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

PARTICULARS OF EMPLOYEES

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rules 5(2) 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Directors' Report

is excluded from the Annexures to this Report. In terms of Section 136 of the Companies Act, 2013, the same is open for inspection during working hours at the Registered Office of the Bank upto the date of the ensuing AGM. A copy of this statement may be obtained by the Members by writing to the Company Secretary of the Bank.

The ratio of the remuneration of each Director and employees of the Bank as required under the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this report as **Annexure 5**.

ACKNOWLEDGEMENTS

The Board of Directors of your Bank would like to place on record their sincere gratitude for the guidance and co-operation received from the Reserve Bank of India, SEBI, Stock Exchanges, Depositories and other statutory and regulatory

authorities and thank all the stakeholders of the Bank including the investors, customers, bankers, shareholders, debenture holders, vendors, trustees, Registrars and all other valued partners for their continued support. The Board also would like to express their appreciation for the sincere and dedicated efforts put in by all the employees of the Bank at all levels during the challenging situation faced during the year and look forward to their continued contribution in building this 'Bank of Smiles' into a world class organization.

For and on behalf of the Board
Suryoday Small Finance Bank Limited

Ramachandran Rajaraman

Part-time Chairperson &
Independent Director
[DIN 01953653]

Baskar Babu Ramachandran

Managing Director & CEO
[DIN 02303132]

Date: May 19, 2022

Directors' Report
ANNEXURE 1

CERTIFICATE IN PURSUANCE OF SUB-CLAUSE (i) OF CLAUSE 10 OF PART C OF SCHEDULE V OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2022

To,
The Board of Directors
Suryoday Small Finance Bank Limited
Unit no.1101, Sharda Terraces, Plot No.65
Sector 11, CBD Belapur
Navi Mumbai - 400 614

Subject: Certificate in pursuance of sub-clause (i) of Clause 10 of Part C of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the financial year ended on March 31, 2022.

Dear Sir/Madam,

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

Sr. No.	Name of Director	Designation	Appointment Date
1.	Mr. Ramachandran Rajaraman	Non-Executive Part-time Chairman	07-06-2014
2.	Mr. Baskar Babu Ramachandran	Managing Director & CEO	10-11-2008
3.	Mr. Mrutunjay Sahoo	Director	01-12-2015
4.	Mr. Jyotin Kantilal Mehta	Director	13-02-2017
5.	Mrs. Meena Hemchandra	Director	15-12-2018
6.	Mr. John Arunkumar Diaz	Director	16-12-2019
7.	Mr. Krishna Nair Prasad	Director	22-07-2021
8.	Mr. Aleem Remtula	Nominee Director	15-12-2018
9.	Mr. Ranjit Jayant Shah	Nominee Director	02-11-2018

- I have been engaged to provide a certificate to the Company as referred in paragraph -1- as mentioned above.
- For the purpose; I have considered and examined annual submissions made by each Director of the Company in pursuance of provisions of Section 164(2) read with rule 14(1) of Companies (Appointment and Qualification of Directors) Rules, 2014, relevant information as displayed on the website of the Securities and Exchange Board of India as well on the website of the Ministry of Corporate Affairs and information generally available on public domain.
- And based on above; I state that none of the Directors on the board of the Company has been debarred or disqualified from being appointed or continuing as director of companies for the financial year ending on March 31, 2022, by the Securities and Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority.

(Tushar Shridharani)
Practicing Company Secretary
FCS 2690 / COP 2190
UDIN: F002690D000341897
Date: May 19, 2022

Ensuring the eligibility for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Directors' Report

ANNEXURE 2

Employees Stock Options as on March 31, 2022.

ESOP Scheme	Opening balance of options (1.4.2021)	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 options at the end of the year (vested)	No. of outstanding options at the end of the year (yet to be vested)
ESOP Scheme 2016	8,49,930	nil	34,384	3,78,705	27,923	32.24	4,43,302	3,29,684	1,13,618
ESOP Scheme 2019	19,14,635	3,70,000	2,40,975	7,12,500	-	-	15,72,135	5,44,410	10,27,725
Total	27,64,565	3,70,000	2,75,359	10,91,205	27,923	32.24	20,15,437	8,74,094	11,41,343

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

Note: There was no exercise of options granted under the ESOP Scheme-2019 during the FY 2021-22.

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

- Key Managerial Personnel: NIL
- Any other employee who received grant of option amounting to 5% or more of options granted during that year:

Name of employee	Designation	Number of Options
Suresh Nair	VP - Head Application Development and Change Delivery	20,000
Vishwanath K Bhat	SVP - Micro Housing Loans	50,000
Deepti Malik	SVP - Head Liabilities Product	50,000
Ramasubramanian B	SVP - Collections	20,000
Vishal Singh	EVP - Chief Information Officer	1,00,000
Kartiklingam Nadar	VP - Head Operations	20,000
Mohit Sapru	SVP - Business Head Two Wheeler and Inventory Funding	50,000
Gaurav Pawra	SVP - Business Head Mortgages	50,000

- 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

Sd/-

Ramachandran Rajaraman

Part-time Chairperson & Independent Director
[DIN 01953653]

Sd/-

Baskar Babu Ramachandran

Managing Director & CEO
[DIN 02303132]

Date: May 19, 2022

Directors' Report
ANNEXURE 3

The Annual Report on CSR Activities during the financial year 2021-22

1. BRIEF OUTLINE ON CSR POLICY OF THE BANK, INCLUDING OVERVIEW OF PROJECTS/PROGRAMMES UNDERTAKEN:

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

2. COMPOSITION OF CSR COMMITTEE AS ON MARCH 31, 2022:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. R. Ramachandran	Independent Director-Chairperson	5	5
2	Mr. Mrutunjay Sahoo	Independent Director	5	5
3	Mr. Aleem Remtula	Investor Director	5	5
4	Mr. Venkatesh Natarajan [up to May 31, 2021]	Investor Director	2	2
5	Mrs. Meena Hemchandra [w.e.f. August 13, 2021]	Independent Director	2	2
6	Mr. Baskar Babu Ramachandran	Executive Director	5	5

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

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

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report). **Not Applicable**

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

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (₹ in lakhs)	Amount required to be set-off for the financial year, if any (₹ in lakhs)
1	2018-19	NIL	NIL
2	2019-20	NIL	NIL
3	2020-21	16.24	16.24
	Total	16.24	16.24

6. Average net profit of the company as per section 135(5). ₹ **10148.25 lakhs**

7. (a) Two percent of average net profit of the company as per section 135(5) ₹ **202.97 lakhs**

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years. **NIL**

(c) Amount required to be set off for the financial year, if any : ₹ **16.24 lakhs**

(d) Total CSR obligation for the financial year (7a+7b-7c). ₹ **186.73 lakhs**

Directors' Report

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

Total Amount Spent for the Financial Year (in ₹ lakhs)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount (₹ in lakhs)	Date of transfer	Name of the Fund	Amount.	Date of transfer.
110.65	79.00	30/03/2022	Not Applicable	NIL	Not Applicable

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project. State. District.	Project duration.	Amount allocated for the project (₹ in lakhs)	Amount spent in the current financial year (₹ in lakhs)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ in lakhs)	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency Name	CSR Registration number.
1	Projects undertaken by Suryoday Foundation	1,2,3	Yes	Maharashtra (Mumbai), Tamilnadu(Chennai and Cuddalore), Pondicherry, Odisha (Cuttack, Khorda)	2 years	160.00	97.00	63.00	No	Suryoday Foundation	CSR00002727
2	Rotary Club of Madras Charitable Trust	1	Yes	Tamilnadu (Chennai)	3 years	25.00	9.00	16.00	No	Rotary Club of Madras Charitable Trust	
Total						185.00	106.00	79.00			

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No).	Location of the project. State. District.	Amount spent for the project (₹ in lakhs)	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency. Name. CSR registration number.
1	Old Age Home Renovation	3	Yes	Maharashtra (Karjat)	2.00	No	Sri Kamakshi Trust CSR00012915
2	COVID Awareness	1	Yes	Tamilnadu (Chennai)	2.00	No	Rotary District 3232 Charitable Trust CSR00000997
3	Preventive Healthcare	1	Yes	Tamilnadu (Chennai)	0.65	No	Varshini Illam Trust CSR00021100
TOTAL					4.65		

(d) Amount spent in Administrative Overheads – ₹ 4261

(e) Amount spent on Impact Assessment, if applicable: **Not Applicable**

Amount spent on Impact Assessment, if applicable: **Not Applicable**

Directors' Report

- (f) Total amount spent for the Financial Year (8b+8c+8d+8e) ₹ 110.69 lakhs
 (g) Excess amount for set off, if any.: Not Applicable

Sl. No.	Particular	Amount (₹ in lakhs)
(i)	Two percent of average net profit of the company as per section 135(5): 202.96 Lakhs less: amount set off from previous financial year 16.24 Lakhs	186.73
(ii)	Total amount spent for the Financial Year	189.65
(iii)	Excess amount spent for the financial year [(ii)-(i)]	2.92
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	2.92

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

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (₹ in lakhs)	Amount spent in the reporting Financial Year (₹ in lakhs)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (₹ in lakhs)
				Name of the Fund	Amount (₹ in lakhs)	Date of transfer.	
NIL							

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

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

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

- (a) Date of creation or acquisition of the capital asset(s). **Not Applicable**
- (b) Amount of CSR spent for creation or acquisition of capital asset. **Not Applicable**
- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. **Not Applicable**
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). **Not Applicable**
- 11 Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). **Not Applicable**

Sd/-
Baskar Babu Ramachandran
 (Managing Director and
 Chief Executive Officer)
 [DIN 02303132]
 Date: May 19, 2022

Sd/-
Ramachandran Rajaraman
 (Chairperson of
 CSR Committee)
 [DIN 01953653]

Directors' Report

ANNEXURE 4

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON March 31, 2022

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

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

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

Based on my verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Bank has, during the period covering the financial year ended on March 31, 2022 (“**Audit Period**”) complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on March 31, 2022 according to the provisions of:

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

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992:
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.

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

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

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

I further report that there was a system-related delay in filing two FC-TRS forms in connection with transfer of shares from non-resident shareholders to resident shareholders

Directors' Report

as per the 'Master Direction – Reporting under Foreign Exchange Management Act, 1999' pursuant to offer for sale of shares of the Bank.

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

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

I further report that:

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

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

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

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

(Tushar Shridharani)

Practicing Company Secretary

Place: Mumbai

FCS: 2690 / COP: 2190

Date: May 19, 2022

UDIN: F002690D000334692

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.

Directors' 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. 2021-22 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 19, 2022

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

Directors' Report
ANNEXURE 5

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

Sr No.	Particulars		
1	The ratio of the remuneration of the MD & CEO (Whole time Director) to the median remuneration of the employees of the Bank for FY 2021-2022	54.10 : 1	
2	The percentage increase in remuneration of MD & CEO*, Chief Financial Officer, Chief Executive Officer, Company Secretary in FY 2021-2022	KMP MD&CEO CFO CS	% increase 0.00% 28.85% 31.03%
3	The percentage increase in the median remuneration of employees in FY 2021-2022	2.86%	
4	The number of permanent employees on the rolls of Bank as at March 31, 2022	5223	
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	Average Percentile Increase in salaries of employees other than managerial personnel: 4.02%	Avg. Percentile Increase in salaries of managerial personnel: 0.00%
6	Affirmation that the remuneration is as per the Remuneration Policy of the Bank	Yes	

*The remuneration of the MD & CEO is governed as per RBI Guidelines.

Management Discussion and Analysis

ECONOMIC OVERVIEW

India has emerged as the fastest-growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy and strong partnerships.

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern, according to a Boston Consulting Group (BCG) report. It is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by 2040 as per a report by PWC.

From April to November 2021, the Central Government's revenue receipts increased by 67.2% (YoY), compared to a 9.6% increase predicted in the 2021-22 Budget Estimates (over 2020-21 Provisional).

In terms of YoY growth, gross tax revenue increased by more than 50% from April to November 2021. This is also a strong performance when compared to pre-pandemic levels in 2019-2020.

The average headline CPI- combined inflation reduced to 5.2% in 2021-22 (April - December) from 6.6% in 2020-21 (April - December)

Wholesale inflation, as measured by the Wholesale Price Index (WPI), increased to 12.5% in 2021-22 (April to December). This has been attributed to: Previous year's low base, increase in economic activity, sharp rise in the price of crude oil and other imported commodities on the worldwide market, and high freight costs.

On the 16th of January 2022, India completed one year of its COVID-19 vaccination effort, administering more than 1.56 billion doses of vaccine. There are almost 880 million people in India (93% of the adult population) who have received the first dose and 660 million people (70% of the adult population) who are fully vaccinated. Between May 2021 and January 2021, the daily vaccination rate on average has grown fourfold from 1.93 million to 7.54 million.

Right when the global economy seemed to be at the cusp of witnessing green shoots of recovery after leaving the worst of the COVID-19 pandemic behind (despite uncertainties associated with subsequent waves of infection and rising global inflationary pressures), the Russia-Ukraine crisis escalated. Consequently, prices of crude oil and gas,

food grains such as wheat and corn, and several other commodities have shot up.

GDP grew by 5.4% during October–December 2021 (Q3 FY2021–22), slower than we had earlier estimated (figure 1). Growth in the July–September quarter was revised up to 8.4%, which explains the fading recovery in the subsequent quarter.

BANKING SECTOR OVERVIEW

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

In FY18-FY21, bank assets across sectors increased. Total assets across the banking sector (including public and private sector banks) increased to US\$ 2.48 trillion in FY21.

In FY21, total assets in the public and private banking sectors were US\$ 1,602.65 billion and US\$ 878.56 billion, respectively.

During FY16-FY21, bank credit increased at a CAGR of 0.29%. As of FY21, total credit extended surged to US\$ 1,487.60 billion. During FY16-FY21, deposits grew at a CAGR of 12.38% and reached US\$ 2.06 trillion by FY21. Bank deposits stood at ₹ 162.41 trillion (US\$ 2.17 trillion) as of December 31, 2021.

According to India Ratings & Research (Ind-Ra), credit growth is expected to hit 10% in 2022-23 which will be a double-digit growth in eight years. According to the RBI, bank credit stood at ₹ 116.8 lakh crore (US\$ 1.56 trillion) on December 31, 2021.

The banking sector has performed well as the capital adequacy ratios have improved and non-performing assets have reduced. Capital to risk-weighted asset ratio (CRAR) of SCBs increased from 15.84% at end-September 2020 to 16.54% at end-September 2021, on account of improvement of CRAR of both public and private sector banks.

The Gross Non-Performing Advances (GNPA) ratio of Scheduled Commercial Banks (SCBs) decreased from 7.5% at the end-September 2020, to 6.9% at end-September 2021, whereas restructured standard advances (RSA) ratio increased from 0.4% to 1.5% during the same period.

Rising fee incomes are improving the revenue mix of banks.

*High net interest margins along with low NPA levels will ensure healthy business fundamentals.

Management Discussion and Analysis

Increase in working population and growing disposable income will raise the demand for banking and related services.

*By 2025, India's fintech market is expected to reach ₹ 6.2 trillion (US\$ 83.48 billion).

Wide policy support in the form of private sector participation and liquidity infusion.

*RBI launched the 'RBI Retail Direct Scheme' for retail investors to increase retail participation in government securities.

According to the RBI, bank credit stood at ₹ 116.8 lakh crore (US\$ 1.56 trillion) on December 31, 2021.

RBI has decided to set up Public Credit Registry (PCR), an extensive database of credit information, accessible to all stakeholders. The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 Bill has been passed and is expected to strengthen the banking sector. Total equity funding of microfinance sector grew 42% y-o-y to ₹ 14,206 crore (US\$ 2.03 billion) in 2018-19.

As of February 21, 2022, the number of bank accounts—opened under the government's flagship financial inclusion drive 'Pradhan Mantri Jan Dhan Yojana (PMJDY)'—reached 44.63 crore and deposits in the Jan Dhan bank accounts totaled ₹ 1.58 trillion (US\$ 21.25 billion).

The digital payments revolution will trigger massive changes in the way credit is disbursed in India. Debit cards have radically replaced credit cards as the preferred payment mode in India after demonetisation. In January 2022, Unified Payments Interface (UPI) recorded 4.62 billion transactions worth ₹ 8.32 trillion (US\$ 111.8 billion).

In India, GDP growth at 8.7% for 2021-22 takes it modestly above the level of GDP in 2019-20. Private consumption, the mainstay of domestic demand, continues to trail its pre-pandemic level. The persistent increase in international commodity prices, surge in volatility of global financial markets and global supply bottlenecks can exacerbate risks to the outlook.

Thus, despite the pandemic induced bouts of volatility, the Indian financial system has remained resilient and is now in a better position to meet the credit demands as recovery takes hold and investment activity picks up. The balance sheets of Scheduled Commercial Banks (SCBs) are relatively stronger with higher capital adequacy, reduced NPA, higher provisioning cover and improved profitability than in the previous years.

Key measures taken by the Government of India:

1. The Union Budget of 2022-23 was presented on February 1, 2022, by the Minister for Finance & Corporate Affairs, Ms. Nirmala Sitharaman. The budget had four priorities PM GatiShakti, Inclusive Development, Productivity Enhancement and Investment and Financing of Investments. In the Union Budget 2022-23, effective capital expenditure is expected to increase by 27% at ₹ 10.68 lakh crore (US\$ 142.93 billion) to boost the economy. This will be 4.1% of the total Gross Domestic Production (GDP).
2. In September 2021, Union Cabinet approved major reforms in the telecom sector, which is expected to boost employment, growth, competition, and consumer interests. Key reforms include rationalization of adjusted gross revenue, rationalization of bank guarantees (BGs), and encouragement to spectrum sharing.
3. On January 29, 2022 the National Asset Reconstruction Company Ltd (NARCL) announced that it will acquire bad loans worth up to ₹ 50,000 crore (US\$ 6.69 billion) about 15 accounts. India Debt Resolution Co. Ltd (IDRCL) will control the resolution process. This will clean up India's financial system and help fuel liquidity and boost the Indian Economy.
4. National Bank for Financing Infrastructure and Development (NaBFID) is a bank that will provide non-recourse infrastructure financing and is expected to support projects from the first quarter of FY2022-23, it is expected to raise ₹ 4 lakh crore (US\$ 53.58 billion) in the next 3 years.
5. In August 2021, NITI Aayog and Cisco collaborated to encourage women's entrepreneurship in India.
6. In August 2021, Prime Minister Mr. Narendra Modi launched digital payment solution, e-RUPI, a contactless and cashless instrument for digital payments.

Key measures taken by RBI:

1. On November 09, 2021, RBI announced the launch of its first global hackathon 'HARBINGER 2021 – Innovation for Transformation' with the theme 'Smarter Digital Payments
2. the Reserve Bank has turned to rebalancing liquidity on a dynamic basis, while maintaining adequate liquidity in support of its accommodative stance. This rebalancing has involved two-sided operations: first, rebalancing liquidity from the overnight fixed rate reverse repo towards the 14-day variable rate reverse repo (VRRR)

Management Discussion and Analysis

auction as the main operation, supported by fine-tuning auctions of varying tenors as envisaged in the Revised Liquidity Management Framework of February 2020; and second, conducting repo auctions of 1-3 day maturities to meet transient liquidity mismatches and shortages, as for instance in the recent case of more than expected GST outflows during the third week of January 2022. The key to effective liquidity management is the 'timing' and having a nuanced and nimble footed approach that responds swiftly to the manner in which liquidity tilts.

BUSINESS SEGMENTS

Inclusive Finance:

As per Micrometer, as on March 31, 2022 (for loans originated after February 2017), the microfinance industry has total loan portfolio of ₹ 2,85,441 Cr, including DPD 180+ portfolio of ₹ 23,624 Cr. The total number of active loans accounts were 11.3 Cr with 5.8 Cr unique borrowers as on March 31, 2022.

Micro-finance portfolio grew by ~10% YoY in March 2022.

Overall status of portfolio, unique borrowers and loan accounts

(₹ in crores)

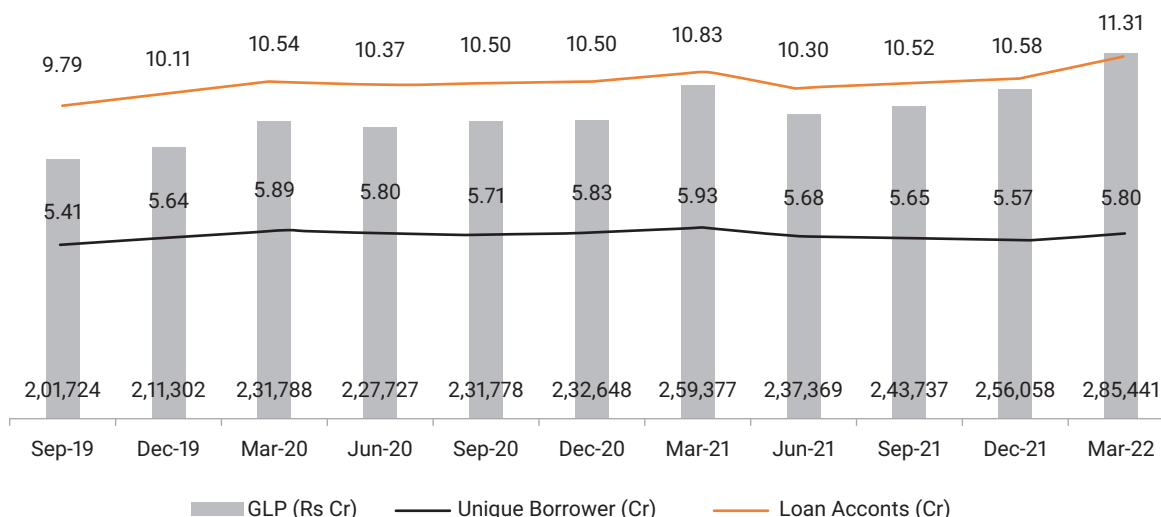
Type of entity	March 31, 2022				March 31, 2021			
	No. of entities	Unique Borrowers (Cr)	Active loan accounts (Cr)	Portfolio O/s (₹ Cr)	No. of entities	Unique Borrowers (Cr)	Active loan accounts (Cr)	Portfolio O/s (₹ Cr)
NBFC-MFIs	84	2.7	4.2	1,00,407	85	2.6	3.7	80,549
Banks	12	2.9	4.3	1,14,051	13	2.9	4.3	1,13,271
SFBs	9	1.4	1.8	48,314	8	1.5	1.8	41,170
NBFCs	58	0.7	0.8	19,698	53	0.8	0.9	21,673
Others	39	0.1	0.2	2,971	29	0.1	0.2	2,714
Total	202	5.8	11.3	2,85,441	188	5.9	10.8	2,59,377
DPD 0-179	202	-	10.1	2,61,818	188	-	10.2	2,47,938
Ever MFI	206	5.8	11.5	2,87,943	193	6.1	11.2	2,87,014

Note: 1. The total of entity wise unique borrowers will not equal to universe total due to overlaps

2. One of the NBFC MFI transformed into and SFB and one cooperative bank exited MFI business.

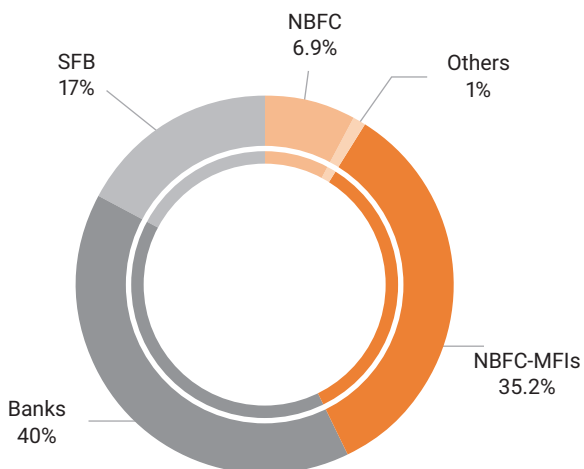
Industry Trends Q2 FY 19-20 to Q4 FY 21-22

Outreach



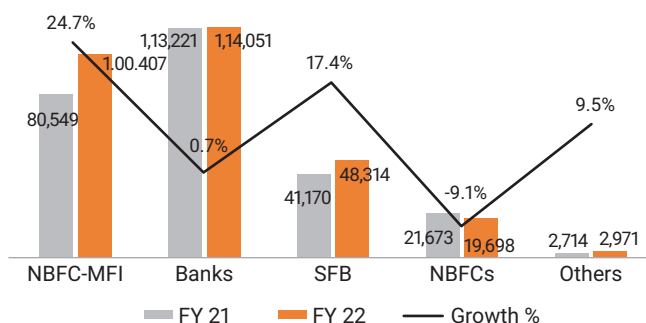
Management Discussion and Analysis

Micro – credit loan outstanding across lenders
March 31, 2022.



The pie-chart shows the share of each peer group in universe for the loan amount outstanding as percentage.

Portfolio outstanding of the microfinance industry (Rs Cr.)



The portfolio of NBFC-MFI has increased by 24.7% and banks by 0.7%, SFBs portfolio by 17.4%, NBFCs portfolio has decreased by 9.1% and other MFI have increased by 9.5% (based on loans originated after February 2017).

Distribution of the microcredit loans outstanding is mentioned below:

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

At the core of the problem is that extended lockdown to contain the spread of COVID-19 last year affected the income-generation ability and the savings of micro-finance

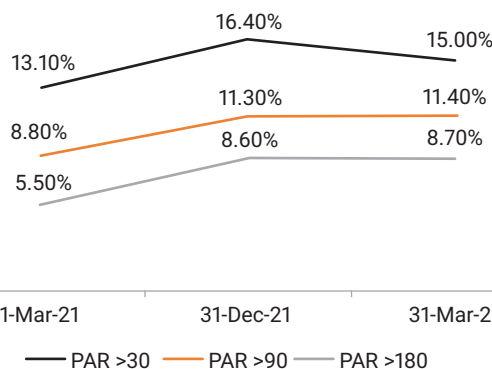
borrowers, typically having a weaker credit profile compared with other borrowers. About 50-60% of microloans were under moratorium as of August 2020. This was further accentuated by several state-imposed lockdowns affecting normalization of business operations of MFIs.

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

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

9SFBs operate in 618 districts of 36 states & union territories with a total microfinance portfolio of ₹ 48,314Cr. Over the last one year the SFBs have shown a growth of around 17.4%. The portfolio quality as measured by PAR > 30 days is 15% as of March 31, 2022 which is a significant improvement over 13.1% at the end of Q4 FY20-21.

Portfolio Quality of SFB



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

Management Discussion and Analysis

HOUSING

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

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

According to the Economic Times Housing Finance Summit, about 3 houses are built per 1,000 people per year compared with the required construction rate of five houses per 1,000 population. The current shortage of housing in urban areas is estimated to be ~10 million units. An additional 25 million units of affordable housing are required by 2030 to meet the growth in the country's urban population.

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

Affordable Housing:

As the Indian middle class expands, the demand for affordable housing is likely to increase even further. Consequently, the potential market size for affordable housing in urban India is forecasted to grow about 1.5 times from an estimated 25 million households in 2010 to 38 million in 2030.

Amid conditions of business de-growth for the housing finance companies (HFC)s, the affordable housing finance companies (AHFC)s have continued to grow albeit at a slower pace. As per the latest ICRA report, the total portfolio of the new AHFCs in the affordable housing space stood at ₹ 55,061 crores as of 30 September 2020 and registered a

moderate year-on-year (Y-o-Y) growth of 9% compared to the sector's overall negative growth primarily due to COVID-19 related issues in fiscal 2021.

While a couple of years back there were not many financiers willing to finance customers looking for affordable housing. Today most of the industry's big names are entering affordable housing to make it a viable business model. They are entering the affordable housing sector to cater to the existing demand supply gap currently prevailing in the market.

In Tier II and III cities, a high number of such projects have come up which is fuelling growth in those towns and cities. Besides, low-income customers are happy with their new homes, improved living conditions, safe neighbourhoods, and the overall growth of their social status, which are some of the benefits that the segment has been able to provide which were distant dreams in the past.

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

COMMERCIAL VEHICLE LOANS

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

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

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

Management Discussion and Analysis

This segment also faced the maximum impact of the slowdown in economic activity throughout 2019. Further, the covid-19 pandemic in 2020 only made it worse. Sales across categories fell by 29 per cent to 7,17,688 units in FY20. Medium and heavy commercial vehicles, an indicator of construction and mining activities, registered a bigger drop of 42 per cent. In the April-December of FY21, CV dispatches further declined by 37 per cent to 3,58,203 units.

The Indian Small Commercial Vehicle Market in the year FY2021 stood at USD1909.91 million. The market is anticipated to grow further with a CAGR of 15.14% in the forecast years FY2023-FY2027, to achieve a market value of USD4256.93 million by FY2027.

The Indian Small Commercial Vehicle Market is anticipated to grow on account of increasing logistic services in the local market that surge the demand for small commercial vehicles. Government initiatives, financial support, and increasing investments from the manufacturing companies are further driving the growth of the Indian Small Commercial Vehicle Market in the upcoming five years.

Rapidly growing road and highway infrastructures and growing online shopping and shipping network are further supporting the growth of the Indian Small Commercial Vehicle Market in the next five years. Increasing urbanization,

growing small and medium businesses, increasing the transportation of products between local and regional destinations are substantiating the growth of the Indian Small Commercial Vehicle Market in the future five years.

Secured business loans/Loan against property (LAP)

LAP (banks and non-banks) registered a CAGR of approximately 17% between Fiscal 2016 and Fiscal 2019, primarily driven by rising penetration of formal channels and higher comfort for the lenders to lend. However, the growth reduced to approximately 12% in Fiscal 2020 due to the liquidity crisis and increasing asset quality concerns. In Fiscal 2021, the outbreak of the COVID-19 pandemic has affected economic activity and subsequently borrower's cash flow, which will affect collections, thereby posing asset quality risks in near term. As the impacted of pandemic reduces, the sector is likely to come back with good asset quality being secured business in nature.

Suryoday SFB: Overview

Suryoday Small Finance Bank Limited (Suryoday) is one amongst few small finance Banks, listed on NSE and BSE. Suryoday successfully got listed on stock exchanges on 26 March 2021. We are headquartered in Maharashtra. As on March 31, 2022, we had 565 touchpoints operational across 14 states and Union Territories with a team of 5,252 people.

SUMMARY OF PROFIT & LOSS STATEMENT

(Figures in ₹ crore)

Particulars	FY22	FY21	YoY
Interest Earned	942	776	21%
Interest Expended	357	366	-2%
NET INTEREST INCOME	584	411	42%
Other Income	94	76	23%
NET TOTAL INCOME	678	487	39%
Operating Expenses	413	329	26%
Employee Expense	228	186	23%
Other Expense	185	143	29%
OPERATING PROFIT	265	158	68%
Provisions and Contingencies	392	146	169%
NET Profit Before Tax	-127	12	nm
Tax	34	0.2	nm
Profit After Tax	-93	12	nm

Management Discussion and Analysis

SUMMARY OF THE BALANCE SHEET

(Figures in ₹ crore)

Particulars	Q4 FY22	Q4 FY21	YoY
Capital and Liabilities			
Net-worth	1,506	1,597	-6%
Deposits	3,850	3,256	18%
Borrowings	2,551	1,667	53%
Others Liabilities and Provisions	274	193	42%
Total	8,181	6,712	22%
Assets			
Fixed Assets	115	43	167%
Cash and Bank	977	597	64%
Investments	2,058	1,874	10%
Advances	4,751	3,983	19%
Other Assets	280	216	30%
Total Assets	8,181	6,712	22%

KEY FINANCIAL RATIOS:

Particulars	FY22	FY21	YoY
Yield on Gross Loan Portfolio ^a	18.20%	17.80%	40bps
Cost of Funds	6.80%	8.00%	120bps
NIM ^a	8.60%	7.10%	150bps
Cost of Deposits	6.90%	7.70%	080bps
Cost to Income	60.90%	67.50%	660bps
CASA Ratio*	20.20%	15.40%	480bps
GNPA Ratio	11.80%	9.40%	240bps
NNPA Ratio	6.00%	4.70%	130bps
Provision coverage Ratio (%)	69.80%	63.70%	610bps

* CASA ratio is excluding CD of ₹ 270 crs

KEY HIGHLIGHTS FOR FY21-22

Asset Business:

- Acquired <0.4 lakh new customers and expanded Suryoday's customer base to ~19.2 lakh smiling customers.
- Our Assets Under Management (AUM) increased by 20% Y-o-Y to ₹ 5063.4 crore. The growth was despite a washout of business in H1FY21 due to COVID related slowdown. Inclusive Finance as a percentage of the overall business is at 66.9%.
- Post COVID 19 second wave, disbursements started picking up. The company disbursed ₹ 3,528 crore during in FY22 up by 59% Y-o-Y. Bulk of the disbursements came in second half of FY21.

- Housing finance business has shown strong growth, disbursed ₹ 198.5 Crore during FY 21-22. Per month disbursement has been significantly higher than pre-COVID level.
- In micro finance, focus was on retaining existing customers while new customers were primarily added in newly opened 9 branches during the year.

Liability Business:

- Deposits grew ~18.2% Y-o-Y to ₹ 3,850 crores. The proportion of granular retail deposits improved from ~54% in March 2020 to ~80% in March 2022 of the overall deposits.
- In a first of its kind initiative by any SFB, Suryoday tied-up with Paytm for a completely digital lending program for MSME up to an amount of ₹ 5 Lakh. Also introduced one more partner Lending kart for Business loans funding up to ₹ 10 lacs.

Management Discussion and Analysis

Business Performance:

8. Net interest income increased 42% Y-o-Y for the year ended March 31, 2022 to ₹ ~585 crore.
9. Elevated NPA and accelerated provision dented the profitability for the year. PAT for the year fell to ₹ 93 crore loss after considering the impact of write off and provisions.

Balance Sheet

10. The Bank maintained a healthy Capital Adequacy Ratio of 37.9% and Tier-I ratio of 34.4%. Well above minimum requirement of 15% and 7.5% respectively.

Financial Ratios:

11. Overall yields and NIM increased by 40bps and 149bps respectively on account of interest reversal on GNPA and significant excess liquidity maintained during the year, compensated through reduction in cost of funds.
12. Cost to income for FY22 is 60.9% as compared to 67.5% in FY21. This was mainly impacted due to interest reversal, lower disbursements, and significant excess liquidity.
13. Our average cost of funds improved by ~100 basis points to 7% for FY22 due to reduction in deposit rates throughout the year and borrowing at cheaper rate from refinancing institutions.
14. Return on Asset (ROA) for FY 22 fell to (1.34%) from 0.20% due to higher provision and contingency in FY 22.
15. Return on Equity (ROE) for FY 22 is (5.9%) whereas it was 1% in FY 21.

Asset Quality:

16. GNPA of 11.8% as at March 31, 2022 compared to proforma GNPA of 10.5 % as at December 31 2021 and 9.4% as at 31 march 2021.
17. NNPA at 6.0% as at March 31, 2022 as compared to 5.6% as at December 2021 and 4.7% as at March 31, 2021
18. Total provisions created in FY22 aggregate of ₹ ~391.97 crore. Provision coverage ratio as on March 2022 was at 69.8%.
19. Collection Efficiency on 1 EMI basis as at the end of March 2022 was 87% which consistently improved from 46% in June 2020. Overall collection efficiency stands at 116% in March 2022 and remained consistently above 100% from December 2020.

Product Portfolio

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

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

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

Asset Products

The Bank's asset products are categorised into (i) inclusive finance loans comprising loans to joint liability groups (JLGs); (ii) commercial vehicle loans; (iii) affordable housing loans; (iv) secured business loans (SBL); (v) Vikas loans ; (vi) loans to financial intermediary groups (FIGs); and (vii) other loans.

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

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

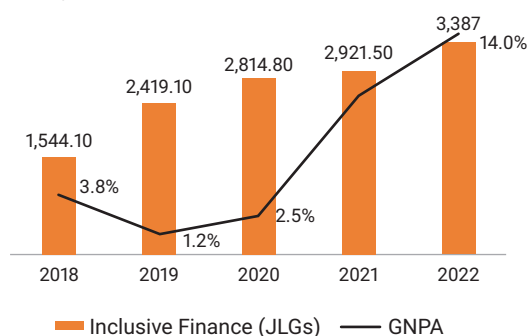
	As of March 31			
	2021		2022	
	(₹ crore)	% of total	(₹ crore)	% of total
Inclusive Finance (JLGs)	2,922	70%	3,386	67%
Commercial Vehicle Loans	355	8%	340	7%
Affordable Housing Loans	311	7%	446	9%
Secured Business Loans	159	4%	236	5%
Micro Business Loans (T-Nagar)	32	1%	10	0%
MSME/SME Loans	18	0%	5	0%
Financial Intermediary Group (FIG) Loans	214	5%	380	8%
Others*	196	5%	259	5%
Gross Loan Portfolio	4,206	100%	5,063	100%

*Note: Others includes overdrafts and staff loans

Management Discussion and Analysis

Inclusive Finance

Suryoday started as an NBFC engaged in the business of lending micro finance loans to the unbanked and underbanked sections of the country in 2009. This product is the flagship product of the Bank and today contributes to 67% of the overall AUM. During FY22, our AUM in the inclusive finance vertical grew at 16% Y-o-Y. The Business has nearly come back to pre-pandemic levels. However the Pandemic has resulted in the increase in delinquencies in this segment and is likely to remain high in the near future.



Following steps were taken by us in the financial year:

Digitization of operations:

The Bank implemented a digital origination system for JLG loans (GLOW) to fast track the entire sourcing and disbursement process in fiscal year 2018-19. The turnaround time (TAT) for loan sourcing has been reduced from 11 days to five days in FY 2019-20 as a result of this digital initiative. Due to this initiative, the Bank could restart its business post moratorium swiftly.

Group product loans are typically offered at ticket sizes ranging between ₹ 7,000 and ₹ 50,000, depending on their loan cycle. In FY21, the average ticket size of these loans was ₹ 35,000, and they were disbursed for an average tenure of ~21 months. Loans were primarily disbursed to existing customers, with increase in ticket size wherever required. The average yield for our inclusive finance (JLG) segment was 25.8% in FY22. In FY22, disbursements under this segment were ₹ 2,614 crore.

Collection Efficiency

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

Product-wise collection efficiency has been given below:

Products	Jun-21	Sep-21	Dec-21	Mar-22
Inclusive Finance	67%	82%	82%	86%
Commercial Vehicle	88%	87%	89%	92%
Financial Intermediary Group	100%	100%	100%	100%
Affordable Housing	93%	95%	94%	95%
CE - SBL New	86%	93%	92%	92%
Total	70%	83%	84%	87%

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

Products	Jun-21	Sep-21	Dec-21	Mar-22
Inclusive Finance	87%	102%	105%	112%
Commercial Vehicle	94%	118%	140%	114%
Financial Intermediary Group	116%	168%	121%	131%
Affordable Housing	119%	152%	137%	187%
Secured Business Loans	120%	158%	127%	228%
Total	89%	108%	109%	116%

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

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

Commercial Vehicles (CV)

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

In second half of FY20, the Bank introduced a new product offering of overdraft facility to small and medium size fleet

Management Discussion and Analysis

owners (CV OD) to meet their working capital requirement. This overdraft facility is used as a foot-in-the-door strategy to have a larger and longer relationship over a period of time. The objective is to add customers through this product for potential benefits when the business cycle improves. During FY22, the Bank started refinancing and funding for used vehicles for small and medium fleet operators.

As of March 31, 2022, Gross Loan Portfolio in this segment was ₹ 340.3 crore, representing 7.0% of our total Gross Loan Portfolio.

The average ticket size of these commercial vehicle loans was ₹ 15.9 lakh, with an average tenor of 40 months. The average yield for FY22 was 12.7%.

There has been a shift in the bank's strategy from large vehicle finance to refinance used / medium vehicles. We intend to digitally onboard a potentially large customer base by offering small ticket overdraft loan facilities, in particular to our targeted customer segment, i.e., small and retail transporters.

Collection Efficiency

State	Sep-21	Dec-21	Mar-22
Collection Efficiency (1-EMI Adj.)	93%	92%	92%
Collection Efficiency Overall	158%	127%	228%

Outlook: Post pandemic the business has started ramping up. We are concentrating more on refinance and repurchase finance of small and medium segment vehicles, which ranges between ₹ 5 – ₹ 20 lacs ticket size. This reduces risk on single large customer exposure and granular growth in retail book.

Affordable Housing Loans

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

As of March 31, 2022, Gross Loan Portfolio in this segment was ₹ 446.0 crore, representing 8.8% of our total Gross Loan Portfolio.

These affordable housing loans were disbursed at an average ticket size of ₹ 12 lakh for an average tenor of 198 months (in FY22). The average yield for FY21 was 11.5% whereas the total disbursements in this segment during the same period was ₹ 198.5 crore.

As of March 31, 2022, the GNPA for this product was 2.7% however 90+ customers portfolio is 0.8% representing customer intent to repay the debt.

During the year the Bank launched Small ticket home loans of an average ticket size of ₹ 2-10 lakhs targeted at customers who meet the requirement of funds for individuals who intend to buy / construct their own dwelling unit with a focus on first time home buyers from the EWS / LIG segment background and also qualify for the PMAY - CLSS benefit. Ideally, the target customers in this segment are a) Traders who are customers in the business of selling of goods like, Fruits and Vegetables, Hardware, Provision Stores, Stationery etc., Retailers – Individuals with Retail Sales Set up including Premises / Carts, Semi-Skilled Workers – Individuals working as Carpenters, Plumbers, Electricians Etc. and Individuals engaged in Seasonal Products. This has been launched under the brand of Aarambh – Micro Home loans.

Collection Efficiency

State	Sep-21	Dec-21	Mar-22
Collection Efficiency (1-EMI Adj.)	95%	94%	95%
Collection Efficiency Overall	152%	137%	187%

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

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

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

Management Discussion and Analysis

Secured Business Loans

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

Gross Loan Portfolio as of March 31, 2022 in this segment were ₹ 236.1 crore, representing 4.7% of our total Gross Loan Portfolio. Of the total portfolio ~15% pertains to small ticket loan against property which was defocused since FY19.

With secured business loans under refined credit policies offered at an average ticket size of ₹ 17.7 lakh, for an average tenor of 119 month and average yield of 13.0%, the SBL product continues to be the focus area of the bank. In FY21, the Bank disbursed ₹ 109.4 crore under this product segment.

As on March 2022 the GNPA in this product segment was 5.6%. GNPA significantly lower in the disbursement sourced post Covid.

Collection efficiency has been given below:

State	Sep-21	Dec-21	Mar-22
Collection Efficiency (1-EMI Adj.)	93%	92%	92%
Collection Efficiency Overall	158%	127%	228%

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

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

Financial Intermediary Group Loans (FIG loans)

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

As of March 31, 2022, Gross Loan Portfolio in this segment was ₹ 380.1 crore, representing 7.5% of our total Gross Loan Portfolio.

In FY21 FIG loans was offered at an average ticket size of ₹ 11 crore, for an average tenor of 31 months earning an average yield of 10.8%. In FY22 disbursements under this segment were ₹ 349.7 crore.

As of March 31, 2022, the Bank did not record any NPA for this product segment.

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

NBFC activity	Gross Loan Portfolio as of March 31, 2022	
	Amount (₹ crore)	(As a % of Gross Loan Portfolio -FIG)
Microfinance Institutions	223.15	59%
NBFCs	129.78	34%
HFCs	18.95	5%
SFB	8.21	2%
Total	380.09	100%

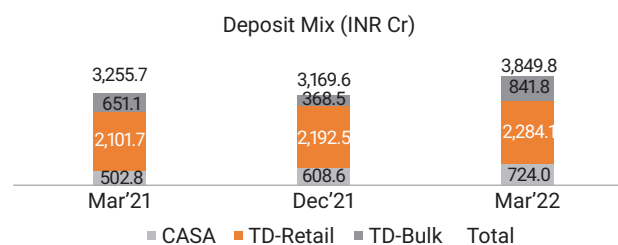
Priority Sector Lending (PSL)

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

Deposit Franchise

The company has managed to grow its deposit franchise meaningfully over the last three years. Since its inception as a bank, strategy has been to focus on growing its retail granular deposit franchise. As on March 31, 2022, total retail deposits as a percentage of overall deposits grew to 78.14% as compared 54% as on March 31,, 2020.

CASA ratio improved to 20.2% as of March 31, 2022 compared to 15.4% as of March 31, 2021. (excluding ₹ 270 crs of CD)



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

Management Discussion and Analysis

Key Highlights during the year:

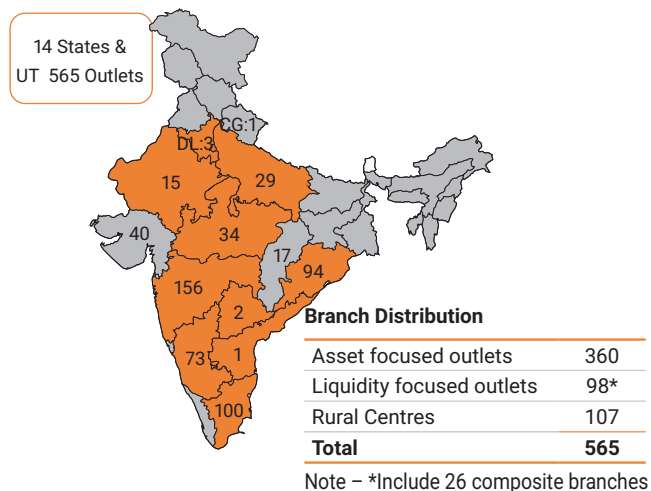
- ~91% of Bulk Deposits is non-premat in nature reflecting predictability in cash outflows.
- GOI has increased the DICGC Cover from 1L to 5L per deposit account incentivising retail depositors to create deposits in Banks.

Distribution Channels

The Bank carries out its operations through banking outlets including URCs, the BC network, PoS terminals, and various digital channels, including internet banking through our website, phone banking through our call centre, and mobile banking through the application. The Bank also focuses on banking through tablets and other devices as alternative delivery channels. As of March 31, 2022, the Bank operated 565 banking outlets across 14 states and Union territories.

State Wise Numbers

The map below sets out certain information on the banking outlets as of March 31, 2022:



Note – 100 Branches in Tamil Nadu includes 2 branches in Puducherry

Geographical Mix of the Branches

Outlets	Liability Focused	Asset Focused	URC
Tamil Nadu*	17	66	17
Maharashtra	42	72	42
Odisha	10	49	35
Karnataka	11	49	13
Madhya Pradesh	2	32	0
Gujarat	5	35	0
Others	11	57	0
Total	98	360	107

Note – * Includes Puducherry
[Map not to scale]

LOAN PRICING

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

CORPORATE GOVERNANCE

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

Further, the Corporate Governance Policy of the Bank outlines the broad framework of governance through the Board of Directors and the various Board Committees. The committees deal with specific matters and the terms of reference of each Committee is defined. As at March 31, 2022, there were nine (9) Committees of the Board as enlisted below:

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

Management Discussion and Analysis

HUMAN RESOURCES

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

- CBS Migration Training being implemented across the organization through virtual (MS Teams) and classroom modes
- Training content prepared for Systems (Servosys CRM, Sumeru Mobile app for Collection), Processes (Bank Branch Operations) and Products (JLG FD) and Training delivered
- LMS being integrated with HRMS from current financial year onwards
- Cybersecurity Training being implemented across the organisation
- Nomination of employees to External Training Programmes for functional expertise
- Creation of capsule videos where employees share their overall experience working with the Bank
- Areawise motivational sessions where top performers share their ideas and thoughts with other colleagues
- Multiple sessions for all employees on ICICI Lombard app "IL Take Care"
- Women of Suryoday- Let's catchup over a Cup of Tea session with all female employees
- Conducted Employee Feedback Survey for all employees
- Employees children education allowance – Given to employees having salary less than ₹ 25,000 pm. Children between the age of 3 – 21 years of school/ college paid monthly ₹ 500 per child, max 2 children. Allowance is credited to the account of the child's mother.

We also have different programs for employee engagement, including session with industry experts, healthcare experts etc. At the end of March 2022, the Bank had a total of 5,252 employees on its payroll.

INFORMATION TECHNOLOGY

Over the years, use of technology has enabled us to scale up our operations in an efficient manner. We have automated our backend operations, supported by a core banking system, loan management and customer relationship

management functions. The Bank has collaborated with software solution providers and software service providers for these functions.

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

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

In FY 22 the bank has initiated its transformation project Pragyaaan for moving to inhouse the IT systems with Finacle and moving out of its FIS contract.

CORPORATE SOCIAL RESPONSIBILITY

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

Management Discussion and Analysis

CREDIT RATING

The Bank has a credit rating of 'A' (stable) by ICRA rating agency for its outstanding issuances of Non-Convertible Debentures and Subordinated Debt, which was reaffirmed in March 2022. CRISIL rating agency has assigned a rating of 'A1+' in November 2020 and ICRA reaffirmed the rating of 'A1+' in March 2022 for the Bank's Certificate of Deposit programme.

INTERNAL CONTROLS

Internal controls ensure that superior compliance standards are followed at all levels with strict adherence to operating guidelines for SFBs. The Bank's independent compliance function is mainly responsible for monitoring highest level of compliance and reporting, and also to provide employee training and necessary guidance on various policies, and updating management on new compliance requirements. An independent internal audit function periodically reports to the Audit Committee of the Board. The function closely monitors the quality and effectiveness of internal control, risk management, governance system and process. Any deviation from standard is immediately brought to the notice of the committee for prompt remedial action.

CAUTIONARY STATEMENT

In this Annual Report, the Bank has disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that the Bank periodically makes contain forward looking statements that set out anticipated results based on the management's plans and assumptions. The Bank has tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'will', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. The Bank cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. The Bank undertakes

no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

FINANCIAL REVIEW

Income

Net Total income increased by 39.3% Y-o-Y from ₹ 486.9 crore in FY21 to ₹ 678.0 crore in FY22 primarily due to increase in investment income on account of excess liquidity deployed in investment products, profit on sale of investments, increase in PSLC fee income however the growth was moderate due to lower disbursement and interest reversal on increased NPA. Broad reasons are discussed below.

Interest Earned

Interest earned increased by 21.4% from ₹ 776.1 crore in FY21 to ₹ 941.8 crore in FY22. Gross Loan Portfolio increased by 20.4% from ₹ 4,206.0 crore in FY21 to ₹ 5063.4 crore in FY 2022 predominantly on the back of higher disbursements.

Income on Investment also increased by 32% from ₹ 843.7 crore in FY 21 to ₹ 1116.6 crore in FY 22 as a result of increase in investment to meet SLR requirement and maintain surplus liquidity investment in SLR and non-SLR securities as part of risk management due to business uncertainties on account of COVID -19. Interest on balances with RBI and other inter-bank funds decreased to 12.67 crore in FY 22 from 25.29 crore in FY 21 due to decrease in the quantum of reverse repo including under LAF, lending in interbank money market instruments such as call and short notice.

Other Income

Other income increased by 23% from ₹ 76.4 crore in FY21 to ₹ 93.6 crore in FY22, primarily due to increase in commission, exchange & Brokerage, miscellaneous income.

Commission, exchange, and brokerage increased by 83% from ₹ 33.30 crore in FY 21 to ₹ 60.88 crore in FY 22. On account of higher processing fees due to increase in disbursement in FY22 as compared that to previous year. Loss on sale of Investment (net) is ₹ 6.02 crore in FY 22.

Miscellaneous income, primarily comprising income from sale of priority sector lending certificates (PSLC) increased by 5.53% from ₹ 36.59 crore in FY 21 to ₹ 38.62 crore in FY 22.

Management Discussion and Analysis

The components of other income for FY21 and FY22 are as follows:

(Figures in ₹ crore)

Particulars	Fiscal	
	2021	2022
Commission, exchange & Brokerage	33.30	60.88
Profit / (Loss) on sale of investment (net)	6.48	-6.02
Profit / (Loss) on sale of fixed asset (net)	0.02	0.08
Miscellaneous Income	36.59	38.62
Total	76.40	93.56

Expenditure

Total expenditure increased by 25.7% from ₹ 328 crore in FY21 to ₹ 413 crore in FY22 on account of an increase operating expenses.

Interest Expended

Interest expended decreased by 2.3% from ₹ 365 crore in FY21 to ₹ 357 crore in FY22 due to drop in deposit rates.

Deposits increased by 18.2% from ₹ 3255.7 crore in FY21 to ₹ 3,849.8 crore in FY22 on account of addition in new banking outlets and new customer acquisitions. Interest on RBI/ inter-bank borrowings increased by 115.4% from ₹ 13.52 crore in FY21 to ₹ 29.13 crore in FY22 on account of increase in inter bank borrowings .

Other Interest is also decreased by 11.8% from ₹ 113.67 crore in FY 21 to ₹ 99.71 crore in FY 22 due to decrease in refinance borrowings and decreased processing charges.

Operating Expenses

Operating expenses increased by 25% from ₹ 328 crore in FY21 to ₹ 413 crore in FY22 primarily due to increase in Repairs and Maintenance from ₹ 48 crore in FY 21 to ₹ 52.91 crore in FY 22 on account of general office maintenance and software maintenance. Payments to and provision for employees rise by 22.77% from ₹ 185.84 crore in FY 21 to ₹ 228.16 crore in FY 22 due to increase in the number of employees from 5131 in March 2021 to 5252 employees in March 2022. Rent, taxes and lighting increased in FY 22 by 6% from ₹ 27.29 crore in FY 21 to ₹ 28.87 crore on account of increased in office premises rent as banking outlets in FY 21 was 556 whereas 565 as on March 22.

There was also an increased in director's fees/ remuneration, allowance, and expenses by 111% from ₹ 1.10 crore in

FY21 to ₹ 1.22 crore in FY 22 primarily due to increase in board meeting.

Depreciation on the Bank's property increased by 28.9 % from ₹ 15.03 crore in FY 21 to ₹ 19.38 crore in FY 22. Whereas law charges raised from ₹ 1.78 crore in FY 21 to ₹ 4.63 crore in FY 22.

Insurance expenses also increased by 37.2% from ₹ 6.5 crore in FY 21 to ₹ 8.91 crore in FY 22 due to increase in premium paid for deposit insurance on account of increase in total deposit.

Other operating exp for FY 22 increased by 29.5% compared to 142.8 crore in FY 21.

Provisions and Contingencies

Provisions and contingencies increased by 168% to ₹ 392 crore in FY22 from ₹ 146 crore the previous year primarily due to lower recoveries in collections leading to higher provisions.

Provision for non-performing assets / write offs (net) increased significantly by 45.4% to ₹ 102.22 crore in FY 22 from ₹ 70.31 crore in the previous year. Whereas provision on standard asset has increased by 179.57% in FY 22 ₹ 5.8 crore from ₹ 2.08 crore in FY 21.

In addition, write off on advance increased by 135% from ₹ 92.86 crore in FY 21 to ₹ 218.20 crore in FY 22.

Net profit

For the reasons discussed above, Net Loss for the year was ₹ 93 crore in FY22 as compared ₹ 11 crore profit in FY21.

BALANCE SHEET

Assets

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

(Figures in ₹ crore)

Particulars	FY22	FY21	YoY
Assets			
Fixed Assets	115	43	167%
Cash and Bank	977	597	64%
Investments	2,058	1,874	10%
Advances	4,751	3,983	19%
Other Assets	280	216	30%
Total Assets	8,181	6,712	22%

Management Discussion and Analysis

Total assets increased by 22% from ₹ 6712 crore as of March 31, 2021 to ₹ 8181 crore as of March 31, 2022. Due to increase in Cash & Bank balance, Investment, and advances in FY 22. Cash & Bank balance rise by 64%. Advances increased by 19% from ₹ 3983 crore in FY 21 to ₹ 4751 crore in FY 22, while investment increased by 10% from ₹ 1874 crore to ₹ 2058 crore as on March 31, 2022.

Advances

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

As of March 31	(Figures in ₹ crore)	
	Fiscal	
	2021	2022
Cash credit, overdraft & loan repayable on demand	163	119
Term Loan	3,820	4,632
Total	3,983	4,751

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

Total advances increased by 20% from ₹ 3983 crore as of March 31, 2021 to ₹ 4751 crore as of March 31, 2022, primarily due to increase in disbursement and interest capitalization post moratorium.

Fixed Assets

Network expansion during FY21 led to an increase in fixed assets deployment across regions and implementation of new technological investments. The Bank opened 9 new banking outlets during the year. It generally follows asset light model for its branches with limited size operation and IT equipment through operating lease from financing institutions. Total Fixed asset increased in FY 22 115.2 crore from 43.2 crore in FY 21. Year on Year change is 167%.

Cash & Bank –

Cash and balances with banks increased significantly by 64% from 597 crore as of March 31, 2021, to 977 crores as of March 31, 2022.

Balance with banks and money at call and short notice increased by 65.75% from ₹ 493.8 crore in FY 21 to ₹ 818.20 crore in FY 22.

Investment –

Investments mainly represent investments in Government securities and debentures and bonds. Investments (net of provisions) increased by 10% from ₹ 1874 crore as of March 31, 2021 to ₹ 2058 crore as of March 31, 2022, primarily due to an increase in investment in Government securities to meet SLR requirements and surplus liquidity invested in SLR and non-SLR securities as part of risk management.

Other Assets –

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

Other assets increased by 30% from ₹ 216 crore as of March 31, 2021 to ₹ 280 crore as of March 31, 2022. The increase as of March 31, 2022 was primarily driven by an increased in interest accrued by 7.7% from ₹ 73 crore in FY 21 to ₹ 78.6 crore in FY 22 on account of rise in gross loan portfolio. Deferred tax assets (net) increased by 73.3% from ₹ 61.4 crore in FY 21 to ₹ 106.3 crore as of March 31, 2022.

Capital and Liabilities

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

Particulars	(Figures in ₹ crore)		
	FY22	FY21	YoY
Capital and Liabilities			
Capital	106.16	106.13	0.03%
Reserve & Surplus	1399	1490	-6 %
Deposits	3,850	3,256	18%
Borrowings	2,551	1,667	53%
Others Liabilities and Provisions	274	193	42%
Total	8,181	6,712	22%

Total capital and liabilities increased by 22% from ₹ 6712 crore as of March 31, 2021 to ₹ 8181 crore as of March 31, 2022 primarily due to increase in borrowings and deposits.

Net Worth –

The change in Net worth in FY 22 is 1506 ₹ crore, while in FY 21 it was 1597 ₹ crore, 6% decline in net worth is due loss incurred in current FY.

Management Discussion and Analysis

Deposits-

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

Deposits increased by 18% from ₹ 3256 crore as of March 31, 2021 to ₹ 3850 crore as of March 31, 2022, mainly due to increase in productivity for sourcing retail deposits and increased network of banking outlets during second half of FY20 and FY21. Also saving bank deposits have grown exponentially 58.91% from ₹ 395.39 crore to ₹ 628.33 crore in FY 22. Term deposit from others is increased by 16.64% as on March 31, 2022. Term Deposit from others as on March 31, 21 was ₹ 2000.71 crore.

The Bank's retail deposit forms 78.14% of total deposits, including CASA which forms 18.8% of the total deposits. 100% of bulk deposits are non-callable in nature, showing stable liquidity profile for the Bank. Number of depositors increased from 14,89,527 in March 2021 to 19,20,000 in March 2022.

Borrowings

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

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

Borrowings increased by 53% from ₹ 1,667 crore as of March 31, 2021 to ₹ 2551 crore as of March 31, 2022, primarily attributable to an increase in borrowings from other institutions and agencies from ₹ 1526.6 crore as of March 31, 2021 to ₹ 1676.3 crore as of March 31, 2022.

Other Liabilities and Provisions

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

Other liabilities and provisions increased by 42% from ₹ 192.8 crore as of March 31, 2021 to ₹ 274 crore as of March 31, 2022, primarily due to an increase in (I) Bills payable increased by 51.45% from ₹ 23.49 crore in FY 21 to ₹ 35.57 crore in FY 22. (II) Contingent provisions against standard assets by 42.47% from ₹ 13.66 crore as of March 31, 2021 to ₹ 19.46 crore as of March 31, 2022. Whereas other liabilities increased by 43.72% from ₹ 137.18 crore as on March 2021 to ₹ 197.17 crore in as on March 2022.

Corporate Governance Report

[pursuant to provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations) and forming part of the Directors' Report]

1. BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

Suryoday Small Finance Bank Limited ("the Bank") believes that good governance is the foundation to build public trust and confidence. The Bank has adopted and adhering to the best practices on Corporate Governance in line with the directions of Reserve Bank of India ("RBI") and other regulators and continuously benchmarking itself against each such practice which enables it to be accountable and transparent and also fulfil the Bank's fiduciary role and responsibilities and enhance long term and sustained value for all its stakeholders. The Bank believes that best board governance practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, sustainability, etc. serve as the means for implementing the philosophy of corporate governance in letter and in spirit.

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

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

2. BOARD OF DIRECTORS

a) Composition and Profile of Directors:

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

The Board comprises of nine Directors including senior and experienced persons having the required knowledge

and experience in banking and who effectively meet the "fit and proper criteria" laid down by the RBI.

Category	Names of Directors as at March 31, 2022
Independent Directors	Mr. R. Ramachandran Mr. Mrutunjay Sahoo Mr. Jyotin Mehta Mrs. Meena Hemchandra Mr. John Arunkumar Diaz Mr. Krishna Prasad Nair
Non- Executive Directors (Investor Directors)	Mr. Ranjit Shah and Mr. Aleem Remtula
Executive Director (MD & CEO)	Mr. Baskar Babu Ramachandran

None of the Directors are related to each other. All the Independent Directors have submitted the requisite declarations stating that they meet the criteria of independence prescribed under section 149(6) of the Companies Act, 2013, Regulation 16(1)(b) of SEBI Listing Regulations and other applicable statutory provisions which have been taken on record by the Board. In the opinion of the Board, all Independent Directors fulfil the conditions specified in the SEBI Listing Regulations and are independent of the management.

Separation of office of Chairperson and the MD & CEO

In terms of the provisions of the Banking Regulation Act, 1949 your Bank has separate offices for the Chairperson and the MD & CEO. Your Bank has a Non-Executive (Independent) Part-time Chairperson and a MD & CEO, the appointment of both approved by RBI pursuant to the provisions of the Banking Regulation Act, 1949.

The Chairperson provides overall direction and guidance to the Board whereas the MD & CEO of the Bank is responsible for the overall management of the Bank. The operational and functional heads assist the MD & CEO in the operation, execution and functioning of the Bank.

The brief profile of the Directors on the Board of the Bank as at March 31, 2022 is given below:

Mr. R. Ramachandran [DIN : 01953653] (Part-time Chairperson with effect from March 19, 2020)

Mr. R. Ramachandran, is an Independent Director of the Bank since 2015 and Part-time Chairperson w.e.f.

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March 19, 2020, with re-appointment for a period upto September 23, 2023, as approved by RBI.

Mr. Ramachandran holds a Master's degree in Science and a post graduate diploma in Financial Management from the University of Madras. He has over 38 years of experience in Commercial Banking and Finance. He has served as a part-time non-official director of Deposit Insurance and Credit Guarantee Corporation, a wholly owned subsidiary of RBI and a member of the Advisory Board on Banks, Commercial and Financial Frauds of Central Vigilance Commission. Previously, he was on the Board of Small Industries Development Bank of India as Non-Executive Director with Andhra Bank as its Chairperson and Managing Director, Syndicate Bank as Executive Director and with Indian Bank as General Manager.

Mr. Ramachandran presently holds position as Short-term Consultant and Lead Technical Advisor / Peer Reviewer for IFC (W) of the World Bank Group, associated with its India Investment Vehicle Project.

Mr. Ramachandran does not hold any shares in the Bank as on March 31, 2022.

Mr. Mrutunjay Sahoo [DIN: 00015715]

Mr. Mrutunjay Sahoo, is an Independent Director of the Bank w.e.f. September 22, 2016 to hold office for a period of five years up to September 21, 2021. He was re-appointed as an Independent Director for a further term of three years with effect from September 22, 2021 upto September 21, 2024 vide Special Resolution passed at Annual General Meeting held on September 20, 2021.

Mr. Sahoo is a retired Indian Administrative Services Officer and has several years of experience in public administration. Previously, he was a special chief secretary to the Government of Andhra Pradesh and has been associated with several Maharatna and Miniratna public sector undertakings as a nominee director of the Government of India for Maharatna companies and non-official independent director of Government of India for a Miniratna company. His last post was as special chief secretary to government of Andhra Pradesh (energy department) and associated with Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh Power Finance Corporation Limited and The Singareni Collieries Company Limited.

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

Mr. Sahoo does not hold any shares in the Bank as on March 31, 2022.

Mr. Jyotin Mehta [DIN: 00033518]

Mr. Jyotin Mehta, was appointed as an Independent Director of the Bank with effect from August 31, 2017 for a period of five years and holds office upto August 30, 2022. Pursuant to the recommendation of the Nomination & Remuneration Committee, the Board, at its meeting held on May 19, 2022 approved the proposal relating to the re-appointment of Mr. Jyotin Mehta as an Independent Director of the Bank for a period of further three years with effect from August 31, 2022 (i.e up to August 30, 2025). He has provided the necessary consent for being re-appointed as an Independent Director of the Bank. His re-appointment will be placed for approval of the shareholders at ensuing Annual General Meeting.

Mr. Jyotin Mehta holds a Bachelor's degree in Commerce and is a gold Medallist from the University of Mumbai and obtained first class with honours, is a fellow member of the Institute of Chartered Accountants of India and obtained third rank in the final examination, a fellow member of the Institute of Company Secretaries of India and a fellow member of the Institute of Cost and Management Accountants of India. He has over 40 years of experience in corporate laws. Previously, he was associated with ICICI Bank Limited as a General Manager and Company Secretary, 3i Infotech Limited as Senior General Manager, Voltas Limited as Vice-President & the chief internal auditor, Bharat Shell Limited as the Vice-president of Finance and Company Secretary, and NOCIL Limited as the Head of project finance.

Mr. Jyotin Mehta is the Non- Executive Chairperson and Independent director on the on the Board of JSW Ispat Special Products Limited (listed company) and Independent Director on the boards of Linde India Limited (listed company), Amal Limited (Listed Company) with effect from April 22, 2022, Ind Aust Maritime Private Limited, ICICI Prudential Pension Funds Management Company Limited, Mahindra Rural Housing Finance Limited, Mahindra Insurance Brokers Limited, and ICICI Prudential Trust Limited (unlisted public limited companies).

Mr. Jyotin Mehta is a member of the following Committees in the aforesaid companies:

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- (i) Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee of JSW Ispat Special Products Limited;
- (ii) Audit Committee (Chairperson) Nomination and Remuneration Committee, Stakeholders Relationship Committee and Risk Management Committee of Linde India Limited;
- (iii) Audit Committee, Nomination and Remuneration Committee (Chairperson) and Risk Management Committee (Chairperson) of ICICI Prudential Pension Funds Management Company Limited;
- (iv) Nomination and Remuneration Committee, Risk Management Committee (Chairperson), IT Strategy Committee (Chairperson), Audit Committee (Chairperson), Stakeholders' Relationship Committee (Chairperson) of Mahindra Rural Housing Finance Limited;
- (v) Nomination and Remuneration Committee, Audit Committee (Chairperson) of Mahindra Insurance Brokers Limited;
- (vi) Audit Committee and Risk Management Committee (with effect from April 21, 2022) of ICICI Prudential Trust Limited and

Mr. Jyotin Mehta does not hold any shares in the Bank as on March 31, 2022.

Mrs. Meena Hemchandra [DIN: 05337181]

Mrs. Meena Hemchandra, is an Independent Director of the Bank w.e.f. December 15, 2018. She holds Ph. D. degree in Economics from GIPE, She is a Certified Associate of the Indian Institute of Bankers and is a Chartered Financial Analyst from the Council of the Chartered Financial Analysts, Hyderabad. She has undertaken the RMA-Wharton Advanced Risk Management Program. She is a career central banker and retired as Executive Director from Reserve Bank of India in November, 2017, after serving the organization for over 35 years.

Mrs. Meena Hemchandra is director on board of the Clearing Corporation of India Limited and CFM Asset Reconstruction Private Limited.

Mrs. Meena Hemchandra does not hold any shares in the Bank as on March 31, 2022.

Mr. John Arunkumar Diaz [DIN: 00493304]

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

Mr. Diaz is not a director in any other listed or public limited company. However, he is director on the Board of several private limited companies in the startup space viz Vortex Engineering Private Limited, Collateral Medical Private Limited, Synergy Relationship Management Services Private Limited, Aavishkaar Venture Trustees Private Limited, Tribotech Private Limited Jeevanti Healthcare Private Limited, Synergy Health and Medical Private Limited, Lynx Healthplus Services Private Limited and Nominee director on the Board of Connect India E-Commerce Services Private Limited and Health Secure Hospital Care & Solutions Private Limited on behalf of Aavishkaar Capital, a venture capital company to which he is an Advisor.

Mr. Diaz holds 4000 Equity Shares in the Bank as on March 31, 2022.

Mr. Krishna Prasad Nair [DIN: 02611496]

Mr. Krishna Prasad Nair, is an Independent Director of the Bank w.e.f July 22,2021. He is a B Com from Madras University and MBA from Cochin University of Science & Technology. He is a career banker and has been with Indian Overseas Bank and IDBI, both as a DFI and a universal bank. He has attended various trainings

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with IIM- Ahmedabad, Centre for Advanced Financial Research & Learning (CAFRAL), RBI (at Mumbai and Sydney) and Kellogg School of Business, Northwestern University, Chicago. He was appointed as Deputy Managing Director in IDBI Bank in September 2016 and was entrusted with the overall charge of the Retail Banking portfolio in addition to Human Resources, Information Technology and Administration & Facilities Management. From December 2017 till his retirement in May 2019 from IDBI Bank, he was in charge of Corporate Banking and NPA Management during which period he was Chair and a Member of Credit and ALCO Committees as also other Board Committees.

Mr. Krishna Prasad Nair is a veteran in the Financial Services sector having been associated with Indian overseas Bank as probationary officer for 6 years and the IDBI for 17 years in Project Finance and various other departments. He was appointed as CGM- Human Resources at IDBI Bank in June 2005 and held the position for about 6 years before getting into Retail banking and a mixed portfolio comprising Human Resources, Information Technology, Administration & Facilities Management.

Mr. Krishna Prasad Nair is also an Independent director on the Board of the India Cements Limited (Listed Company).

Mr. Krishna Prasad Nair does not hold any shares in the Bank as on March 31, 2022.

Mr. Ranjit Shah [DIN: 00088405]

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

Mr. Ranjit Shah is not a director in any other listed or public limited company. However, he is Director on the Board of Private Limited Company namely Rams Mercantile Private Limited, Gaja Advisors Private Limited (Wholtime Director), Thyssenkrupp Industrial Solutions (India) Private Limited and Visage Holdings and Finance Private Limited.

Mr. Ranjit Shah does not hold any shares in the Bank in his personal capacity as on March 31, 2022.

Mr. Aleem Remtula [DIN: 02872107]

Mr. Aleem Remtula, is an Investor Director of the Bank w.e.f. December 15, 2018. He holds a Bachelor's degree in economics titled 'baccalaurei cum laude in oeconomia' from Princeton University and a Master's degree in business administration from Harvard Business School. He has several years of experience in venture capital and private-equity funds globally. Having started his career with JP Morgan Chase & Co, he is currently associated with DWM Asset Management LLC as a partner of the firm's private equity business line.

Mr. Aleem Remtula is director on the board of S.M.I.L.E. Microfinance Limited and JSC Micro Finance Organization Crystal. He is Chairperson of E&S Committee of and Member of Risk Management Committee, HR & Remuneration, Strategy & Innovation, ALM Committee and Audit Committee of JSC Micro Finance Organization Crystal. He is also member of ALCO Committee, IT Steering Committee, Grievance Redressal and Stakeholder Relationship and Chairperson of Risk Management Committee of SMILE Microfinance Ltd.

Mr. Aleem Remtula does not hold any shares in the Bank in his personal capacity as on March 31, 2022.

Mr. Baskar Babu Ramachandran [DIN: 02303132]

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

Corporate Governance Report

co-founding Suryoday Micro Finance Private Limited, he was associated with various companies including GE Capital Transportation Financial Services Limited as the Vice-President- Quality and Operations and HDFC Bank Limited as Assistant Vice President.

Mr. Baskar Babu Ramachandran is not a director in any other listed or public limited company. He is also director of Indian Institute of Banking and Finance.

Mr. Baskar Babu holds 1,13,01,911 Equity shares in the Bank as on March 31, 2022.

b) Board Meetings, Attendance and Committee membership

During the year under review, Seventeen (17) Board Meetings were held on April 22, 2021, May 25, 2021,

May 27, 2021, June 22, 2021, July 22, 2021, August 12, 2021, August 23, 2021, September 16, 2021, November 1, 2021, November 11, 2021, December 9, 2021, January 13, 2022, February 3, 2022, February 10, 2022, February 18, 2022, March 25, 2022 and March 30, 2022. The gap between any two meetings did not exceed one hundred and twenty days.

Details of attendance of Directors at Board meetings held during the financial year 2021-2022 and at the last Annual General Meeting (“AGM”) and the number of directorships and committee chairmanships / memberships held by them in other public companies as on March 31, 2022 are given below.

Name of the Director and Category	No. of meetings attended/ held during their tenure	Attendance at last AGM (September 20, 2021)	No. of directorships in other Public Companies (Refer Note)	No. of Committee positions held in other Public Companies (Refer Note)		Directorship in other Listed Entity and Category
				Chairperson	Member	
Mr. R. Ramachandran, Part-time Chairperson and Independent Director	17/17	Yes	1	1	-	-
Mr. Mrutunjay Sahoo, Independent Director	16/17	Yes	-	-	-	-
Mr. Jyotin Mehta, Independent Director	17/17	Yes	6	4	4	JSW ISPAT Special Products Limited – Independent Director, Linde India Limited-Independent Director
Mrs. Meena Hemchandra, Independent Director	16/17	No	1	-	-	-
Mr. John Arunkumar Diaz, Independent Director	17/17	Yes	-	-	-	-
Mr. Venkatesh Natarajan, Investor Director (upto May 31, 2021) ²	3/3	Not Applicable	-	-	-	-
Mr. Krishna Prasad Nair, Independent Director (w.e.f. July 22, 2021) ³	12/12	Yes	1	-	-	The India Cements Limited-Independent Director

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Name of the Director and Category	No. of meetings attended/ held during their tenure	Attendance at last AGM (September 20, 2021)	No. of directorships in other Public Companies (Refer Note)	No. of Committee positions held in other Public Companies (Refer Note)		Directorship in other Listed Entity and Category
				Chairperson	Member	
Mr. Ranjit Shah, <i>Investor Director</i>	11/17	No	-	-	-	-
Mr. Aleem Remtula, <i>Investor Director</i>	16/17	Yes	1	-	1	-
Mr. Baskar Babu Ramachandran, <i>Managing Director and Chief Executive Officer (MD & CEO)</i>	17/17	Yes	-	-	-	-

Note:

- Other directorships do not include directorships in private limited companies, foreign companies and companies under Section 8 of the Act. Chairmanships/ memberships of Board Committees shall include Audit Committee and Stakeholders Relationship Committee only in other Public Companies.
- Mr. Venkatesh Natarajan, Investor Director resigned from the position of Investor director w.e.f June 1, 2021.
- Mr. Krishna Prasad Nair, Independent Director was appointed as an Independent Director of the Bank w.e.f. July 22, 2021.

c) Number of shares held by Non-Executive Directors:

The details of Shareholding of Non-Executive Directors as on March 31, 2022 is as under:

Name of Director	Total Number of Shares held in the Bank as on March 31, 2022
Mr. R. Ramachandran, Part-time Chairperson and <i>Independent Director</i>	Nil
Mr. Mrutunjay Sahoo, <i>Independent Director</i>	Nil
Mr. Jyotin Mehta, <i>Independent Director</i>	Nil
Mrs. Meena Hemchandra, <i>Independent Director</i>	Nil
Mr. Ranjit Shah, Investor Director	Nil
Mr. Aleem Remtula, Investor Director	Nil
Mr. John Arunkumar Diaz, <i>Independent Director</i>	4000
Mr. Krishna Prasad Nair, <i>Independent Director</i> (w.e.f. July 22, 2021)	Nil

The Bank does not have any convertible instruments. Accordingly, none of the Non-executive director of the Bank hold any convertible instrument of the Bank as on March 31, 2022.

The meetings of the Board/ Committees of the Board are convened by giving appropriate Notice. All members of the Board and Committees thereof strive to attend all Board/Committee meetings, as applicable. In case any member is unable to attend any meeting and requests leave of absence, the same is considered by the Board/ Committee. In view of the pandemic situation prevalent in the year 2021-22, all Board/ Committee meetings were held through video conference mode ("VC") pursuant to Circulars issued by Ministry of Corporate Affairs and SEBI. The Board members attending the meetings through VC confirmed that no other person was present or having access to the VC and also confirmed that audio / video were clearly audible and visible.

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

The Board is regularly apprised and informed of important business-related information. The Board meeting dates are finalised in consultation with all the Directors in advance. However, whenever required, additional meetings are held. Further, the agenda papers supported by comprehensive notes and relevant information, documents and presentations are circulated in advance to all the Board members which enable them to take informed decisions and discharge their functions effectively. The Agenda for the Board

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meetings covers the minimum information to be placed before the Board of Directors as per Regulation 17(7) of the SEBI Listing Regulations read with Part A of Schedule II thereto to the extent these are relevant and applicable. The Board reviews the items in the Agenda and particularly reviews and approves the Financial Results, Annual Financial Statements, Annual Operating Plans & Budgets. The compliance reports pertaining to all laws applicable to the Bank are placed before the Board on quarterly basis and minutes of Committee meetings are placed before the Board of the Bank periodically.

3. COMMITTEES OF THE BOARD

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

As at March 31, 2022, there were nine (9) Committees of the Board as enlisted below:

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

1) Audit Committee

The Bank has constituted the Audit Committee in line with the provisions of Section 177 of the Act, applicable RBI Guidelines and Regulation 18 of the SEBI Listing Regulations. The Committee was last reconstituted on August 13, 2021 in view of resignation of Mr. Venkatesh Natarajan and the appointment of Mr. Krishna Prasad Nair as an Independent Director as also to bring the composition of the Committees in line with the provisions of the RBI Circular on Corporate Governance and the requirements of the Companies Act, 2013 and SEBI Listing Regulations.

As at March 31, 2022, the Audit Committee comprised of the following Directors (with majority of Independent Directors):

Sr No.	Name of the Director	Designation
1	Mr. Jyotin Mehta <i>Independent Director</i>	Chairperson
2	Mr. Mrutunjay Sahoo <i>Independent Director</i> <i>(w.e.f. August 13, 2021)</i>	Member
3	Mrs. Meena Hemchandra <i>Independent Director</i>	Member
4	Mr. Arun Diaz <i>Independent Director</i> <i>(w.e.f. August 13, 2021)</i>	Member
5	Mr. Ranjit Shah <i>Investor Director</i>	Member

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

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

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

- i. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii. Recommendation for appointment, replacement, reappointment, remuneration and terms of appointment of auditors of the Bank and approval of appointment of Chief Financial Officer and Chief Audit Officer after assessing the qualifications, experience and background, etc. of the candidate.
- iii. Discussion with statutory auditors, internal auditors, secretarial auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- iv. Reviewing, with the management, performance of statutory, secretarial and internal auditors and adequacy of the internal controls system.

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- v. Approval of payment to statutory auditors for any other services rendered by them..
- vi. Review, with the management, the annual financial statements and Auditor's Report thereon before submission to the Board for approval, with particular reference to following :
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report, in terms of the Companies Act, 2013;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal and regulatory requirements relating to financial statements;
 - f. Disclosure of any related party transactions; and
 - g. Qualifications and modified opinion(s) in the draft audit report.
- vii. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- viii. Review, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the issue document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- ix. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
- x. Evaluation of internal financial controls and risk management systems.
- xi. Review valuation of undertakings or assets of the Bank, wherever necessary.
- xii. Look into the reasons for defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- xiii. Establish a vigil mechanism(whistle blower mechanism) for directors and employees to report their genuine concerns or grievances.
- xiv. Review the functioning of the whistle blower mechanism.
- xv. Approve or ratify transactions of the Bank with related parties as per the provisions of the Policy for Related Party Transactions of the Bank and review significant transactions and matters related thereto; Grant of omnibus approval for related party transactions proposed to be entered into by the Bank subject to such conditions as prescribed and as amended from time to time.
- xvi. Review the appropriateness, application and quality of the accounting policies and practices and the financial reporting process.
- xvii. Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- xviii. Review the findings of any internal investigations by the Internal Auditors/Vigilance department into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and report the matter to the Board.
- xix. Discuss and ascertain from the Statutory Auditors post completion of the audit, areas of concern, if any.
- xx. Approve internal audit plans, monitor the reporting of issues identified by internal auditors to the management, review the internal audit reports and effectiveness of the internal audit function and ensure that corrective actions are being taken in a timely manner.
- xxi. Ensure that any concerns if any raised by the statutory auditors are addressed by the management, bring unaddressed concerns to the notice of the management, review management letter(s) and other submissions by the statutory auditors and management

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response to the findings and recommendations of the statutory auditors and study the issues raised by statutory auditors and appropriate flags to the management in case of repeated issues.

- xxii. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- xxiii. With respect to Inspection reports of the Inspecting team of Reserve Bank of India or any other regulator, approve action plans for corrective actions to be taken and monitor compliance thereof and review compliance in respect of the Annual Financial Inspection conducted by RBI on ongoing basis till the Bank furnishes full compliance. Audit committee should closely monitor persisting deficiencies pointed out in RBI Inspection Reports.

Meetings of the Audit Committee:

During the year under review, the Committee met thirteen (13) times on April 22, 2021, May 24, 2021, May 27, 2021, July 22, 2021, July 28, 2021, August 12, 2021, September 27, 2021, November 9, 2021, November 11, 2021, December 7, 2021, January 13, 2022, February 3, 2022 and March 24, 2022.

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

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Jyotin Mehta	13	13
Mr. R. Ramachandran (up to August 12, 2021)	6	6
Mr. Mrutunjay Sahoo (w.e.f. August 13, 2021)	7	7
Mrs. Meena Hemchandra	13	13
Mr. Arun Diaz (w.e.f. August 13, 2021)	7	7
Mr. Ranjit Shah	13	7

2) Nomination and Remuneration Committee:

The Bank has constituted the Nomination and Remuneration Committee (NRC) in line with the provisions of Section 178 of the Companies Act, 2013,

applicable RBI Guidelines and Regulation 19 of the SEBI Listing Regulations and the Circulars issued by RBI in this regard, from time to time, which, inter alia, deals with the matters relating to appointments on the Board and Senior Management, performance appraisal and compensation related matters of the Bank.

The NRC evaluates fit and proper criteria of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board for their appointment and removal, and specifies the manner for effective evaluation of the performance of the Board, its Committees and individual directors. The NRC formulates the criteria for determining qualifications, positive attributes and independence of a director and recommends to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees of the Bank. Criteria for performance evaluation for Independent Directors are provided in the Board's Report.

The Committee was last reconstituted on August 13, 2021 in view of resignation of Mr. Venkatesh Natarajan and the appointment of Mr. Krishna Prasad Nair as an Independent Director as also to bring the composition of the Committees in line with the provisions of the RBI Circular on Corporate Governance and the requirements of the Companies Act, 2013 and SEBI-Listing Regulations. As at March 31, 2022, the NRC comprised of the following Directors with majority of Independent Directors:

Sr No.	Name of the Director	Designation
1	Mr. Mrutunjay Sahoo <i>Independent Director</i>	Chairperson
2	Mr. Jyotin Mehta <i>Independent Director</i> (up to August 12, 2021)	Member
3	Mr. John Arunkumar Diaz <i>Independent Director</i>	Member
4	Mr. Venkatesh Natarajan <i>Investor Director</i> (upto May 31, 2021)	Member
5	Mr. R. Ramachandran <i>Independent Director</i> (w.e.f. August 13, 2021)	Member
6	Mr. K P Nair <i>Independent Director</i> (w.e.f. August 13, 2021)	Member
7	Mr. Ranjit Shah <i>Investor Director</i>	Member

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

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

During the year under review, the Committee met thirteen (13) times on April 21, 2021, May 25, 2021, May 27, 2021, June 11, 2021, July 22, 2021, August 11, 2021, September 16, 2021, October 13, 2021, November 9, 2021, December 9, 2021, January 13, 2022, February 16, 2022 and March 24, 2022.

The details of the meetings of the NRC attended by the members during the year 2021-22 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Mrutunjay Sahoo	13	13
Mr. Jyotin Mehta (upto August 12, 2021)	6	6
Mr. John Arunkumar Diaz	13	13
Mr. Venkatesh Natarajan (up to May 31, 2021)	3	3
Mr. R. Ramachandran (w.e.f. August 13, 2021)	7	7
Mr. K. P. Nair (w.e.f. August 13, 2021)	7	7
Mr. Ranjit Shah	13	5

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

3) Corporate Social Responsibility Committee:

The Bank has constituted the Corporate Social Responsibility (CSR) Committee in line with the provisions of Section 135 of the Companies Act, 2013 (the Act). The Committee was last reconstituted on August 13, 2021 in view of resignation of Mr. Venkatesh Natarajan and the appointment of Mr. Krishna Prasad Nair as an Independent Director as also to bring the composition of the Committees in line with the provisions of the RBI Circular on Corporate Governance and the requirements of the Companies Act, 2013 and SEBI- Listing Regulations.

As at March 31, 2022, the CSR Committee comprised of the following Directors:

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Sr No.	Name of the Director	Designation
1	Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	Chairperson
2	Mr. Mrutunjay Sahoo <i>Independent Director</i>	Member
3	Mr. Venkatesh Natarajan <i>Investor Director (up to May 31, 2021)</i>	Member
4	Mrs. Meena Hemchandra <i>Independent Director (w.e.f. August 13, 2021)</i>	Member
5	Mr. Aleem Remtula <i>Investor Director</i>	Member
6	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

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

- Formulate and recommend to the Board, a Corporate Social Responsibility policy, which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII of the Companies Act, 2013 and review the same from time to time.
- Monitor the implementation of CSR objectives of the Bank.
- Recommend the amount of expenditure to be incurred on the CSR activities.
- Monitor and oversee the CSR spend on an annual basis.
- Do such other acts, deeds and things as may be directed by the Board and required to be done in order to comply with the applicable laws and practices with respect to CSR.

During the year under review, the CSR Committee met five (5) times on April 21, 2021, May 26, 2021, August 10, 2021, November 10, 2021 and February 16, 2022.

The details of the meetings of the CSR Committee attended by the members during the year 2021-22 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. R. Ramachandran	5	5
Mr. Mrutunjay Sahoo	5	5
Mr. Venkatesh Natarajan <i>(up to May 31, 2021)</i>	2	2
Mrs. Meena Hemchandra <i>(w.e.f. August 13, 2021)</i>	2	2
Mr. Aleem Remtula	5	5
Mr. Baskar Babu Ramachandran	5	5

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

4) Risk Management Committee:

The Bank has constituted the Risk Management Committee (RMCB) in line with the provisions of applicable RBI guidelines and Companies Act and SEBI Listing regulations. The Committee was last reconstituted on August 13, 2021 in view of resignation of Mr. Venkatesh Natarajan and the appointment of Mr. Krishna Prasad Nair as an Independent Director as also to bring the composition of the Committees in line with the provisions of the RBI Circular on Corporate Governance and the requirements of the Companies Act, 2013 and SEBI- Listing Regulations.

As at March 31, 2022, the RMCB comprised of the following Directors:

Sr No.	Name of Director	Designation
1	Mrs. Meena Hemchandra <i>Independent Director</i>	Chairperson
2	Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	Member
3	Mr. Jyotin Mehta <i>Independent Director</i>	Member
4	Mr. Aleem Remtula <i>Independent Director (w.e.f. August 13, 2021)</i>	Member
5	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member
6	Mr. Venkatesh Natarajan <i>Investor Director (up to May 31, 2021)</i>	Member

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The terms of reference of the RMCB include :

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

During the year under review, the RMCB met nine (9) times on April 22, 2021, May 24, 2021, May 26, 2021, August 11, 2021, November 10, 2021, December 8, 2021, February 10, 2022, February 17, 2022 and March 25, 2022.

The details of the meetings of the RMCB attended by the members during the year 2021-2022 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mrs. Meena Hemchandra	9	9
Mr. R. Ramachandran	9	9
Mr. Jyotin Mehta	9	9
Mr. Aleem Remtula (w.e.f. August 13, 2021)	5	2
Mr. Baskar Babu Ramachandran	9	9
Mr. Venkatesh Natarajan (upto May 31, 2021)	3	1

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

The Bank has constituted the Committee for Review of Wilful Defaulters and Monitoring High Value Frauds (RWDF) in line with the provisions of applicable RBI guidelines. The Committee was reconstituted twice during the year and lastly it had been reconstituted on December 4, 2021.

As at March 31, 2022, the RWDF comprised of the following Directors:

Sr No.	Name of the Director	Designation
1	Mr. K P Nair <i>Independent Director</i> (w.e.f. August 13, 2021) (Appointed as Chairperson w.e.f. December 4, 2021)	Chairperson
2	Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	Member
3	Mr. Mrutunjay Sahoo <i>Independent Director</i> (up to August 12, 2021)	Member
4	Mrs. Meena Hemchandra <i>Independent Director</i> (was Chairperson up to December 3, 2021)	Member
5	Mr. Ranjit Shah <i>Investor Director</i> (up to August 12, 2021)	Member
6	Mr. Jyotin Mehta <i>Independent Director</i> (w.e.f. August 13, 2021)	Member
7	Mr. Baskar Babu Ramachandran <i>MD & CEO</i> (upto August 12, 2021)	Member

The terms of reference of the RWDF Committee include:

- i. Review cases of wilful defaults of cases involving ₹ 25 lakhs and above and identified as such by the management.
- ii. Monitor and follow up cases of frauds involving amounts of ₹ 1 Crore and above.

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- iii. Analyse and review the trends of frauds and recommend strengthened monitoring in fraud-prone areas.
- iv. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls including identification of systemic lacunae if any that facilitated perpetration of frauds and put in place measures to plug the same.
- v. Identify the reasons for delay in detection, if any, reporting to top management of the Bank and RBI.
- vi. Examine the procedures and responsibilities for timely reporting of frauds to concerned regulatory and enforcement agencies.
- vii. Undertake NPA review on a periodic basis in order to detect signals of potential fraud / wilful default.

During the year under review, the Committee met twice on December 8, 2021 and March 25, 2022.

The details of the meetings of the Committee attended by the members during the year 2021-22 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. K. P. Nair (w.e.f. August 13, 2021 and Chairperson w.e.f. December 4, 2021)	2	2
Mr. R. Ramachandran	2	2
Mr. Mrutunjay Sahoo (up to August 12, 2021)	0	0
Mrs. Meena Hemchandra (Chairperson up to December 3, 2021)	2	2
Mr. Ranjit Shah (up to August 12, 2021)	0	0
Mr. Jyotin Mehta (w.e.f. August 13, 2021)	2	2
Mr. Baskar Babu Ramachandran (upto August 12, 2021)	0	0

6) Customer Service Committee:

The Bank has constituted the Customer Service Committee ("CSC") in line with the provisions of applicable RBI guidelines. The Committee was reconstituted lastly on August 13, 2021, in view of the resignation of Mr. Venkatesh Natarajan and the appointment of Mr. Krishna Prasad Nair as an Independent Director as also to bring the composition of the Committees in line with the provisions of the RBI Circular on Corporate Governance and the requirements of the Companies Act, 2013 and SEBI-Listing Regulations.

As at March 31, 2022, the CSC comprised of the following Directors:

Sr No.	Name of the Director	Designation
1	Mr. John Arunkumar Diaz <i>Independent Director</i>	Chairperson
2	Mr. R. Ramachandran <i>Part-time Chairperson and Independent Director</i>	Member
3	Mr. Jyotin Mehta <i>Independent Director</i>	Member
4	Ms. Meena Hemchandra <i>Independent Director (upto August 12, 2021)</i>	Member
5	Mr. Ranjit Shah <i>Investor Director</i>	Member
6	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

The terms of reference of the Customer Service Committee include:

- i. Assess the overall implementation of the Customer Service policies of the Bank.
- ii. Review product approval process with respect to suitability and appropriateness for the customers.
- iii. Review the audit findings of the services rendered to customers including level of customer satisfaction.
- iv. Ensure transparent communication of information pertaining to products, services and related procedures.
- v. Monitor the quality of customer service extended and facilitate continuous improvement in the customer service quality.

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- vi. Take steps proactively to protect customers' interests.
- vii. Review the effectiveness of grievance redressal mechanism within the Bank for redressing complaints received about services rendered by Business Correspondents (BCs).
- viii. Review, on a quarterly basis, the position of complaints against the Bank with the RBI/ Banking Ombudsman offices / Consumer Courts / Courts and analyse the reasons, if any, for these complaints not getting resolved by the Bank itself.

During the year under review, the CSC met four (4) times on May 26, 2021, August 11, 2021, November 10, 2021 and February 16, 2022.

The details of the meetings of the CSC Committee attended by the members during the year 2021-2022, are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. John Arunkumar Diaz	4	4
Mr. R. Ramachandran	4	4
Mr. Jyotin Mehta	4	4
Mrs. Meena Hemchandra (upto August 12, 2021)	2	2
Mr. Ranjit Shah	4	0
Mr. Baskar Babu Ramachandran	4	4

7) IT Strategy Committee:

The Bank has constituted the IT Strategy Committee ("ITS Committee") in line with the provisions of applicable RBI guidelines. The Committee was reconstituted lastly on August 13, 2021, in view of the resignation of Mr. Venkatesh Natarajan and the appointment of Mr. Krishna Prasad Nair as an Independent Director as also to bring the composition of the Committees in line with the provisions of the RBI Circular on Corporate Governance and the requirements of the Companies Act, 2013 and SEBI-Listing Regulations.

As at March 31, 2022, the ITS Committee comprised of the following Directors :

Sr No.	Name of the Director	Designation
1	Mr. K P Nair <i>Independent Director</i> (w.e.f. August 13, 2021 and Chairperson w.e.f. August 13, 2021)	Chairperson
2	Mrs. Meena Hemchandra <i>Independent Director</i> (Chairperson upto August 12, 2021)	Member
3	Mr. Jyotin Mehta <i>Independent Director</i>	Member
4	Mr. John Arunkumar Diaz <i>Independent Director</i> (up to August 12, 2021)	Member
5	Mr. Venkatesh Natarajan <i>Investor Director</i> (up to May 31, 2021)	Member
6	Mr. Aleem Remtula <i>Investor Director</i>	Member
7	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

The terms of reference of ITS Committee include:

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

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viii. Review Cyber Security framework and related matters.

ix. Approve policies related to IT and Information Security.

During the year under review, ITS Committee met eight (8) times on May 26, 2021, July 22, 2021, October 5, 2021, November 1, 2021, December 8, 2021, January 6, 2022, February 17, 2022 and March 10, 2022.

The details of the meetings of the ITS Committee attended by the members during the year 2021-2022 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. K P Nair (w.e.f. August 13, 2021 and appointed Chairperson also w.e.f. August 13, 2021)	6	6
Mrs. Meena Hemchandra (Chairperson upto August 12, 2021)	8	8
Mr. Jyotin Mehta	8	8
Mr. John Arunkumar Diaz (up to August 12, 2021)	2	2
Mr. Venkatesh Natarajan (up to May 31, 2021)	1	0
Mr. Aleem Remtula	8	7
Mr. Baskar Babu Ramachandran	8	8

8) Credit Committee:

The Bank has constituted the Credit Committee ("CCB") in line with the provisions of applicable RBI guidelines. The Committee was lastly reconstituted on August 13, 2021 in view of the resignation of Mr. Venkatesh Natarajan and the appointment of Mr. Krishna Prasad Nair as an Independent Director as also to bring the composition of the Committees in

line with the provisions of the RBI Circular on Corporate Governance and the requirements of the Companies Act, 2013 and SEBI- Listing Regulations.

As at March 31, 2022, the Committee comprised of the following Directors:

Sr No.	Name of the Director	Designation
1	Mr. Mrutunjay Sahoo <i>Independent Director</i>	Chairperson
2	Mr. John Arunkumar Diaz <i>Independent Director</i>	Member
3	Mr. K. P. Nair <i>Independent Director</i> (w.e.f. August 13, 2021)	Member
4	Mr. Aleem Remtula <i>Investor Director</i>	Member
5	Mr. Baskar Babu Ramachandran <i>MD & CEO</i>	Member

The terms of reference of the Credit Committee includes :-

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

During the year under review, the Committee met nine (9) times on April 22, 2021, May 25, 2021, August 10, 2021, November 9, 2021, December 7, 2021, February 3, 2022, February 10, 2022, February 16, 2022 and March 24, 2022.

The details of the meetings of the Committee attended by the members during the year 2021-2022 are given below:

Corporate Governance Report

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Mrutunjay Sahoo	9	9
Mr. John Arunkumar Diaz	9	9
Mr. K. P. Nair (w.e.f. August 13, 2021)	6	6
Mr. Aleem Remtula	9	8
Mr. Baskar Babu Ramachandran	9	9

9) Stakeholder's Relationship Committee:

The Bank has constituted the Stakeholder's Relationship Committee ("SRC") in line with the provisions of Section 178 of the Act and Regulation 20 of SEBI Listing Regulations. The Committee was lastly reconstituted on August 13, 2021 in view of the resignation of Mr. Venkatesh Natarajan and the appointment of Mr. Krishna Prasad Nair as an Independent Director as also to bring the composition of the Committees in line with the provisions of the RBI Circular on Corporate Governance and the requirements of the Companies Act, 2013 and SEBI- Listing Regulations.

As on March 31, 2022, the SRC comprised of the following Directors :

Sr No.	Name of the Director	Designation
1	Mr. John Arunkumar Diaz <i>Independent Director</i>	Chairperson
2	Mr. Mrutunjay Sahoo <i>Independent Director</i>	Member
3	Mr. Venkatesh Natarajan <i>Investor Director</i> (up to May 31, 2021)	Member
4	Mr. K.P. Nair <i>Independent Director</i> (W.e.f. August 13, 2021)	Member
5	Mr. Ranjit Shah <i>Investor Director</i>	Member
6	Mr. Aleem Remtula <i>Investor Director</i> (up to August 13, 2021)	Member

The scope and functions of the SRC includes:

- Resolve the grievances of the security holders of the Bank including complaints related to transfer/

transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints.

- Review of measures taken for effective exercise of voting rights by shareholders.
- Monitor and review the performance and service standards adopted by the Bank in respect of various services being rendered by the Registrar and Transfer Agents of the Bank.
- Review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Bank.
- Carry out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act or SEBI Listing Regulations or by any other regulatory authority(ies).

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

During the year under review, the SRC met three (3) times on May 25, 2021, November 9, 2021 and February 16, 2022.

The details of the meetings of the SRC attended by the members during the year 2021-2022 are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. John Arunkumar Diaz	3	3
Mr. Mrutunjay Sahoo	3	3
Mr. Venkatesh Natarajan (up to May 31, 2021)	1	0
Mr. K.P. Nair (W.e.f. August 13, 2021)	2	2
Mr. Ranjit Shah	3	0
Mr. Aleem Remtula (up to August 13, 2021)	1	0

Corporate Governance Report

Compliance Officer:

As of March 31, 2022, Ms. Geeta Krishnan was Company Secretary and Compliance Officer of the Bank. Ms. Geeta Krishnan ceased to be Company Secretary and Compliance Officer of the Bank with effect from close of business hours on April 30, 2022 on account of superannuation and Mr. Krishna Kant Chaturvedi was appointed as Company Secretary and Compliance Officer of the Bank with effect from May 2, 2022.

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

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

There were 41 investor complaints received and disposed off during FY 2021-2022. The Bank has also received 142 requests during the year which was attended within the prescribed timeline.

10) IPO Committee

The IPO Committee was constituted in February 2020 to specifically oversee the Initial Public Offer (IPO) of the Bank and all the related activities. The IPO was successfully completed in March 2021 and the Bank's shares got listed on March 26, 2021. The purpose for which the IPO Committee was formed had been completed successfully. Accordingly, IPO Committee got dissolved during the year w.e.f. May 25, 2021.

The IPO Committee met once during the year under review on May 24, 2021

The details of the meetings of the Committee attended by the members during the year 2021-2022, are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Jyotin Mehta	1	1
Mr. John Arunkumar Diaz	1	1
Mr. Ranjit Shah	1	1
Mr. Baskar Babu Ramachandran	1	1
Mr. Venkatesh Natarajan	1	0

Considering that the IPO was completed in March 2021, the IPO Committee was dissolved by the Board at its meeting held on May 25, 2021.

11) Board Strategy Committee

The Board Strategy Committee of the Bank was constituted w.e.f. June 23, 2020 and it was dissolved during the year.

The Committee met once during the year on June 10, 2021.

The details of the meetings of the Committee attended by the members during the year 2021-22, are given below:

Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
Mr. Ranjit Shah	1	1
Mr. Venkatesh Natarajan (resigned w.e.f. June 1, 2021)	0	0
Mr. Aleem Remtula	1	1
Mr. John Arunkumar Diaz	1	1
Mr. Baskar Babu Ramachandran	1	1

Meeting of the Independent Directors:

A separate meeting of the Independent Directors of the Bank was held on May 25, 2021. All Independent Directors were present at the meeting.

Corporate Governance Report

4. REMUNERATION OF DIRECTORS:

i) Compensation Policy:

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

ii) Remuneration paid to Executive Director:

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

Details of remuneration paid to the MD & CEO in FY 2021-22

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

Mr. Baskar Babu Ramachandran holds 1,13,01,911 Equity shares in the Bank as on March 31, 2022.

Being a Promoter Director, he is not eligible for grant of any stock options.

iii) Remuneration to Non-Executive Directors:

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

Details of sitting fees paid to Non-Executive Directors during the year 2021-2022 are given below:

Name of Director	Sitting Fees paid for meetings attended (₹ in lakhs)
Mr. R. Ramachandran, Part-time Chairperson and Independent Director	17.50
Mr. Mrutunjay Sahoo, Independent Director	18.80
Mr. Jyotin Mehta, Independent Director	20.00
Mrs. Meena Hemchandra, Independent Director	17.90
Mr. Venkatesh Natarajan, Investor Director (upto May 31, 2021)	2.10
Mr. Ranjit Shah*, Investor Director	Nil
Mr. Aleem Remtula, Investor Director	12.90
Mr. John Arunkumar Diaz, Independent Director	19.00
Mr. Krishna Prasad Nair, Independent Director (w.e.f. July 22, 2021)	13.50

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

Corporate Governance Report

5. GENERAL BODY MEETINGS

a) Details of last three Annual General Meetings:

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

Sr. No.	Particulars	Date and time	Location	Special Resolutions passed
1	11 th AGM of the Bank	Thursday, September 26, 2019 at 11.30 a.m. Indian Standard Time ("IST")	The Park Hotel, No.1, Sector 10, CBD Belapur, Navi Mumbai 400614	<ul style="list-style-type: none"> i) Approval for granting extension of time to complete allotment of shares to Key Promoter(s) on preferential basis. ii) Approval for revision in the remuneration of MD & CEO. iii) Approval of the new ESOP Scheme -2019 of the Bank. iv) Approval for amendment of Articles of Association by adoption of a new set of Articles of Association.
2	12 th AGM of the Bank	Monday, September 28, 2020 at 3:30 p.m. Indian Standard Time ("IST")	Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") pursuant to Circular issued by Ministry of Corporate Affairs and SEBI	<ul style="list-style-type: none"> (i) To approve adoption of new set of Articles of Association (pursuant to scheduled IPO)
3.	13 th AGM of the Bank	Monday, September 20, 2021 at 3:30 p.m. Indian Standard Time ("IST")	Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") pursuant to Circular issued by Ministry of Corporate Affairs and SEBI	<ul style="list-style-type: none"> i) To re-appoint Mr. Mrutunjay Sahoo (DIN: 00015715) as an Independent Director of the Bank; ii) To ratify the new set of Articles of Association approved vide Special Resolution passed at the Annual General Meeting of the Bank on September 28, 2020 prior to listing of Equity Shares of the Bank iii) To ratify the "Suryoday ESOP Scheme 2019" iv) To approve revised remuneration payable to the Managing Director & Chief Executive Officer (MD & CEO), Mr. Baskar Babu Ramachandran (DIN: 02303132)

b) During the year under review, no Extra Ordinary General Meeting was held.

c) Whether any Special Resolution passed last year through postal ballot: No.

Corporate Governance Report

6. MEANS OF COMMUNICATION

The Bank has provided timely and adequate information in transparent manner to its members through the Stock Exchanges and hosting of the information/ disclosures on the website of the Bank simultaneously.

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

7. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting of the Bank: Date, Time, Venue	Friday, August 26, 2022 at 3.30 p.m. (IST) Through video Conferencing/ Other audio visual means
Financial Year	April 01 to March 31
Names and addresses of Stock Exchange where Equity Shares of the Bank are listed and Stock Code and confirmation on payment of Listing fees	<ol style="list-style-type: none"> National Stock Exchange of India Limited ("NSE") Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Stock Code: SURYODAY BSE Limited ("BSE") Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 Stock Code: 543279 <p>The Equity Shares of the Bank are listed on the aforesaid Stock Exchanges with effect from March 26, 2021 and the annual listing fees for FY 2021-22 have been paid.</p> <p>The securities of the Bank have not been suspended from trading on the said Stock Exchanges or by any Regulatory/ Statutory Authority.</p>
ISIN	INE428Q01011
Dividend Payment date	The Bank has not proposed any Dividend for the FY 2021-22.
Outstanding global depository receipts or American depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity	None
Listing of Debt securities of the Bank	The debt securities of the Bank (Non-Convertible Debentures) are listed on the Wholesale Debt Segment of the BSE Ltd., the Security Codes being 954948 and 960033
Names and addresses of Debenture Trustees	<ol style="list-style-type: none"> The Catalyst Trusteeship Limited (Formerly Known as GDA Trusteeship Limited) Windsor, 6th Floor, Office No-604, C.S.T. Road, Kalina, Santacruz (East), Mumbai-400 098 Beacon Trusteeship Limited 4C & D Siddhivinayak Chambers, Gandhi Nagar, Opp. MIG Cricket Club Bandra (East), Mumbai 400 051

Corporate Governance Report

Registrar and Share Transfer Agent for Equity Shares and Non-Convertible Debentures	<p>KFin Technologies Limited (Formerly known as KFin Technologies Private Limited) Unit: Suryoday Small Finance Bank Limited Selenium Tower B, Plot 31-32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500 032 Phone No: 040-6716 2222; Fax No.: 040 -23001153 Toll Free No. 1- 800-309-4001 Email: einward.ris@kfintech.com</p>
Dematerialisation of shares and liquidity	<p>Over 99.99 percent of the Equity Shares of the Bank are indematerialized form and transfer of these shares are carried out through the Depositories without the involvement of the Bank. With respect to shares held in physical form, no request for transfer of shares is processed by the Bank. Such shareholders are requested to get their shares dematerialized. The Bank has been following up such shareholders for dematerialisation of their shares held in physical form.</p>
SEBI Complaints redressal systems (SCORES):	The Bank is registered with SEBI Complaints redressal systems (SCORES).
Distribution of shareholdings	Details provided below
Demat Suspense Account	196 Equity shares, allotted to 4 shareholders during the IPO in March 2021, were lying in the demat suspense account maintained by the Bank. Of which Equity shares to 3 allottees were transferred to their respective accounts and the Bank's RTA was following up with the 4th allottee for transfer of shares to his account.
Details of credit ratings	The details of all credit ratings obtained by the Bank for all debt instruments are furnished in the Directors' Report.
Address for correspondence	Company Secretary and Compliance Officer 1101, Sharda Terraces, Plot no.65,Sector 11 CBD Belapur Navi Mumbai 400614
Shareholders' Helpdesk:	Dedicated email id for Shareholders' queries/grievances: company.secretary@suryodaybank.com Dedicated email id for Investors' queries/grievances: inv.relations@suryodaybank.com
Banking Customer Helpdesk	In the event of any queries/complaints, banking customers can directly approach to the Branches or can call/write to the Bank using the following contact details of Smile Centre Call: Customer care (Phone Banking) Numbers: 1800 266 7711 or Write to smile@suryodaybank.com

Distribution of shareholdings as on March 31, 2022:

Sl no	Category (Shares)	No. of Holders	% To Holders	No. of Shares	% To Equity
1	1 - 5000	95750	99.63	10314102	9.72
2	5001 - 10000	155	0.16	1202491	1.13
3	10001 - 20000	75	0.08	1132067	1.07
4	20001 - 30000	36	0.04	893387	0.84
5	30001 - 40000	28	0.03	971473	0.92
6	40001 - 50000	5	0.01	238747	0.22
7	50001 - 100000	8	0.01	589869	0.56
8	100001 & Above	53	0.06	90816613	85.55
	TOTAL:	96110	100.00	106158749	100.00

Corporate Governance Report

Shareholding pattern as on March 31, 2022

Sr No.	Category of Shareholders	No. of Shares	% to total Share Capital
I	Promoter & Promoter Group	29,734,732	28.01%
II	Other Institutions		
	(a) Mutual Funds /UTI	8,776,446	8.27%
	(b) Alternate Investment Funds	6,267,346	5.90%
	(c) Foreign Portfolio Investors	10,544,144	9.93%
	(d) Qualified Institutional Buyer:		
	(e) Foreign Corporate Bodies		
III	Financial Institutions /Banks:	10,482,276	9.87%
IV	Other Non-Institutions:	23,495,987	22.13%
V	Individuals:		
	(a) Individuals holding nominal share capital up to Rs. 2 lakh	7,060,841	6.65%
	(b) Individuals holding nominal share capital in excess of Rs. 2 lakh	8,232,295	7.75%
	(c) H U F	666,253	0.63%
	(d) Non-Resident Indians	134,237	0.13%
	(e) Non-Resident Indian Non-Repatriable	99,198	0.09%
	(f) Employees	664,994	0.63%
	(g) Foreign Nationals		
	(h) Directors		
	Total	106,158,749	100%

Market price Data: High, Low during each month in last financial year :

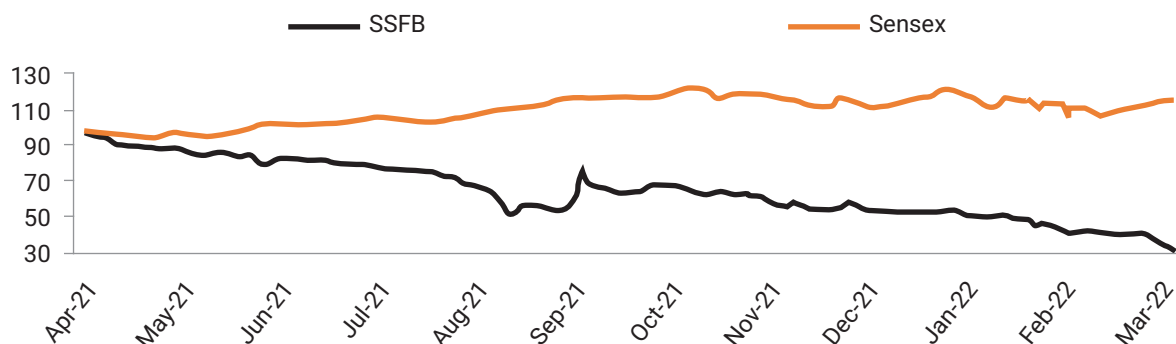
Month	BSE			NSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
Apr-21	281.00	243.05	4,03,773	273.35	246.30	1,57,339
May-21	251.85	220.20	2,83,019	250.00	220.40	1,17,956
Jun-21	249.00	187.00	5,72,809	234.25	220.00	1,70,007
Jul-21	225.55	203.40	3,31,074	221.25	203.70	1,38,103
Aug-21	207.80	138.50	5,95,184	204.70	143.25	3,91,002
Sep-21	224.50	148.30	8,15,155	215.50	149.15	4,52,114
Oct-21	196.15	171.60	3,69,321	189.20	173.60	1,10,769
Nov-21	180.00	150.25	1,63,368	176.90	150.75	67,409
Dec-21	170.50	142.10	1,91,554	163.10	145.65	63,527
Jan-22	154.00	136.10	2,19,748	151.00	138.25	91,101
Feb-22	144.70	108.80	1,95,814	140.55	110.45	61,482
Mar-22	121.30	87.15	4,73,987	118.25	87.75	1,54,181

Corporate Governance Report

Performance of the Bank's Equity shares as compared with indices:

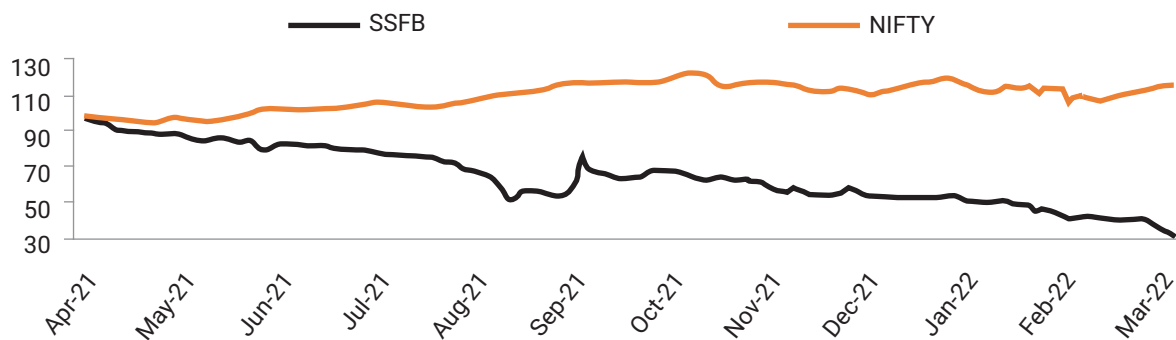
A) SSFB via-a vis SENSEX - FY 2021-22

SSFB relative to S&P BSE Sensex



Particulars	Market Cap as on		April 01, 2021	Change %
	31 Mar 22*	March 31, 2022		
Suryoday Small Finance Bank Limited	931.01	87.70	274.10	-68%
S&P BSE Sensex		58,568.51	50,029.83	17%

B) SSFB via-a-vis NIFTY – FY 2021-22



Particulars	Market Cap as on		April 01, 2021	Change %
	March 31, 2022*	March 31, 2022		
Suryoday Small Finance Bank Limited	931.01	87.75	273.35	-68%
NIFTY		17,464.75	14,867.35	17%

Commodity Price Risk or Foreign Exchange Risk and Hedging activities:

During the year under review, the Bank did not undertake trading in any commodity. The Bank is operating in India and is not directly exposed to foreign exchange risk and hedging activities.

Corporate Governance Report

Share transfer system

The Board has delegated the authority for approving transfer, transmission, etc. of the Bank's securities in physical form to the Managing Director & CEO and the Company Secretary. The Bank's shares are traded under compulsory dematerialised mode. A half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the SEBI Listing Regulations is obtained from the Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges and made available on the website of the Bank.

Plant Locations:

Being a banking company, the Bank operates its business through a network of 565 Branches. The details of the Branch addresses are available on the website of the Bank.

8. OTHER DISCLOSURES

a) Related Party transactions:

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

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

b) Vigil Mechanism/ Whistle Blower Policy: In line with the provisions of SEBI Listing Regulations, the Companies Act, 2013 and the principles of good governance, the Bank has devised and implemented a vigil mechanism. The Bank has a Board-approved Whistle Blower Policy and details of the vigil mechanism are furnished in the Directors' Report. No person has been denied access to the Audit Committee.

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

d) Familiarisation Programme for Independent Directors: In view of the pandemic situation in FY 2021-22, the Independent Directors have attended various online programs conducted by CAFRAL and other

organisations. The details of the programs attended by the Independent Directors is provided in the website of the Bank at <https://www.suryodaybank.com/assets/pdf/policies/Familiarisation-Programs-for-Independent-Directors.pdf>

e) Total fees for all services paid by the Bank to the Statutory Auditors for FY 2021-22 are detailed below:

Sr No	Particulars	Amount (₹ In lakhs)
1	Audit fees (existing and Former Statutory Auditors)	115.08
2	Non Audit Fees (Fees for certification and other attestation services)	6.5
Total		121.58

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

g) Strictures and Penalties for last three financial years: There were no strictures and penalties during last three financial years.

h) Performance Evaluation :

Pursuant to the provisions of section 178(2) read with Schedule IV of the Companies Act, 2013 and Regulation 19 of SEBI Listing Regulations, the Board of Directors of the Bank had engaged an external agency for carrying out the annual evaluation of Board, Statutory Committees of the Board and individual directors. Further, the performance evaluation of other Committees was carried out in accordance with the criteria for evaluation was based on the Policy for Performance Evaluation of the Bank.

All Directors provided their responses on the questionnaires based on the said criteria. Each of the Committees evaluated its own performance. At a separate meeting of the Independent Directors, the performance of non-independent Directors and the performance of the Board as a whole were reviewed. The feedback from the report of Excellence Enablers Private Limited, the individual Directors and the

Corporate Governance Report

Committees relating to performance evaluation were shared with, and deliberated by, the Board.

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

During the year under review, the Bank has not raised any funds through preferential allotment or qualified Institutions placement as specified under Regulation 32(7A) of the SEBI Listing Regulations.

j) In terms of Schedule V of the SEBI Listing Regulations and the Banking Regulation Act,1949, the details of core skills / expertise / competencies, identified by the Board as required in the context of the Bank's businesses and sector(s) for it to function effectively and those actually available with the Board, are as follows:

The Board of Directors have identified the following areas of special knowledge or practical experience which would be considered for appointment of persons as Directors of the Bank in line with the relevant

provisions of the Banking Regulation Act, 1949 and relevant circulars issued by the Reserve Bank of India from time to time, as required under SEBI Listing Regulations and other applicable regulations.

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

xiv. Any other matter the special knowledge of, and practical experience in, which would, in the opinion of the RBI, be useful to the Bank's Business / Sectors.

Sr. No.	Name	Designation	Expertise
1.	Mr. Ramachandran Rajaraman	Part-time Chairperson and Independent Director	Agriculture and Rural Economy, Banking, Small-Scale Industry, Finance, Risk management and Business management.
2.	Mr. Mrutunjay Sahoo	Independent Director	Agriculture and Rural Economy, MSME sector, Finance, Banking, co-operation, Economics, Small Scale Industry, Banking
3.	Mr. Jyotin Kantilal Mehta	Independent Director	Accountancy, Banking, Risk Management, Small Scale industry, Information Technology,
4.	Mrs. Meena Hemchandra	Independent Director	Banking, Accountancy, Finance, Small Scale Industry Risk Management, Information Technology,
5.	Mr. John Arunkumar Diaz	Independent Director	Agriculture and Rural Economy, Banking, Finance, Small Scale industry, healthcare and distribution, Manufacturing
6.	Mr. Krishna Prasad Nair (w.e.f. July 22, 2021)	Independent Director	Retail Banking, Human Resources, Information Technology and Administration & Facilities Management
7.	Mr. Venkatesh Natarajan (up to May 31, 2021)	Investor Director	Business Management, Finance, MSME sector, healthcare, Agriculture and Rural Economy, Risk Management

Corporate Governance Report

Sr. No.	Name	Designation	Expertise
8.	Mr. Ranjit Shah	Investor Director	Business Management, Information Technology, consumer, finance, Infrastructure
9.	Mr. Aleem Remtula	Investor Director	Business Management, Venture Capital, Economics, Finance, Agriculture, Small-Scale Industries, Advisor
10.	Mr. Baskar Babu Ramachandran	Managing Director and Chief Executive Officer	Rural Economy, Banking, Small Scale Industry, Business Management, Finance, Engineering, Risk Management

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

k) Terms and Conditions for Appointment of Independent Directors

A formal Letter of Appointment is addressed to the Independent Director(s) at the time of their appointment. The terms and conditions of Appointment of Independent Directors have been disclosed on the website of the Bank at <https://www.suryodaybank.com/assets/pdf/policies/Independent-Directors-T&C.pdf> As mentioned earlier in the report, All the Independent Directors have submitted the requisite declarations stating that they meet the criteria of independence prescribed under section 149(6) of the Companies Act, 2013, Regulation 16(1)(b) of SEBI- Listing Regulations and other applicable statutory provisions which have been taken on record by the Board. In the opinion of the Board, all Independent Directors fulfil the conditions specified in the SEBI Listing Regulations and are independent of the management.

l) Recommendation of Committee not accepted by Board

There were no recommendations of the Committees that are not accepted by the Board of Directors.

m) Directors and Officers Insurance ('D&O')

In line with the requirements of Regulation 25(10) of the SEBI Listing Regulations, the Bank has taken D&O for all its Directors and Officers for such quantum and for such risks as determined by the Board of Directors.

n) Criteria for Appointment of Independent Directors

The Nomination & Remuneration Committee while considering the proposal for appointment of Independent Directors also considers the criteria of independence prescribed under the Companies Act, 2013 and SEBI Listing Regulations.

o) Queries at Annual General Meeting

Shareholders who wish to ask questions/express their views on the items of the businesses to be transacted at the meeting are requested to write to the Bank's investor e-mail-id: Company.Secretary@suryodaybank.com with regard to the accounts at least 48 hours before the time fixed for the AGM mentioning their name, demat account number/folio number, e-mail ID, mobile number etc. The queries may be raised precisely and in brief to enable the Bank to answer the same suitably depending on the availability of time at the AGM.

p) Policies of the Bank

The Bank has adopted various policies/ codes over period of time as a part of good Corporate Governance practices and same is available on the website of the Bank at <https://www.suryodaybank.com/Corporate-Governance-Policies>

q) Accounting Treatment

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India (RBI) from time to time. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India (RBI) from time to time, the accounting standards notified under Section 133 of the Companies Act, 2013 and Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the accrual method of accounting and the historical cost convention, unless otherwise stated by RBI guidelines.

Corporate Governance Report

r) Code of Conduct for Prevention of Insider Trading

The Bank has formulated the Code of Conduct for Prevention of Insider Trading ("Bank's Code"), in accordance with the SEBI (Prohibition of Insider Trading Regulations) 2015 (the "PIT Regulations"), as amended from time to time, to regulate, monitor and report trading by the Designated Persons specified therein and their Immediate Relatives in securities of the Bank and for dealing in securities listed or proposed to be listed (other than securities of the Bank), by the Designated Persons specified therein and their Immediate Relatives, and enumerating practices and procedures for Fair Disclosure of Unpublished Price Sensitive Information.

Thus, Bank endeavours to preserve the confidentiality of un-published price sensitive information and to prevent misuse of such information. The Bank is committed to transparency and fairness in dealing with all stakeholders and in ensuring adherence to all laws and regulations.

The Prevention of Insider Trading Policy is available on the website of the Bank at <https://www.suryodaybank.com/assets/pdf/policies/SuryodaySFB-Insider-Trading-policy.pdf>

s) Dividend Distribution policy

In terms of the provisions of Regulation 43A of the SEBI Listing Regulations, the Board of Directors of the Bank has formulated and approved the Dividend Distribution Policy with the objective of providing clarity to its stakeholders on the profit distribution strategies of the Bank. The policy is in line with the parameters prescribed thereunder for payment / distribution of dividend to the shareholders.

The said Policy is available on the website of the Bank at <https://www.suryodaybank.com/assets/pdf/policies/Dividend-Distribution-Policy.pdf>

t) Code of Conduct and Ethics

The Board has formulated and adopted Code of Conduct and Ethics for the Board of Directors and Senior Management. The same has been hosted on the website of the Bank at <https://www.suryodaybank.com/assets/pdf/policies/Code-of-Conduct-for-Directors-and-Senior-Management-of-the-Bank.pdf>

The Declaration signed by the MD & CEO of the Bank stating that the members of Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management is annexed and forms part of this Report.

u) Compliance certificate on Corporate Governance

The Bank has obtained a certificate affirming the compliance with the Corporate Governance requirements under SEBI Listing Regulations from Mr. Tushar Shridharani, Practicing Company Secretary, Mumbai which forms part of this report. Tushar Shridharani has confirmed that the Bank has complied with the conditions of Corporate Governance as prescribed under SEBI Listing Regulations.

v) Managing Director & CEO / CFO Certification

The Managing Director & CEO and the Chief Financial Officer have issued certificate pursuant to the provisions of Regulation 17(8) of the SEBI Listing Regulations, for the FY 2021-22 and the same was placed before the Board of Directors at its meeting held on May 19, 2022.

**For and on behalf of the Board
Suryoday Small Finance Bank Limited**

Ramachandran Rajaraman

Part-time Chairperson &
Independent Director
[DIN 01953653]

Baskar Babu Ramachandran

Managing Director & CEO
[DIN 02303132]

Date: May 19, 2022

Corporate Governance Report

COMPLIANCE WITH CODE OF CONDUCT AND ETHICS

I confirm that all the Directors and Members of the Senior Management have affirmed compliance with Code of Business Conduct and Ethics for the Board of Directors and Senior Management of Suryoday Small Finance Bank Limited.

For **Suryoday Small Finance Bank Limited**

Baskar Babu Ramachandran

Managing Director and CEO

Place : Navi Mumbai

Date: May 19, 2022

Corporate Governance Report

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

To
The Members of
Suryoday Small Finance Bank Limited

I have examined the compliance of conditions of corporate governance by Suryoday Small Finance Bank Limited (**'the Bank'**) for the year ended March 31, 2022, as prescribed in regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and Para C, D and E of Schedule V to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**'LODR'**) as amended from time to time pursuant to the Listing Agreement of the Bank with the National Stock exchange Limited and the BSE Limited.

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

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

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

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

Place: Mumbai
Date: May 19, 2022

Tushar Shridharani
Practicing Company Secretary
FCS 2690 / COP 2190
UDIN: F002690D000334881

Business Responsibility Report

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

INTRODUCTION

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

Section A – General Information about the Company

Corporate Identity Number (CIN) of the Company	L65923MH2008PLC261472
Name of the Company	Suryoday Small Finance Bank Limited
Registered address	Unit no. 1101, Sharda Terraces, Plot No.65, Sector 11, CBD Belapur, Navi Mumbai 400614
Website	www.suryodaybank.com
Email id	inv.relations@suryodaybank.com
Financial year reported	2021-22
Sector(s) that the Company is engaged in (industrial activity code-wise)	As per India's National Industrial Classification 2008(NIC 2008): Section K – Financial and Insurance Activities Division 64 – Financial service activities, except Insurance and pension funding Code: 64191
Three key products/services of the Company (as in balance sheet)	Inclusive Finance Loans, Commercial Vehicle Finance Loans, Affordable Home Loans, Secured Business Loans. Demand Deposits, Time Deposits Distribution of insurance and mutual fund products, etc.
Number of National locations	The Bank operates from 565 locations across 14 States/Union Territories of the country.
Markets served by the Company – Local/State/National/ International	National

Section B – Financial details of the Company

Particulars	Details
Paid up capital (₹ in lakhs)	10,615
Total turnover (₹ in lakhs)*	1,03,538
Total loss after taxes (₹ in lakhs)	9,300
Total spending on Corporate Social Responsibility (CSR) as a percentage of Profit After Tax (%)	Total amount spent on CSR was ₹ 189.65 lakh which is 1.86% of the average PAT of the last three years.
List of activities in which expenditure as above has been incurred :	The Bank undertakes various CSR activities in accordance with its 'Policy on Corporate Social Responsibility'.
Health Awareness	The Bank is focused on serving low-income communities As the COVID-19 lockdown eased, we continued to focus on driving awareness on safety and prevention apart from undertaking measures to enhance financial literacy and helping people access various social security benefits.
And	Preventive healthcare is a critical need among low-income communities. The Bank has been organising health camps regularly for the said communities. This year, health camps were conducted in partnership with local hospitals to monitor general health and COVID vaccinations.
Financial Education	Financial literacy is an important cornerstone for financial inclusion. The financial literacy programs focus on encouraging building saving behaviour so that individuals and families can have financial cover to meet sudden emergencies.

* Total turnover includes interest earned and Other Income

Business Responsibility Report

Section C

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

Section D – Business Responsibility Information

Details of Director(s) responsible for BR	(a) Details of the Director responsible for implementation of the BR policy(ies)
	1. DIN: 02303132
	2. Name: Mr. Baskar Babu Ramachandran
	3. Designation: Managing Director & Chief Executive Officer
	(b) Details of the BR head:
	1. DIN (if applicable): 02303132
	2. Name: Mr. Baskar Babu Ramachandran
	3. Designation: Managing Director & Chief Executive Officer
	4. Telephone number: 022-40438000
	5. e-mail id: baskar.babu@suryodaybank.com

Section D (2): Principle-wise (as per National Voluntary Guidelines) BR Policy(ies)

Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
Do you have a policy(ies) for #	Yes	Yes	Yes	Yes	Yes	Yes	-	Yes	Yes
Has the policy been formulated in consultation with the relevant stakeholders?	Yes	Yes	Yes	Yes	Yes	Yes	-	Yes	Yes
Does the policy conform to any national / international Standards? **	Yes	Yes	Yes	Yes	Yes	Yes	-	Yes	Yes
Has the policy been approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Yes	Yes	Yes	Yes	Yes	Yes	-	Yes	Yes
Does the Company have a specified Committee of the Board/ Director/ Official to oversee the implementation of the policy?	Yes	Yes	Yes	Yes	Yes	Yes	-	Yes	Yes
Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes	Yes	Yes	Yes	Yes	Yes	-	Yes	Yes
Does the Company have in-house structure to implement the policy(ies)	Yes	Yes	Yes	Yes	Yes	Yes	-	Yes	Yes
Does the Company have a grievance redressal mechanism related to the policy(ies) to address stakeholders' grievances related to the policy(ies)	Yes	No	Yes	Yes	Yes	No	-	Yes	Yes

Business Responsibility Report

Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
Has the Company carried out independent audit / evaluation of the working of these policies by an internal or external agency?	The Manager is responsible for effective implementation of the Policies that come under his purview and these policies are reviewed by the team and reported to the Board annually.								
Indicate the link for the policy to be viewed online	<ol style="list-style-type: none"> Code of Conduct for Directors and Senior Management of the Bank: https://www.suryodaybank.com/assets/pdf/policies/Code-of-Conduct-for-Directors-and-Senior-Management-of-the-Bank.pdf Whistle Blowers Policy: https://www.suryodaybank.com/assets/pdf/policies/Corporate-Governance-Policies-Whistle-Blower-Policy.pdf Fair Practices Code: https://www.suryodaybank.com/assets/pdf/policies/Fair-Practices-Code.pdf Policy on Prevention of Sexual Harassment (POSH): https://www.suryodaybank.com/assets/pdf/policies/sexual-harassment-policy.pdf Policy for Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs): https://www.suryodaybank.com/assets/pdf/policies/SSFB-Policy-for-Resolution-of-Covid-19-related-stress-of-Micro-Small-and-Medium-Enterprises-(MSMEs)-FY-21-22.pdf Policy for Resolution Framework- 2.0: Resolution of COVID-19 related stress of Individual and Small Business: https://www.suryodaybank.com/assets/pdf/policies/SSFB-Policy-for-Resolution-Framework-2.0-Resolution-of-Covid-19-related-stress-of-Individual-and-Small-Business-FY-21-22.pdf Social Media Policy: https://www.suryodaybank.com/assets/pdf/policies/Corporate-Governance-Policies-Social-Media-Policy.pdf Social and Environmental Sustainability Policy: https://www.suryodaybank.com/assets/pdf/policies/Corporate-Governance-Policies-ESG-Policy.pdf Corporate Social Responsibility Policy: https://www.suryodaybank.com/assets/pdf/policies/Corporate-Governance-Policies-CSR-Policy.pdf Customer Compensation Policy: https://www.suryodaybank.com/assets/pdf/policies/Customer-Compensation-Policy.pdf Customer Grievance Redressal Policy: https://www.suryodaybank.com/assets/pdf/policies/Grievance-Redressal-Policy.pdf 								

*All Policies have been formulated after detailed deliberations on best practices adopted by banks and financial institutions and ensuring compliance with all statutory and regulatory guidelines.

** Standards are as per Applicable Law.

Business Responsibility Report

P1	Code of Conduct adopted for employees, Code of Directors and senior management and Whistle Blower Policy ensure conducting of business with Ethics, Transparency and Accountability.
P2	Fair Practices Code promote responsible lending and banking practices. It ensures guard against over-leveraging to ensure sustainability, throughout the life cycle of the customer.
P3	Policy on Prevention of Sexual Harassment and Employee Policies Manual endeavors to maintain an organization wide environment of care, concern, nurturing and to provide an opportunity to women employees to accomplish their professional aspirations.
P4	Policies for restructuring of loans to MSMEs, personal loans, small businesses and other segments and Corporate Social Responsibility Policy. The interests of the marginalised and vulnerable stakeholders are addressed through Priority Sector Lending and Financial Inclusion and these policies.
P5	Social Media Policy lays down acceptable employee behavior while dealing with clients and external parties on various aspects.
P6	Social and Environmental Sustainability Policy.
P7	While there is no specific policy outlined in respect of this Principle, Suryoday Small Finance Bank, through various trade bodies and associations, puts forth a number of suggestions with respect to the financial services sector.
P8	In accordance with the Corporate Social Responsibility Policy, the Bank carries out various social initiatives to promote equitable development amongst its communities.
P9	The policies addressing this principle include the Corporate Social Responsibility, Customer Compensation Policy, Grievance Redressal Policy.

GOVERNANCE RELATED TO BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assesses the BR performance of the Company (Within 3 months, 3-6 months, Annually, More than 1 year).

3-6 months

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Business Responsibility Report forms part of Bank's Annual Report. It is hosted at its website at www.suryodaybank.com.

Section E – Principle-Wise Performance

Principle 1 - Businesses should conduct and govern themselves with ethics, transparency and accountability

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

The Bank has put in place a Code of Conduct which covers all its employees. The Code articulates the ethical principles and acceptable behavior that the employees are expected to demonstrate throughout their tenure as employees of the organization. It also guides all employees to uphold the values of the Bank. The Code covers aspects related but not limited to ethics, accountability, conflict of interest, bribery

and corruption. The Bank has also adopted Code of Conduct for Directors & Senior Management to provide a framework to the Board members and Senior Management in ensuring adoption of highest ethical standards in managing the affairs of the Bank. The Bank's commitment to ethics and accountability is emphasised upon in interactions with all its stakeholders.

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

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

Particulars	Complaints received during 2021-22	% of complaints resolved
Customer complaints	6,596	99%
Investor complaints	1	100%

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

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

Business Responsibility Report

The Bank believes that it has a critical role to carry out in furthering financial inclusion in the nation to accomplish inclusive and equitable growth. Towards this end, the Bank caters to those who do not have access to formal system of finance and helps such unbanked and underbanked people by offering loan products such as Inclusive Finance, Affordable Home Loan, Recurring Deposits for inclusive finance customers etc. Along these lines, we are actively involved in financial inclusion. The Bank principally deals with financially vulnerable sections of the society and hence it is even more critical to be mindful and responsible in lending.

Inclusive Finance: Micro lending is targeted at women who belong to the economically weaker sections of the society for income generation purposes. These loans help the borrowers engage in productive business activities which help them increase their household income and develop financial independence over time. All our customers are included in the Credit Bureau database thereby ensuring their inclusion into the formal economy.

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

Recurring Deposits: On the liability side, we offer our inclusive finance customers with recurring deposit product that enables customers to earn from their savings as well as ensure that they form a part of formal banking channel.

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

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

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

Not Applicable

The Bank consciously endeavors to reduce the use of paper. Towards this end, we extensively

use digital technologies for the entire customer lifecycle in our inclusive finance business. The use of handheld devices has empowered our employees to provide assisted services to our unbanked and underbanked customer segments leading to greater customer convenience and operational efficiency.

We pursue other sustainable practices to reduce our impact on the environment and promote efficient consumption of resources, endeavor to reduced carbon footprint and propagate efficient use of power viz. Air Conditioning (HVAC) run time observing, installation of LED lighting and other low energy consuming office gears.

3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? also, provide details thereof, in about 50 words or so.

As a responsible corporate citizen, the Bank endeavors to reduce the environmental impact of its operations. The Bank also has a Board adopted Environment and Sustainability policy and adheres to it to ensure responsibility to the environment.

The Bank consciously endeavors to reduce the use of paper. Towards this end, we extensively use digital technologies for the entire customer lifecycle in our inclusive finance business. The use of handheld devices has empowered our employees to provide assisted services to our unbanked and underbanked customer segments leading to greater customer convenience and operational efficiency.

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

The business of the Bank is service oriented and not material resource intensive. The human resource and other services required for our day-to-day activities are by and large sourced within the neighborhood to the extent feasible.

The Bank has set up Business Correspondents (BCs) channel of banking, which aims to empower local business owners to act as centers of banking.

Business Responsibility Report

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

Our operational practices are engaged to constantly reduce utilization of paper through measures implemented across different processes. Our digital banking and other related activities additionally endeavor to meet sustainability objectives of waste reduction and more efficient resource utilisation. We have also tied up with agencies for proper disposal of electronic waste handling.

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

1. Company details

1	Total number of Employees	5,252
2	Total number of employees hired on contractual basis	0
3	Number of permanent women employees	439
4	Number of permanent employees with disabilities	0
5	Is there an employee association that is recognized by management	No
6	Percentage of your permanent employees who are members of this recognized employee association	NA

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

Category	No. of complaints filed during the financial year	No. of complaints pending as at the end of financial year
Child labour/ forced labour/ involuntary labour	NA	NA
Sexual Harassment	2	0
Discriminatory Employment	0	0

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

All employees are given periodical skill training, the Bank has institutionalized learning and development process to create right competencies across various levels.

Permanent Employees	100%
Permanent Women Employees	100%
Contractual Employees	NA
Employees with Disabilities	NA

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

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

The Bank engages with multiple stakeholders through formal and informal channels of communication. The key stakeholder groups are identified as follows:

- i) Customers
- ii) Employees
- iii) Investors
- iv) Vendors / Service Providers
- v) Regulators
- vi) Community
- vii) Government and local administrative authorities

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

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

Since inception, Suryoday catered to the unbanked and underbanked sections of the society. The Bank continues to engage with vulnerable and marginalised sections of society through its joint liability loan products. Through the rural and inclusive banking activities, the Bank engages with economically excluded sections of the society to create financial literacy and further the agenda of financial inclusion.

The Bank has also undertaken restructuring of loans provide to MSMEs/SMEs and who have been adversely affected by the lockdown.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and

Business Responsibility Report

marginalized stakeholders? if so, provide details thereof, in about 50 words or so.

The Bank engages with stakeholders to create a positive impact through community development initiatives. The programs focus on financial literacy and creating awareness on health issues for women of low-income communities. In Financial Year 2021-22, significant efforts were made towards creating awareness of COVID 19 precautions and protocols in low-income households.

Principle 5 - Businesses should respect and promote human rights

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

The Bank is committed to upholding the dignity of every individual engaged or associated with the Bank. A strong commitment to human rights is embedded in the Fair Practices Code as well as Employee Code of Conduct which lays down acceptable behaviour on various aspects including human rights. All employees who have direct interface with customers including collection staff are trained to be polite and courteous to customers under all circumstances. This Code is applicable to all employees, associates and business partners with utmost importance placed on fairness and transparency towards all stakeholders of the organisation.

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

No complaint was received in FY 2021-22.

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

1. Does the policy related to Principle 6 cover only the company or extends to the group/Joint Ventures/ Suppliers/ Contractors/NGOs/Others

The Bank recognizes the need to respect, protect and make efforts to restore the environment in all its activities and has a Board approved Social and Environmental Sustainability Policy.

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

In regard of its activities, the Bank focuses on decreasing the utilization of paper to lessen the carbon footprint. Towards this end, the Bank has embarked its digital footprint meaningfully since the last couple of years. We also endeavor to propagate efficient use of power and reduce water consumption.

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

The Bank has been into sustainable lending since its association with Development Funds, who have invested in the Bank. The Bank also has a Social and Environmental Sustainability Policy and abides by it.

4. Does the company have any project related to clean development Mechanism?

If so, provide details thereof, in about 50 words or so. Also, whether any environmental compliance report is filed?

As on date, the Bank has not carried out any project related to the Clean Development Mechanism.

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

As explained above, the Bank focuses on reducing the usage of paper, conserve energy and provides alternate banking through digital channels like internet banking, mobile banking, Tab-based account opening, online & mobile account opening etc.

Focus is also placed on energy efficiency, through practices including installation of CFL & LED light fixtures and installation of similar energy efficient office equipment.

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

The operations of the Bank do not result in any significant environmental or pollution related issues although we have tied up with agencies for proper disposal of electronic waste.

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

The operations of the Bank do not result in any significant environmental or pollution related issues. No notices were received by the Bank as on March 31, 2022.

Business Responsibility Report

Principle 7 - Business should respect, protect and make efforts to restore the environment

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

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

- i. Indian Banks' Association (IBA)
 - ii. Fixed Income Money Market and Derivatives Association (FIMMDA)
 - iii. Association of Small Finance Banks of India (ASFBI)
 - iv. Micro Finance Institutions Network
2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? if yes, specify the broad areas (governance and administration, economic Reforms, inclusive development Policies, energy security, Water, Food security, sustainable Business Principles, others)

Through various industry associations and in various forums, Suryoday has been promoting multiple social and welfare initiatives like responsible lending, financial literacy, creation of a more transparent financial system, ease of credit access to the underbanked/ unbanked, operational ease of providing loans to economically excluded sections of the economy, etc.

Principle 8 - Businesses should support inclusive growth and equitable development

One of the objects of Suryoday, since inception, has been inclusive and equitable growth.

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

The key programs are on Financial Education and Health Awareness for low-income communities

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

Majority of the programs are executed through the Bank's CSR Implementation Agency . Other initiatives are directly handled by the Bank.

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

The Implementing Agency was advised to carry out impact assessment on programs sanctioned by the Bank.

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

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

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

The Bank closely tracks the number of beneficiaries and qualitative improvement in the lives of beneficiaries.

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

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

1% of the total customer complaints received by the Bank, were pending as on March 31, 2022.

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

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

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

Nil

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

The Bank conducted a customer satisfaction survey to obtain feedback from customers and determine the level of customer satisfaction in October 21. This survey was hosted on the website of the Bank and a link to the same was sent as an SMS message to all the customers. 69% of the customers have expressed a fairly high level of satisfaction with their experience with the Bank with an average score of 3.84 on a scale of 5, 5 being the highest.

Independent Auditor's Report

To the Members of

Suryoday Small Finance Bank Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. We have audited the accompanying financial statements of **Suryoday Small Finance Bank Limited** ('the Bank'), which comprise the Balance Sheet as at March 31, 2022, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. 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') and circulars and guidelines issued by the Reserve Bank of India ('the RBI'), in the manner so required for banking companies and give a true and fair view in conformity with the Accounting Standards specified under section 133 of the Act, read with the Companies (Accounting Standards) Rules, 2021, and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2022, and its loss and its cash flows for the year ended on that date.

Basis for Opinion

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

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

Emphasis of Matter

4. We draw attention to Note 51 of the accompanying Statement, which describes the uncertainties associated due to the outbreak of COVID-19 on the adequacy of the provision on loan assess outstanding as at March 31, 2022 which are dependent on future developments. Our opinion is not modified in respect of this matter.

Key Audit Matters

5. 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.
6. We have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report

a. Identification of Non-Performing Advances (NPA) and provisioning for loans and advances

At March 31, 2022, the Bank reported total loans and advances (net of provisions) of INR 4,751 Crores (2021: INR 3,983 Crores), gross NPAs of INR 598 Crores (2021: INR 394 Crores), and provision for non-performing assets of INR 314 Crores (2021: INR 206 Crores). The provision coverage ratio as at March 31, 2022 is 69.83% (2021: 63.73%).

Refer schedule 9, schedule 17, schedule 18(7) and schedule 18(15) to the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p>Identification of NPA and measurement of provision on for loans and advances is made based on the assessment of various criteria stipulated in the Reserve Bank of India ('RBI') guidelines on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances' ('IRACP'). The Bank is required to have a Board approved policy as per the IRACP guidelines for NPA identification and provision for loans and advances.</p> <p>The IRACP guidelines stipulate the requirement to identify NPA through defined criteria such as past due status, out of order status etc. Provisions in respect of such NPAs and restructured advances are made based on minimum provisioning levels prescribed under the IRACP and Bank's internal credit policy. The provision on NPAs are also based on the valuation of the security available. In case of restructured accounts, provision is made for erosion/diminution in fair value of restructured loans, in accordance with the RBI guidelines. Further, NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA then all facilities to such a borrower will be treated as an NPA.</p> <p>The Bank is also required to apply its judgement to determine the identification of NPA and provision required for loans and advances by applying quantitative as well as qualitative factors. The risk of identification of NPA is affected by factors like stress and liquidity concerns in certain sectors, profile of borrowers etc.</p> <p>The Bank has framed its policy in line with the RBI's guidelines vide 'COVID-19 – Regulatory Package' dated 27 March 2020 and 23 May 2020, 'COVID19 Regulatory Package - Asset Classification and Provisioning' dated 17 April 2020, and 'Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package' dated 7 April 2021 (collectively referred to as 'COVID-19 regulatory packages').</p>	<p>Our audit procedure included but were not limited to the following:</p> <ul style="list-style-type: none"> - Verified the design and operating effectiveness of key internal controls (including application controls) over: <ul style="list-style-type: none"> • Approval, recording and recovery of loans. • Monitoring process for overdue loans. • Identification of NPA in line with IRACP guidelines. • Measurement of provision on loans and advances in line with IRACP guidelines including valuation of security and collateral against loans. - Substantive procedures included: <ul style="list-style-type: none"> • Evaluated the Bank's accounting and internal policies for identification of NPAs and provisioning on loans and advances. • For borrowers, assessed the appropriateness of asset classification and adequacy of related provisioning by performing procedures such as computation of ageing, assessment of borrower level NPA identification and verification of applicable provision rates as per IRACP norms and Bank's Policy on test check basis. • Verified performing loans on test check basis to assess whether they should be classified as NPA. • Performed inquiries with the Management of the Bank to ascertain if there were indicators of stress, perceived credit risk or occurrence of an event of default in any particular class of borrowers, product category or loan account that warrants NPA assessment. • Verified on a sample basis that the loan write-off's during the year in line with Board approved policy.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter
<p>The Bank has also extended the benefits to borrowers in line with Resolution Framework for COVID-19-related Stress dated 6 August 2020, Micro, Small and Medium Enterprises (MSME) sector –Restructuring of Advances dated 6 August 2020, Resolution framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses dated 5 May 2021, and Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) dated 5 May 2021 (collectively referred to as the 'Resolution framework').</p> <p>Considering the significance of the above matter to the financial statements, the heightened regulatory compliances, and significant auditor attention required, we have identified this as a key audit matter for the current year audit.</p> <p>We also draw attention to Note 51 of the accompanying financial statements, regarding COVID-19 uncertainties involved and its impact on the adequacy of provisions on the above-mentioned loan assets as on March 31, 2022, as the same is fundamental to the understanding of the users of financial statements.</p>	<ul style="list-style-type: none"> • Verified standard and overdue accounts on test check basis to assess compliance with the COVID-19 regulatory packages. • Verified restructured accounts on test check basis to assess compliance with the Resolution framework and Board's approved policy, including eligibility of borrowers and computation of applicable regulatory provision. • Obtained and read the RBI Annual Financial Inspection report for the financial year ended 2021 and other communication with regulators during the year. <p>Assessed disclosures included in the financial statements in respect of asset classifications and provisioning, including specific disclosures made in accordance with the requirements of the COVID-19 regulatory packages and the Resolution Framework.</p>

b. Information Technology ("IT") Systems and Controls for the financial reporting process

Key Audit Matter	How our audit addressed the key audit matter
<p>The IT environment of the Bank is complex as it involves a number of independent and inter-dependent IT systems which are used in the operations of the Bank for processing and recording a large volume of transactions at numerous locations on a daily basis.</p> <p>As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Bank which impacts key financial accounting and reporting items such as loans, interest income, provision on loans amongst others. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting.</p>	<p>We included specialized IT auditors as part of our audit team to perform audit procedures which included, but were not limited to the following:</p> <ul style="list-style-type: none"> - Obtained an understanding of the Bank's IT related control environment and conducted risk assessment and identified IT applications, networks, databases and operating systems that are relevant to our audit. Also, obtained an understanding of the changes that were made to the identified IT applications during the audit period and tested those changes that had a significant impact on financial reporting. - Tested IT general controls particularly access rights over applications, change management across identified applications, password policies, security configuration etc. We also assessed the design and operating effectiveness of controls over granting, removal and periodical review of access rights. We further tested segregation of duties, including preventive controls to ensure that access to change applications, the operating system or databases in the production environment were granted only to authorized personnel.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter
<p>Our area of audit focus for the IT systems and the related control environment, included:</p> <ul style="list-style-type: none"> ➤ IT general controls over user access management and change management across applications, networks, database, and operating systems; ➤ IT application controls (automated controls) relevant for financial reporting. 	<ul style="list-style-type: none"> - Tested related configurations and other application layer controls identified during our audit and logic for system generated reports relevant to the audit mainly for loans, interest income, provision for loan assets, amongst other, for evaluating completeness and accuracy; - Where deficiencies were identified, tested compensating controls or performed alternative procedures.

Due to the importance of the impact of the IT systems and related control environment on the Bank's financial reporting process, we have identified testing of such IT systems and related control environment as a key audit matter for the current year audit.

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

7. The Bank's Board of Directors are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis and Director's Report, but does not include the financial statements and our auditor's report thereon. The 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 do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

8. The accompanying financial statements have been approved by the Bank's Board of Directors. The Bank's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the Accounting Standard specified under section

133 of the Act, read with Companies (Accounting Standard) Rules, 2021 and other accounting principles generally accepted in India, and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the 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.

- 9. In preparing the financial statements, 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 Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.
- 10. Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

- 11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole

Independent Auditor's Report

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 Standards on Auditing 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.

12. As part of an audit in accordance with Standards on Auditing specified under section 143(10) of the Act 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 financial 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 system in place with reference to financial statements in place and the operating effectiveness of such controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
13. 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.
14. 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.
15. 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

16. The financial statements of the Bank of the year ended March 31, 2021 were audited by the predecessor auditor, MSKC & Associates, who have expressed an unmodified opinion on those financial statements vide their report dated 27 May 2021.

Report on Other Legal and Regulatory Requirements

17. 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.

Independent Auditor's Report

18. 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 purposes 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;
 - We have visited 20 branches to examine the books of accounts and other records maintained at the branch for the purpose of our audit. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out at centrally as all the necessary records and data required for the purpose of our audit are available therein.
19. With respect to the matter to be included in the auditor's report under section 197(16) of the Act, we report that since the Bank is a banking company, as defined under the Banking Regulation Act, 1949, Section 197 is not applicable to the Bank by virtue of section 352B(2A) of the Banking Regulation Act, 1949. Accordingly, the reporting under section 197(16) in relation to whether the remuneration paid by the Bank is in accordance with the provisions of section 197 of the Act and whether any excess remuneration has been paid in accordance with the aforesaid section is not applicable.
20. Further, as required by section 143 (3) of the Act, based on our audit, we report, to the extent applicable, 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 of the accompanying financial statements;
 - 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 financial statements 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 read with the Companies (Accounting Standard) Rules, 2021, 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 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 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 with reference to financial statements of the Bank as on March 31, 2022 and operating effectiveness of such controls, refer to our separate Report in Annexure A wherein we have expressed an unmodified opinion; and
 - With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - The Bank, as detailed in Schedule 12, Schedule 18(13) and Schedule 18(15) to the financial statements, has disclosed the impact of pending litigation on its financial position as at March 31, 2022;
 - The Bank has made provision as at March 31, 2022, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Bank does not have any derivative contracts as at March 31, 2022;
 - The Bank has made provision as at March 31, 2022, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Bank does not have any derivative contracts as at March 31, 2022;
 - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank during the year ended March 31, 2022;
 - The management has represented that, to the best of its knowledge and belief, as disclosed in schedule 18(48) to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Bank to or in

Independent Auditor's Report

- any person(s) or entity(ies), including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;
- b. The management has represented that, to the best of its knowledge and belief, as disclosed in schedule 18(48) to the financial statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party
- (Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- c. Based on such audit procedures performed, as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.
- vi. The Bank has not declared or paid any dividend during the year ended March 31, 2022.

For **Walker Chandiook & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sudhir N. Pillai
Partner
Membership No.: 105782
UDIN: 22105782AJGADN9692
Place: Mumbai
Date: May 19, 2022

Annexure A to the Independent Auditor's Report

Referred to in paragraph 20(f) of the Independent Auditor's Report of even date to the members of

Suryoday Small Finance Bank Limited on the financial statements for the year ended March 31, 2022

Independent Auditor's Report on the internal financial controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the financial statements of Suryoday Small Finance Bank Limited ('the Bank') as at and for the year ended March 31, 2022, we have audited the internal financial controls with reference to financial statements of the Bank as at that date.

Responsibilities of Management for Internal Financial Controls

2. The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls 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. 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 the Bank's 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 Act.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. 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 Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls

with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. 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 if such controls operated effectively in all material respects.

4. 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 includes obtaining an understanding of such 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. 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

6. A Bank'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 Bank's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts

Annexure A to the Independent Auditor's Report

and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

7. 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 controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to the financial statements were operating effectively as at March 31, 2022, 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 ICAI.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Sudhir N. Pillai

Partner

Membership No.: 105782

UDIN: 22105782AJGADN9692

Place: Mumbai

Date: May 19, 2022

Balance Sheet

At at March 31, 2022

	Schedule	As at March 31, 2022	As at March 31, 2021
₹ in '000			
CAPITAL AND LIABILITIES			
Capital	1	1,061,587	1,061,308
Reserves and Surplus	2	13,989,591	14,907,664
Deposits	3	38,498,020	32,556,761
Borrowings	4	25,513,350	16,666,200
Other Liabilities and Provisions	5	2,739,285	1,927,920
TOTAL		81,801,833	67,119,853
ASSETS			
Cash and balances with Reserve Bank of India	6	1,594,525	1,028,040
Balances with banks and money at call and short notice	7	8,182,419	4,938,366
Investments	8	20,576,805	18,736,967
Advances	9	47,508,836	39,827,700
Fixed Assets	10	1,152,496	432,196
Other Assets	11	2,786,752	2,156,584
TOTAL		81,801,833	67,119,853
Contingent Liabilities	12	41,461	47,457
Bills for Collection		-	-

Significant accounting policies and notes to the financial statements. 17 & 18

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

As per our report of even date

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm Registration No: 001076N/N500013

For and on behalf of the Board of Directors

Sudhir N. Pillai

Partner

Membership No: 105782

R. Ramachandran

Chairperson

DIN-01953653

R. Baskar BabuManaging Director and
Chief Executive Officer

DIN-02303132

Jyotin Mehta

Director

DIN-00033518

Krishna Kant Chaturvedi

Company Secretary

Kanishka Chaudhary

Chief Financial Officer

Place: Navi Mumbai

Date: May 19, 2022

Statement of Profit and Loss

for the year ended March 31, 2022

₹ in '000

	Schedule	Year Ended March 31, 2022	Year Ended March 31, 2021
I. INCOME			
Interest earned	13	9,418,210	7,761,494
Other income	14	935,584	763,975
TOTAL		10,353,794	8,525,469
II. EXPENDITURE			
Interest expended	15	3,573,652	3,656,538
Operating expenses	16	4,131,045	3,286,406
Provisions and contingencies		3,579,417	1,463,971
TOTAL		11,284,114	8,406,915
III. PROFIT			
Net (loss)/profit for the year		(930,320)	118,554
Net balance in Profit and loss account brought forward		2,051,532	2,048,321
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		-	29,639
Transfer to Investment Fluctuation Reserve		-	78,582
Transfer from Investment Reserve		-	(549)
Transfer to Capital Reserve		1,589	10,333
Balance carried over to Balance Sheet		1,119,623	2,048,870
V. EARNINGS PER EQUITY SHARE (Face Value of ₹ 10 per Share)			
Basic	18 (2)	(8.76)	1.32
Diluted	18 (2)	(8.76)	1.31

Significant accounting policies and notes to the financial statements. 17 & 18

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

As per our report of even date
For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

For and on behalf of the Board of Directors

Sudhir N. Pillai
Partner
Membership No: 105782

R. Ramachandran
Chairperson
DIN-01953653

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

Jyotin Mehta
Director
DIN-00033518

Krishna Kant Chaturvedi
Company Secretary

Kanishka Chaudhary
Chief Financial Officer

Place: Navi Mumbai
Date: May 19, 2022

Cash Flow Statement

for the year ended March 31, 2022

₹ in '000

	Year Ended March 31, 2022	Year Ended March 31, 2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss)/profit for the year	(1,270,627)	120,954
Adjustments for:		
Depreciation on fixed assets	193,809	150,305
Provision for non performing assets	1,022,211	703,102
Provision for standard assets	58,014	20,751
Write off of advances	2,181,967	969,494
Provision on depreciation on investment	83,839	189,936
Other provision	658,421	(573,575)
Profit on sale of fixed assets	(758)	(156)
Floating provision	-	380,630
Amortisation of premium on held to maturity investment	26,556	21,866
Employee stock option expenses	9,302	58,653
	2,962,734	2,041,960
Adjustments for:		
Increase in investments	(1,288,880)	(8,266,164)
Increase in advances	(10,959,685)	(6,561,480)
Increase in deposits	5,941,259	4,069,620
Increase in others assets	(136,260)	(377,588)
Increase in other liabilities and provisions	169,301	631,117
	(6,274,265)	(10,504,495)
Direct taxes paid (net of refunds)	(153,601)	(300,880)
Net cash (used in) operating activities	(3,465,132)	(8,763,415)
Cash flow from investing activities		
Purchase of fixed assets	(504,741)	(194,925)
Proceeds from sale of fixed assets	877	203
Increase in fixed deposit	(1,320)	(4,000)
Increase in capital work in progress	(409,487)	(327)
Net investment in banking book	(661,353)	(2,600,626)
Net cash (used in) investing activities	(1,576,024)	(2,799,675)

Cash Flow Statement (Contd.)

for the year ended March 31, 2022

₹ in '000

	Year Ended March 31, 2022	Year Ended March 31, 2021
Cash flow from financing activities		
Proceeds from issue of share capital (inclusive of issue expense)	3,224	5,129,466
Proceeds from borrowings	14,500,000	9,950,000
Repayment of borrowings	(5,652,850)	(5,929,956)
Net cash flow from financing activities	8,850,374	9,149,510
Net increase/(decrease) in cash and cash equivalents	3,809,218	(2,413,580)
Cash and cash equivalents at the beginning of the year	5,931,906	8,345,486
Cash and cash equivalents at the end of the year	9,741,124	5,931,906

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

As per our report of even date
For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

For and on behalf of the Board of Directors

Sudhir N. Pillai

Partner

Membership No: 105782

R. Ramachandran

Chairperson

DIN-01953653

R. Baskar Babu

Managing Director and
Chief Executive Officer

DIN-02303132

Jyotin Mehta

Director

DIN-00033518

Krishna Kant Chaturvedi

Company Secretary

Kanishka Chaudhary

Chief Financial Officer

Place: Navi Mumbai

Date: May 19, 2022

Schedules to the Financial Statements

as at March 31, 2022

SCHEDULE 1 - CAPITAL

	As at March 31, 2022	As at March 31, 2021
₹ in '000		
Authorised Capital		
125,000,000 (March 31, 2021: 125,000,000) equity shares of ₹ 10 each	1,250,000	1,250,000
Issued, Subscribed and Paid-up Capital		
106,158,749 (March 31, 2021: 106,130,826) equity shares of ₹ 10 each fully paid up (Refer note - 18 (1.2))	1,061,587	1,061,308
Total	1,061,587	1,061,308

SCHEDULE 2 - RESERVES AND SURPLUS

	As at March 31, 2022	As at March 31, 2021
₹ in '000		
I. Statutory Reserve		
[Created pursuant to Section 17(2) of Banking Regulation Act, 1949]		
Opening Balance	699,626	669,987
Addition during the year (Refer note - 18 (3.1))	-	29,639
Sub-Total	699,626	699,626
II. Capital Reserve		
Opening Balance	12,268	1,935
Addition during the year (Refer note - 18 (3.2))	1,589	10,333
Sub-Total	13,857	12,268
III. Share Premium Account		
Opening Balance	11,866,936	6,910,816
Addition during the year	4,463	5,123,120
Amounts utilized toward share issue expenses (Refer note - 18 (3.4))	-	(167,000)
Sub-Total	11,871,399	11,866,936
IV. General Reserve		
Opening Balance	7,186	3,281
Addition during the year	16,767	3,905
Sub-Total	23,953	7,186
V. Employee Stock Options Outstanding Account (ESOP)		
Opening Balance	101,083	71,017
Employee compensation expense for the year	9,302	58,653
Transfer to Share Premium Account/Share Capital on exercise of stock options	(1,517)	(24,682)
Transfer to General Reserve for Non- exercise of ESOP's	(16,767)	(3,905)
Sub-Total	92,100	101,083
VI. Investment Reserve Account		
Opening Balance	-	549
Reduction during the year (Refer note - 18 (3.5))	-	(549)
Sub-Total	-	-

Schedules to the Financial Statements

as at March 31, 2022

	As at March 31, 2022	As at March 31, 2021
₹ in '000		
VII. Investment Fluctuation Reserve		
Opening Balance	169,033	90,451
Addition during the year (Refer note - 18 (3.3))	-	78,582
Sub-Total	169,033	169,033
VIII. Balance in Profit and Loss Account		
Balance brought from Profit and Loss	1,119,623	2,048,870
Addition: Share issue expenses adjusted from Share Premium Account (Refer - note 18 (1.2))	-	2,662
Sub-Total	1,119,623	2,051,532
Total	13,989,591	14,907,664

SCHEDULE 3 - DEPOSITS

	As at March 31, 2022	As at March 31, 2021
₹ in '000		
A. I. Demand Deposits		
i) From banks	375,259	512,940
ii) From others	581,239	561,508
Sub-Total	956,498	1,074,448
II. Savings Bank Deposits	6,283,298	3,953,941
III. Term Deposits		
i) From banks	7,922,688	7,521,229
ii) From others	23,335,536	20,007,143
Sub-Total	31,258,224	27,528,372
Total	38,498,020	32,556,761
B. I. Deposits of branches in India	38,498,020	32,556,761
II. Deposits of branches outside India	-	-
Total	38,498,020	32,556,761

SCHEDULE 4 - BORROWINGS

	As at March 31, 2022	As at March 31, 2021
₹ in '000		
I. Borrowings in India*		
i) Reserve Bank of India	7,500,000	-
ii) Other banks	-	-
iii) Other institutions and agencies	16,763,350	15,266,200
iv) Unsecured redeemable debentures and term loan (Subordinate debts included in Tier 2 capital)	1,250,000	1,400,000
Sub-Total	25,513,350	16,666,200
II. Borrowings outside India *	-	-
Total	25,513,350	16,666,200

* Includes secured borrowings of ₹ Nil (March 31, 2021: ₹ Nil) other than under Repo (including tri-party repo).

Schedules to the Financial Statements

as at March 31, 2022

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

	As at March 31, 2022	As at March 31, 2021
		₹ in '000
I. Bills payable	355,727	234,877
II. Interest accrued	217,351	184,642
III. Others (including provisions)		
(i) Contingent provisions against standard assets	194,625	136,611
(ii) Others Liabilities	1,971,582	1,371,790
Total	2,739,285	1,927,920

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As at March 31, 2022	As at March 31, 2021
		₹ in '000
I. Cash in hand	83,287	119,329
II. Balances with Reserve Bank of India		
i) in Current account	1,511,238	908,711
ii) in Other accounts	-	-
Total	1,594,525	1,028,040

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

	As at March 31, 2022	As at March 31, 2021
		₹ in '000
I. In India		
i) Balances with banks		
a) In Current accounts	417,647	1,233,866
b) In Other deposit accounts*	35,820	434,500
Sub-Total	453,467	1,668,366
ii) Money at call and short notice		
a) With banks	5,230,000	3,270,000
b) With other institutions	2,498,952	-
Sub-Total	7,728,952	3,270,000
Total	8,182,419	4,938,366
II. Outside India		
i) In Current account	-	-
ii) In Deposit account	-	-
iii) Money at call and short notice	-	-
Sub-Total	-	-
Total	8,182,419	4,938,366

* Deposit with banks include ₹3.58 Crore (March 31, 2021: ₹ 3.45 crore) under bank guarantee, lien marked towards term loans availed from banks, financial institutions, security deposit, and cash collateral placed in connection with securitisation of receivables.

Schedules to the Financial Statements

as at March 31, 2022

SCHEDULE 8 - INVESTMENTS

	₹ in '000	
	As at March 31, 2022	As at March 31, 2021
I. Investments in India		
i) Government securities	19,671,172	17,779,467
ii) Other approved securities	-	-
iii) Shares	7,702	7,547
iv) Debentures and bonds	402,265	-
v) Subsidiaries/joint ventures	-	-
vi) Others (Certificate of Deposit)	495,666	949,953
Sub-Total	20,576,805	18,736,967
II. Investments outside India		
i) Government securities	-	-
ii) Subsidiaries/joint ventures	-	-
iii) Others (equity shares and bonds)	-	-
Sub-Total	-	-
Total	20,576,805	18,736,967
III. Investments		
i) Gross value of investments		
a) In India	20,850,580	18,926,903
b) Outside India	-	-
Sub-Total	20,850,580	18,926,903
ii) Provision for depreciation		
a) In India	273,775	189,936
b) Outside India	-	-
Sub-Total	273,775	189,936
iii) Net value of investments		
a) In India	20,576,805	18,736,967
b) Outside India	-	-
Total	20,576,805	18,736,967

SCHEDULE 9 - ADVANCES

	₹ in '000	
	As at March 31, 2022	As at March 31, 2021
A.		
i) Bills purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	1,269,294	1,697,784
iii) Term loans	46,239,542	38,129,916
Sub-Total	47,508,836	39,827,700
B.		
i) Secured by tangible assets	14,415,539	10,504,872
ii) Covered by Bank/Government guarantees	-	-
iii) Unsecured	33,093,297	29,322,828
Sub-Total	47,508,836	39,827,700

Schedules to the Financial Statements

as at March 31, 2022

		₹ in '000	
		As at March 31, 2022	As at March 31, 2021
C.	I. Advances in India		
	i) Priority sectors (Refer note - 23)	11,073,648	2,494,123
	ii) Public sector	-	-
	iii) Banks	-	-
	iv) Others	36,435,188	37,333,577
	Sub-Total	47,508,836	39,827,700
D.	II. Advances outside India		
	i) Due from banks	-	-
	ii) Due from others	-	-
	(a) Bills purchased and discounted	-	-
	(b) Syndicated loans	-	-
	(c) Others	-	-
	Sub-Total	-	-

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

SCHEDULE 10 - FIXED ASSETS

		₹ in '000	
		As at March 31, 2022	As at March 31, 2021
I.	Premises		
	At cost on March 31 of preceding year	31,872	31,872
	Additions during the year	-	-
	Deductions during the year	-	-
	Sub-Total	31,872	31,872
	Depreciation		
	As at March 31 of the preceding year	10,160	7,881
	Charge for the year	2,063	2,279
	Deductions during the year	-	-
	Sub-Total	12,223	10,160
	Net Block	19,649	21,712
II.	Other Fixed assets (including furniture and fixtures)		
	Gross Block		
	At cost on March 31 of the preceding year	707,966	517,755
	Additions during the year	504,740	194,925
	Deductions during the year	(2,075)	(4,714)
	Sub-Total	1,210,631	707,966
	Depreciation		
	As at March 31 of the preceding year	380,166	236,807
	Charge for the year	191,747	148,026
	Deductions during the year	(1,957)	(4,667)
	Sub-Total	569,956	380,166
	Net Block	640,676	327,800
III.	Assets given on lease	-	-
IV.	Capital work in progress	492,171	82,684
	Total	1,152,496	432,196

Schedules to the Financial Statements

as at March 31, 2022

SCHEDULE 11 - OTHER ASSETS

	₹ in '000	
	As at March 31, 2022	As at March 31, 2021
I. Inter - office adjustments (net)	165	246
II. Interest accrued	786,290	730,159
III. Tax paid in advance/tax deducted at source (net of provision for tax)	259,617	215,263
IV. Stationery and stamps	-	163
V. Deferred tax assets (net)	1,063,128	613,575
VI. Others	677,552	597,178
Total	2,786,752	2,156,584

SCHEDULE 12 - CONTINGENT LIABILITIES

	₹ in '000	
	As at March 31, 2022	As at March 31, 2021
I. Claims against the bank not acknowledged as debts - taxation	40,257	38,972
II. Claims against the bank not acknowledged as debts - others	28	28
III. Other items for which the Bank is contingently liable	1,176	8,457
Total	41,461	47,457

SCHEDULE 13 - INTEREST EARNED

	₹ in '000	
	Year ended March 31, 2022	Year ended March 31, 2021
I. Interest/discount on advances/bills	8,173,341	6,661,103
II. Income on investments	1,116,611	843,728
III. Interest on balances with Reserve Bank of India and other inter-bank funds	126,758	252,933
IV. Other interest	1,500	3,730
Total	9,418,210	7,761,494

SCHEDULE 14 - OTHER INCOME

	₹ in '000	
	Year ended March 31, 2022	Year ended March 31, 2021
I. Commission, exchange and brokerage	608,823	333,043
II. Profit/(Loss) on sale of investments (net)	(60,182)	64,830
III. Profit/(Loss) on sale of fixed assets (net)	758	156
IV. Miscellaneous income	386,185	365,946
Total	935,584	763,975

Schedules to the Financial Statements

as at March 31, 2022

SCHEDULE 15 - INTEREST EXPENDED

	₹ in '000	
	Year ended March 31, 2022	Year ended March 31, 2021
I. Interest on deposits	2,285,190	2,384,611
II. Interest on Reserve Bank of India/inter-bank borrowings	291,321	135,238
III. Other interest	997,141	1,136,689
Total	3,573,652	3,656,538

SCHEDULE 16 - OPERATING EXPENSES

	₹ in '000	
	Year ended March 31, 2022	Year ended March 31, 2021
I. Payments to and provisions for employees	2,281,638	1,858,446
II. Rent, taxes and lighting	288,747	272,942
III. Printing and stationery	26,056	27,121
IV. Advertisement and publicity	5,988	11,065
V. Depreciation on Bank's property	193,809	150,305
VI. Director's fees/remuneration, allowances and expenses	12,189	10,980
VII. Auditors' fees and expenses	10,800	5,588
VIII. Law charges	46,314	17,796
IX. Postage, telegrams, telephones, etc.	32,508	21,014
X. Repairs and maintenance	529,136	480,005
XI. Insurance	89,150	64,992
XII. Other expenditure (includes professional fees)	614,710	366,152
Total	4,131,045	3,286,406

Schedules to the Financial Statements

as at March 31, 2022

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

1. Background and Nature of Operations

Suryoday Small Finance Bank Limited (the 'Bank' or 'Company') started its banking operation in January 2017 pursuant to SFB Licence given by Reserve Bank of India (RBI). The Bank is included in the Second schedule to the Reserve Bank of India Act, 1934 vide Notification No. DBR.NBD. (SFB- Suryoday). No. 766/16.13.216/201718 dated July 24, 2017 and published in the Gazette of India (part III- Section 4) dated September 2, 2017. The Bank's equity shares are listed on National Stock Exchange of India Limited and BSE. The Bank operates with 565 banking outlets at March 31, 2022.

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

2. Basis of Preparation of Financial Statements

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

Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent

liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

3. Significant Accounting Policies

A. Investments

Classification:

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

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") – Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/Joint Ventures and Other Investments.

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

Basis of Classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition Cost and Broken Period Interest

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

Disposal of Investments

Profit/loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment

Schedules to the Financial Statements

as at March 31, 2022

under HTM category, net of taxes and transfer to statutory reserve is appropriated from Profit and Loss Account to "Capital Reserve" in accordance with the RBI Guidelines.

Short Sale

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

Valuation

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

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

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

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

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

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

Investments classified under HTM category are carried at their acquisition cost and not marked to

market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines.

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

As per the RBI circular RBI/2017-18/147 DBR. No.BP. BC.102/21.04.048/2017-18 dated April 2, 2018, to build up adequate reserves to protect against increase in yields in future, the Bank has created an Investment Fluctuation Reserve (IFR) to the extent of the lower of following: a) net profit on sale of investments during the year; b) net profit for the year less mandatory appropriations. As per the RBI circular, this reserve will be created until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis and where feasible this should be achieved within a period of three year.

Investment Reserve Account

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

Repo and Reverse Repo Transactions

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

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

Schedules to the Financial Statements

as at March 31, 2022

B. Advances

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

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

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

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

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

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

other regulatory guidelines as applicable. The floating provision is netted-off from advances.

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

C. Transfer and Servicing of Assets

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

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

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

D. Priority Sector Lending Certificates

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

E. Foreign Currency Transactions

(i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Schedules to the Financial Statements

as at March 31, 2022

- (ii) Foreign currency monetary items are reported using the closing rate prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

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

F. Revenue Recognition

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

G. Fixed Assets and Depreciation

Tangible Assets

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

Depreciation is charged over the estimated useful life of the fixed asset on written down value basis from the date asset is put to use considering residual value of 5% of the cost. Assets individually costing ₹ 5,000

or less are fully depreciated in the year of purchase. Assets purchased/sold during the year are depreciated on a pro-rata basis for the actual number of days the assets have been put to use. Depreciation rate used by the Bank are in line with those specified under Schedule II of the Companies Act, 2013.

The details of useful life are as under:

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

H. Intangible Assets

Intangible Assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

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

I. Leases

Operating Lease

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

J. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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as at March 31, 2022

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.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

N. Cash and Cash Equivalents

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

O. Borrowing Cost

Borrowing cost includes arranger fees, processing fees, stamp duty on issuance of debenture certificates and other associated transaction cost related to borrowing from banks and other financial institutions.

In accordance with Accounting Standard 16, borrowing costs are recognised upfront.

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as at March 31, 2022

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 avilment is made in accordance with Accounting Standard 15 "Employee benefits".

Q. Employee Stock Compensation Cost

Employees (including senior executives) of the Bank receive remuneration in the form of share-based

payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI, the cost of equity-settled transaction is measured using the fair value method and recognized, together with a corresponding increase in the "Employees Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the Profit and Loss Account for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

R. Share Issue Expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013 and RBI approval in accordance with RBI/2006-07/132 DBOD.BP. BC No. 31/21.04.018/2006-07.

S. Segment Information

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

T. Corporate Social Responsibility (CSR)

Expenditure towards CSR, in accordance with Companies Act, 2013, is recognised in the Profit and Loss Account.

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as at March 31, 2022

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, 2022	As at March 31, 2021
Common Equity Tier 1 capital ratio (%)	34.44%	47.23%
Tier 1 capital ratio (%)	34.44%	47.23%
Tier 2 capital ratio (%)	3.42%	4.24%
Total capital ratio (CRAR) (%)	37.86%	51.47%
Percentage of the shareholding of the Government of India in public sector banks	0.00%	0.00%
Amount of Additional Tier 1 capital raised of which;		
Perpetual Non Cumulative Preference Shares (PNCPS):	0.00	0.00
Perpetual Debt Instruments (PDI)	0.00	0.00

Subordinated debt (Tier 2 capital) outstanding as at March 31, 2022 is ₹ 100.00 crore (March 31, 2021 : ₹ 140.00 crore).

Further as per the RBI's directions given in the circular DBR.NBD.No. 4502/16.13.218/2017-18, dated November 8, 2017, no separate risk charge has been calculated for Market Risk and Operational Risk for capital ratios.

In accordance with the RBI guidelines, small finance banks are required to make pillar 3 disclosures under Basel II regulations. The Bank's pillar 3 disclosures are available on its website at the following link : <https://www.suryodaybank.com/regulatory-disclosure>. Pillar 3 disclosures have not been subjected to audit or review by the statutory auditors.

1.2 Capital Infusion

During the year ended March 31, 2022, the Bank allotted 27,923 (March 31, 2021 : 4,63,449) equity shares having face value of ₹ 10 each in respect of stock options exercised by employees of the Bank.

During the previous year ended March 31, 2021, the Bank allotted 81,50,000 equity shares having face value of ₹ 10 each aggregating to ₹ 248.42 crore including share premium in respect of initial public offer.

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

Particulars	March 31, 2022		March 31, 2021	
	Equity shares	(₹ in Crore)	Equity shares	(₹ in Crore)
Equity shares at the beginning of the year	106,130,826	106.13	86,594,131	86.59
Addition pursuant to stock options exercised	27,923	0.03	463,449	0.47
Addition pursuant to equity shares issued during the year	-	-	19,073,246	19.07
Equity shares outstanding at the end of the year	106,158,749	106.16	106,130,826	106.13

Schedules to the Financial Statements

as at March 31, 2022

2. Earnings per equity share

Particulars	March 31, 2022	March 31, 2021
Net profit after tax (₹ in Crore)	(93.03)	11.86
Weighted average number of equity shares in computing the basic earnings per share	106,140,544	89,687,586
Basic earnings per share	(8.76)	1.32
Weighted average number of equity shares in computing the diluted earnings per share	106,140,544	90,318,248
Diluted earnings per share	(8.76)	1.31
Nominal value per Share (₹)	10.00	10.00

2.1 Reconciliation of weighted average number of equity share

Particulars	March 31, 2022	March 31, 2021
Weighted average number of equity shares in computing the basic earnings per share	106,140,544	89,687,586
Effect of potential equity shares outstanding	-	630,662
Weighted average number of equity shares in computing the diluted earnings per share	106,140,544	90,318,248

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

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

3. Draw Down of Reserves

3.1 Statutory Reserve

The Bank has made an appropriation of ₹ Nil (March 31, 2021: ₹ 2.96 crore) out of profits for the year ended March 31, 2022 to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

3.2 Capital Reserve

During the year ended March 31, 2022, the Bank has appropriated ₹ 0.16 crore (net of taxes and statutory reserves) (March 31, 2021: ₹ 1.03 crore) from profit and loss account and transferred to capital reserves being the profit from sale of investments under HTM category as per the RBI guidelines.

3.3 Investment Fluctuation Reserve

During the year ended March 31, 2022, the Bank has appropriated ₹ Nil (March 31, 2021: ₹ 7.86 crore) from Profit and Loss Account to Investment Fluctuation Reserve as per RBI guidelines.

Draw Down from Reserves

3.4 Share Premium

During the year ended March 31, 2022, the Bank has appropriated ₹ Nil (March 31, 2021: ₹ 16.70 crore) from shares premium account in accordance with RBI/2006-07/132 DBOD.BP.BC No. 31/21.04.018/2006-07.

3.5 Investment Reserve

During the year ended March 31, 2022, the Bank has draw down ₹ Nil (March 31, 2021: ₹ 0.05 crore) from Investment reserve to Profit and loss account as per the RBI guidelines.

Schedules to the Financial Statements

as at March 31, 2022

4. Employees Stock Option Scheme

The Bank has share- based payment schemes for its employees. Schemes in operation Employee Stock Option Scheme 2016 and Employee Stock Option Scheme 2019. During the year-ended March 31, 2022, the Bank has issued 3,70,000 options (March 31, 2021 : 3,15,000) under the Employee Stock Option Scheme 2019.

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

Particulars	Employee Stock Option Scheme 2016					Employee Stock Option Scheme 2019			
	January 19, 2017	July 27, 2017	March 1, 2018	July 16, 2018	February 5, 2019	November 6, 2019	January 10, 2020	January 1, 2021	October 13, 2021
Grant Date									
Number of Options granted	1,510,000	550,000	306,950	407,000	724,000	1,872,100	195,000	315,000	370,000
Method of Settlement	Equity					Equity			
Vesting	25% after one year from the date of grant and every year thereafter.					25% after one year from the date of grant and every year thereafter.			
Exercisable period	3 years from the Vesting date								
Vesting Conditions	From second vesting tranche onwards, based on performance rating of the employee								
Exercise Price Per Option	₹ 108	₹ 125	₹ 127	₹ 140	₹ 173	₹ 196	₹ 196	₹ 253	₹ 189

Following are the outstanding options as at year end:

Particulars	Employee Stock Option Scheme 2016		Employee Stock Option Scheme 2019	
	As at	As at	As at	As at
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Total Options granted and outstanding at the beginning of the year	849,930	1,427,891	1,914,635	2,067,100
Add: Options granted during the year	-	-	370,000	315,000
Less: Options forfeited/lapsed during the year	405,482	271,227	712,500	310,750
Less : Options exercised during the year	27,923	306,734	-	156,715
Options Outstanding as at end of the year	416,525	849,930	1,572,135	1,914,635
- Vested	329,684	323,223	544,410	300,935
- Yet to Vest	86,841	526,707	1,027,725	1,613,700

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

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

Variables	Employee Stock Option Scheme 2016 - Grant 1			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	5.50%	5.50%	5.50%	5.50%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	41.68%	39.61%	38.41%	40.66%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	42.82	48.32	53.26	60.00

Schedules to the Financial Statements

as at March 31, 2022

Variables	Employee Stock Option Scheme 2016 - Grant 2			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	5.50%	5.50%	5.50%	5.50%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	38.88%	38.78%	37.41%	39.34%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	37.43	44.74	49.95	57.16

Variables	Employee Stock Option Scheme 2016 - Grant 3			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	6.50%	6.50%	6.50%	6.50%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	39.35%	39.32%	38.05%	37.08%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	39.68	47.58	53.37	58.52

Variables	Employee Stock Option Scheme 2016 - Grant 4			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	6.65%	6.70%	6.70%	6.75%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	33.05%	37.71%	38.38%	37.34%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	38.86	51.12	59.19	65.01

Variables	Employee Stock Option Scheme 2016 - Grant 5			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	7.38%	7.38%	7.38%	7.38%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	30.63%	38.03%	37.18%	37.28%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	47.50	65.37	74.07	82.60

Variables	Employee Stock Option Scheme 2019 - Grant 1			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	6.50%	6.50%	6.50%	6.50%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	32.19%	32.81%	37.19%	37.63%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	54.00	66.17	81.67	91.40

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as at March 31, 2022

Variables	Employee Stock Option Scheme 2019 - Grant 2			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	6.56%	6.56%	6.56%	6.56%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	32.64%	31.90%	37.22%	36.75%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	54.62	65.29	81.90	90.49

Variables	Employee Stock Option Scheme 2019 - Grant 3			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	5.93%	5.93%	5.93%	5.93%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	48.88%	44.66%	41.93%	43.95%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	90.64	101.01	110.29	125.47

Variables	Employee Stock Option Scheme 2019 - Grant 4			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1. Risk Free Interest Rate	6.28%	6.28%	6.28%	6.28%
2. Expected Life (in years)	2.56	3.56	4.56	5.56
3. Expected Volatility	51.31%	46.61%	43.19%	42.08%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	70.62	78.30	84.76	92.38

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

₹ in crore

Amount spent during the the financial year	For the year ended March 31, 2022	For the year ended March 31, 2021
Employee stock option expenditure (included in schedule 16 (I))	0.93	5.87

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Employee stock options outstanding account (included in schedule 2 (V))	9.21	10.11

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.

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as at March 31, 2022

5. Investments

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

Particulars	₹ in Crore	
	March 31, 2022	March 31, 2021
1) Value of Investments		
i) Gross value of investments		
- In India	2,085.06	1,892.69
- Outside India	-	-
ii) Provisions for depreciation on investments		
- In India	27.38	18.99
- Outside India	-	-
iii) Net value of investments		
- In India	2,057.68	1,873.70
- Outside India	-	-
2) Movement of provisions held towards depreciation on investments:		
i) Opening balance	18.99	-
ii) Add: Provision made during the year	8.38	28.16
iii) Less: Write back of excess provision during the year	-	(9.17)
iv) Closing balance	27.37	18.99

The net book value of investments held under three categories, viz. Held to Maturity (HTM), Held for Trading (HFT) and Available for Sale (AFS) is as under :

Category	As at March 31, 2022		As at March 31, 2021	
	₹ in crore	%	₹ in crore	%
Held to Maturity	729.44	35.45%	665.96	35.54%
Available for Sale	1,328.24	64.55%	1,207.74	64.46%
Held for Trading	-	-	-	-
Total	2,057.68	100%	1,873.70	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, 2022 are as follows:

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	₹ in crore
				As at March 31, 2022 Outstanding
Securities sold under repo	2.92	1,157.21	454.61	750.00
Government Securities	2.92	1,157.21	454.61	750.00
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	14.00	956.00	335.09	698.00
Government Securities	14.00	956.00	335.09	698.00
Corporate Debt Securities	-	-	-	-

The Details relating to repo/reverse repo transactions (in face value terms) during the year ended March 31, 2021 are as follows:

Schedules to the Financial Statements

as at March 31, 2022

₹ in crore

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2021 Outstanding
Securities sold under repo	5.00	405.80	131.07	-
Government Securities	5.00	405.80	131.07	-
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	276.00	1,058.00	675.05	302.00
Government Securities	276.00	1,058.00	675.05	302.00
Corporate Debt Securities	-	-	-	-

5.3 Sale and Transfer to/from HTM Category

The Bank has not sold from and transferred securities to HTM category exceeding 5% of the book value of investments held in HTM category at the beginning of year ended March 31, 2022 and March 31, 2021 respectively. 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.

5.4 Issuer-wise composition of non-SLR investments

Balance as at March 31, 2022

₹ 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	20.18	-	-	-	-
3. Banks	-	-	-	-	-
4. Private corporate	20.05	-	-	-	-
5. Subsidiaries/Joint ventures	-	-	-	-	-
6. Others	6.32	0.77	-	0.77	0.77
7. Provision held towards depreciation	(0.10)	-	-	-	-
Total	46.45	0.77	-	0.77	0.77

Balance as at March 31, 2021

₹ 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	-	-	-	-	-
4. Private corporate	-	-	-	-	-
5. Subsidiaries/Joint ventures	-	-	-	-	-
6. Others	101.31	0.77	-	0.77	0.77
7. Provision held towards depreciation	(0.05)	(0.02)	-	(0.02)	(0.02)
Total	101.26	0.75	-	0.75	0.75

Amounts reported under these columns above are not mutually exclusive

* Excludes investments in commercial paper and certificate of deposits

Schedules to the Financial Statements

as at March 31, 2022

5.5 Non performing Non-SLR investments

As at March 31, 2022, there are no non performing Non - SLR investments (March 31, 2021 : ₹ Nil).

5.6 Details of investment in Security Receipt (SRs)

As at March 31, 2022, there are no investment in SRs (March 31, 2021 : ₹ Nil).

6. Derivatives

During the year ended March 31, 2022; the Bank has not undertaken any derivative transaction and there is no outstanding position as at the year end (March 31, 2021 : ₹ Nil). Hence, disclosure related to Forward Rate Agreement/Interest Rate Swap/Credit default Swap and Exchange Traded Interest Rate Derivatives are not provided.

7. Asset quality

7.1 Non Performing Assets (NPAs)

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

Particulars	₹ in crore	
	As at March 31, 2022	As at March 31, 2021
(i) Movement of NPAs (Gross)		
Gross NPA's as on April 1 of particular year	393.68	101.25
Additions (fresh NPAs) during the year	537.26	398.90
Sub Total (A)	930.94	500.15
Less :-		
- Upgradation	37.88	5.69
- Recoveries (excluding Recoveries made from upgraded accounts)	63.91	3.84
- Technical/Prudential Write offs	231.73	96.77
- Write offs other than mentioned above	-	0.17
Sub Total (B)	333.52	106.47
Gross NPAs (A-B)	597.42	393.68
(ii) Movement of Net NPAs		
(a) Opening balance	188.12	20.37
(b) Additions during the year ***	171.57	175.03
(c) Reductions during the year	76.33	7.28
(d) Closing balance	283.37	188.12
(iii) Movement of provisions for NPAs (excluding provision on standard assets)		
(a) Opening balance	205.56	80.88
(b) Provision made during the year *	365.69	223.87
(c) Write off/write back of excess provision **	257.19	99.19
(d) Closing balance	314.06	205.56

* Includes Floating Provision as at year end to the extent eligible. (Refer note - 7.4)

** Provision made in respect of write off accounts in the current year is net of recoveries made during the year

*** Additions during the year is adjusted for provision made in respect of GNPA.

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7.2 Technical or prudential write-offs

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are write-offs done by the Bank in respect of Loan and Advances, which remain outstanding in the books of the branches. The Bank has made technical write-offs of ₹ 231.73 crore during the year ended March 31, 2022 (March 31, 2021 : ₹ 96.77 crore).

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

Particulars	₹ in crore	
	As at March 31, 2022	As at March 31, 2021
Opening balance	125.00	31.65
Add : Technical/Prudential write offs during the year	231.73	96.77
Sub total (A)	356.73	128.42
Less : Recoveries made from previously technical/prudential written off accounts during the year (B)	14.87	3.42
Closing balance	341.86	125.00

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, 2022 (March 31, 2021 : ₹ Nil).

7.4 Floating provision

Particulars	₹ in crore	
	As at March 31, 2022	As at March 31, 2021
Opening balance	91.28	53.22
Provision made during the year	-	38.06
Drawdown made during the year	-	-
Closing balance	91.28	91.28

Floating provision has been netted off from Gross NPA to arrive at Net NPA and the same has not been considered as Tier 2 capital for all reporting periods following the RBI circular "Prudential norms on creation and utilisation of floating provisions" dated June 22, 2006.

7.5 NPA Ratios

Particulars	As at March 31, 2022	As at March 31, 2021
Gross NPA to Gross Advances	11.80%	9.41%
Net NPA to Net Advances	5.97%	4.73%
Provision coverage ratio ¹	69.83%	63.73%

1. Provision coverage ratio includes Technical write off. (Refer note - 7.2)

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7.6 Disclosure of Restructured assets

The Bank has restructured the following accounts during the year ended March 31, 2022.

₹ in crore

Sr. No.	Type of Restructuring Assets Classification Details	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
1	Restructured Accounts as on April 1 of the FY (opening figures)	-	-	-	-	-	37	164	74	-	275	37	164	74	-	275
	Amount outstanding	-	-	-	-	-	0.01	17.70	3.48	-	21.19	0.01	17.70	3.48	-	21.19
	Provision there-on	-	-	-	-	-	-	8.50	2.38	-	10.88	-	8.50	2.38	-	10.88
2	Fresh restructuring during the year	-	-	-	-	-	-	59,977	10	-	59,987	-	59,977	10	-	59,987
	Amount outstanding	-	-	-	-	-	-	127.39	1.29	-	128.68	-	127.39	1.29	-	128.68
	Provision there-on	-	-	-	-	-	-	49.74	0.99	-	50.73	-	49.74	0.99	-	50.73
3	Upgradations to restructured standard category during the year	-	-	-	-	-	80	(66)	(12)	-	-	80	(66)	(12)	-	-
	Amount outstanding	-	-	-	-	-	12.94	(11.18)	(1.76)	-	0.00	12.94	(11.18)	(1.76)	-	0.00
	Provision there-on	-	-	-	-	-	1.35	(1.16)	(0.18)	-	0.01	1.35	(1.16)	(0.18)	-	0.01
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the year.	-	-	-	-	-	(0.00)	(10.54)	(0.22)	-	(10.77)	(0.00)	(10.54)	(0.22)	-	(10.77)
	Provision there-on	-	-	-	-	-	-	(2.57)	(0.77)	-	(3.34)	-	(2.57)	(0.77)	-	(3.34)
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 year	-	-	-	-	-	(13)	(102)	115	-	-	(13)	(102)	115	-	-
	Amount outstanding	-	-	-	-	-	(0.01)	(7.01)	7.02	-	-	(0.01)	(7.01)	7.02	-	-
	Provision there-on	-	-	-	-	-	-	(5.81)	5.82	-	0.01	-	(5.81)	5.82	-	0.01
7	Write-offs/Recovery of restructured accounts during the year	-	-	-	-	-	(24)	(4,484)	(7)	-	(4,515)	(24)	(4,484)	(7)	-	(4,515)
	Amount outstanding	-	-	-	-	-	(0.01)	(3.79)	(0.08)	-	(3.88)	(0.01)	(3.79)	(0.08)	-	(3.88)
	Provision there-on	-	-	-	-	-	-	-	(0.08)	-	(0.08)	-	-	(0.08)	-	(0.08)
8	Restructured Accounts as on March 31 of the FY (closing figures)	-	-	-	-	-	80	55,487	180	-	55,747	80	55,487	180	-	55,747
	Amount outstanding *	-	-	-	-	-	12.93	112.57	9.73	-	135.23	12.93	112.57	9.73	-	135.23
	Provision there-on	-	-	-	-	-	1.35	48.70	8.16	-	58.21	1.35	48.70	8.16	-	58.21

*Amount outstanding considered for provisioning is of ₹ 2.95 crore net of interest income accrued for NPA accounts.

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The Bank has restructured the following accounts during the year ended March 31, 2021.

₹ in crore

Sr. No.	Type of Restructuring Assets Classification Details	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		
1	Restructured Accounts as on April 1 of the FY (opening figures)	-	-	-	-	-	-	-	-	156	7	46	-	156	7	46	-	209	0.23
	Amount outstanding	-	-	-	-	-	-	-	-	0.17	0.01	0.05	-	0.17	0.01	0.05	-	0.23	-
	Provision there-on	-	-	-	-	-	-	-	-	0.01	-	0.04	-	0.01	-	0.04	-	0.05	-
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	102	23	-	-	102	23	-	125	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	17.67	3.55	-	-	17.67	3.55	-	21.22	-
	Provision there-on	-	-	-	-	-	-	-	-	-	8.49	2.32	-	-	8.49	2.32	-	10.81	-
3	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the year.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	(0.06)	(0.02)	(0.15)	-	(0.06)	(0.02)	(0.15)	-	(0.23)	-
	Provision there-on	-	-	-	-	-	-	-	-	0.02	0.01	(0.01)	-	0.02	0.01	(0.01)	-	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Down gradations of restructured accounts during the year	-	-	-	-	-	-	-	-	(71)	55	16	-	(71)	55	16	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	(0.07)	0.04	0.03	-	(0.07)	0.04	0.03	-	(0.00)	-
	Provision there-on	-	-	-	-	-	-	-	-	(0.03)	0.00	0.03	-	(0.03)	0.00	0.03	-	0.00	-
7	Write-offs/Recovery of restructured accounts during the year	-	-	-	-	-	-	-	-	(48)	-	(11)	-	(48)	-	(11)	-	(59)	-
	Amount outstanding	-	-	-	-	-	-	-	-	(0.03)	-	(0.00)	-	(0.03)	-	(0.00)	-	(0.03)	-
	Provision there-on	-	-	-	-	-	-	-	-	(0.00)	-	(0.00)	-	(0.00)	-	(0.00)	-	(0.00)	-
8	Restructured Accounts as on March 31 of the FY (closing figures)	-	-	-	-	-	-	-	-	37	164	74	-	37	164	74	-	275	-
	Amount outstanding*	-	-	-	-	-	-	-	-	0.01	17.70	3.48	-	0.01	17.70	3.48	-	21.19	-
	Provision there-on	-	-	-	-	-	-	-	-	0.00	8.50	2.38	-	0.00	8.50	2.38	-	10.88	-

*Amount outstanding considered for provisioning is of ₹ 0.96 crore net of interest income accrued for NPA accounts.

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7.7 Divergence in the asset classification and provisioning

RBI vide its circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and Notification dated April 1, 2019, has directed banks shall make suitable disclosures, if either or both of the following conditions are satisfied:

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

There has been no divergence observed by the RBI for the financial year 2020-21 in respect of the Bank's asset classification and provisioning as per the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures."

7.8 Credit default swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2022, (March 31, 2021 : ₹ Nil)

7.9 Resolution of Stressed Assets – Revised Framework

The Bank does not have any account for resolution of stressed Assets (Revised framework) as per the RBI Circular RBI/2017-18/131DBR.No.BP.BC.101/21.04.048/2017-18 Loans as on March 31, 2022, (March 31, 2021 : ₹ Nil)

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

The Bank has restructured accounts in accordance with RBI circular on Micro, Small and Medium enterprise (MSME sector) - Restructuring of advances RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 on Micro, Small and Medium Enterprises MSME sector -Restructuring of Advances dated January 1, 2019, RBI/2020-21/17,RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020. DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 and RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021 and Resolution Framework - 2.0: Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs) RBI/2021-22/47 DOR.STR.REC.21/21.04.048/2021-22 dated June 4, 2021

Particulars	As at March 31, 2022	As at March 31, 2021
No. of accounts restructured *	12,632	51,680
Amount in ₹ crore	70.01	117.18

*It may be noted that, 39,238 loan accounts for an amount of ₹ 81.78 crore which were originally restructured upto March 31, 2021 under MSME circular were subsequently restructured in September 2021 under Prudential norms. These account have been excluded from the above disclosure.

7.11 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2022 is ₹ Nil (March 31, 2021 : ₹ Nil)

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7.12 Resolution Framework for COVID-19-related Stress

Details of resolution plans implemented under the RBI Resolution Framework for COVID-19 related stress as per RBI circular dated August 6, 2020 (Resolution Framework 1.0) and May 5, 2021 (Resolution Framework 2.0) as at March 31, 2022 are given below:

₹ in crore

Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NP during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans	13.86	-	-	0.44	13.42
Corporate persons	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	555.58	152.33	-	76.70	326.55
Total	569.44	152.33	-	77.14	339.97

8. Securitisation and related disclosures

8.1 Details of Sales

The Bank has securitised certain standard assets in accordance with the guidelines issued by the RBI.

₹ in crore

Particular	March 31, 2022	March 31, 2021
(i) No. of accounts sold during the year	-	-
(ii) Aggregate value of accounts sold during the year	-	-
(iii) Aggregate Consideration received during the year	-	-
(iv) Additional Consideration realised in respect of account transferred in earlier years	-	-
(v) Aggregate gain over net book value during the year	-	-
(vi) MRR	-	-
(vii) First Loss	-	-
(viii) Outstanding Balance	-	-
(ix) No. of SPV transaction for securitisation transaction	-	-

8.2 Details of Direct assignment transactions

₹ in crore

Particular	March 31, 2022	March 31, 2021
(i) No. of accounts	-	-
(ii) Aggregate value of accounts sold to SC	-	-
(iii) Aggregate Consideration	-	-
(iv) Aggregate gain over net book value	-	-

8.3 Inter- Bank Participation with Risk Sharing

The aggregate amount of participations issued by the Bank are reduced from Advances as per regulatory guidelines as on March 31, 2022 is ₹ Nil (March 31, 2021: ₹ Nil)

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9. Exposure

9.1 Exposure to Real Estate Sector

		₹ in crore	
Category		March 31, 2022	March 31, 2021
A) Direct exposure		340.37	319.87
(i) Residential mortgages		331.64	311.34
(of which housing loans eligible for inclusion in priority sector advances)		268.34	265.67
(ii) Commercial real estate		8.73	8.53
(iii) Investments in mortgage backed securities (MBS) and other securitised		-	-
a) Residential		-	-
b) Commercial real estate		-	-
B) Indirect exposure		18.95	4.71
Fund based and non-fund based exposures on National Housing Bank and housing finance Company (HFCs).		18.95	4.71
Total Exposure to Real Estate Sector		359.32	324.58

9.2 Capital Market Exposure

As at March 31, 2022, the Bank has Capital Market Exposure of ₹ Nil (March 31, 2021 : ₹ Nil).

9.3 Risk Category wise Country Exposure

The Bank's exposures are concentrated in India, hence country risk exposure as at March 31, 2022 is ₹ Nil. (March 31, 2021 : ₹ Nil)

9.4 Intra Group Exposure

The Bank does not have any group entities, hence intra group exposure as at March 31, 2022 is ₹ Nil. (March 31, 2021 : ₹ 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, 2022. (March 31, 2021: ₹ Nil)

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

During the year ended March 31, 2022, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed as per the extant RBI guidelines. (March 31, 2021 : ₹ Nil)

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

10.1 Concentration of deposits

		₹ in crore	
Particulars		March 31, 2022	March 31, 2021
Total deposits of twenty largest depositors		907.06	802.74
Percentage of deposits of twenty largest depositors to total deposits of the Bank		23.56%	24.66%

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10.2 Concentration of advances

Particulars	₹ in crore	
	March 31, 2022	March 31, 2021
Total advances to twenty largest borrowers *	342.14	265.57
Percentage of advances of twenty largest borrowers to total advances of the Bank	6.77%	6.34%

10.3 Concentration of exposure

Particulars	₹ in crore	
	March 31, 2022	March 31, 2021
Total exposure to twenty largest borrowers/customers*	378.34	268.03
Percentage of exposure of twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	7.38%	6.30%

* Exposures are computed as per the definition of Credit Exposure as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

10.4 Concentration of NPAs

Particulars	₹ in crore	
	March 31, 2022	March 31, 2021
Total gross exposure to top four NPA accounts	11.48	17.54

11. Sector-wise advances

Particulars	₹ in crore		
	March 31, 2022		Percentage of gross NPAs to Total advances in that sector
	Outstanding total gross advances	Gross NPAs	
A. Priority Sector *			
1. Agriculture and allied activities	269.24	26.06	9.68%
2. Advances to industries sector eligible as priority sector lending	30.11	0.45	1.49%
3. Services	801.79	147.58	18.41%
- Transport operators	84.61	11.05	13.06%
4. Personal loans	251.58	4.81	1.91%
Sub total (A)	1,352.72	178.90	13.23%
B. Non Priority Sector			
1. Agriculture and allied activities	1,602.17	155.09	9.68%
2. Industry	15.83	0.23	1.45%
3. Services	1,670.41	200.84	12.02%
- Transport operators	261.77	23.31	8.90%
4. Personal Loans	422.08	62.36	14.77%
Sub total (B)	3,710.49	418.52	11.28%
Total (A+B)	5,063.21	597.42	11.80%

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as at March 31, 2022

₹ in crore

Particulars	March 31, 2021		
	Outstanding total gross advances	Gross NPAs	Percentage of gross NPAs to Total advances in that sector
A. Priority Sector *			
1. Agriculture and allied activities	55.55	4.96	8.93%
2. Advances to industries sector eligible as priority sector lending	5.34	0.50	9.36%
3. Services	196.12	12.14	6.19%
- Transport operators	31.44	0.04	0.13%
4. Personal loans	0.71	0.03	4.23%
Sub total (A)	257.72	17.63	6.84%
B. Non Priority Sector			
1. Agriculture and allied activities	1,478.78	132.47	8.96%
2. Industry	23.14	1.62	7.00%
3. Services	1,948.82	211.10	10.83%
- Transport operators	335.80	46.66	13.90%
4. Personal Loans	477.13	30.86	6.47%
Sub total (B)	3,927.87	376.05	9.57%
Total (A+B)	4,185.59	393.68	9.41%

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

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13. Contingent liabilities

₹ in crore

Particulars	March 31, 2022	March 31, 2021
Service tax liability	0.63	0.60
Income tax liability	3.39	3.29
Undrawn commitments	0.12	0.17
Others	0.00	0.69
Total	4.14	4.75

Description of contingent liabilities

a) Claims against the Bank not acknowledged as debts - taxation

The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws.

b) Claims against the Bank not acknowledged as debts - others

The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

*Also refer Schedule 12 - Contingent liabilities

14. Provision on Standard Assets

₹ in crore

Particulars	March 31, 2022	March 31, 2021
Provision towards standard assets	19.46	13.66

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

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

₹ in crore

Particulars	March 31, 2022	March 31, 2021
Provision towards NPA (Net off write off)	320.42	163.17
Provision towards Income tax	10.92	18.91
Deferred Tax Benefit	(44.96)	(18.67)
Provision for Standard Assets	5.80	2.08
Other provision and contingencies *	65.75	(19.09)
Total	357.93	146.40

* During the previous year, the Bank has reversed COVID-19 provision of ₹ 140.71 crore created. Interest income pro-forma NPA of ₹ 54.85 crore was provided for as contingent provision during nine months period ended December 31, 2020 however have been reversed from interest income line for the interest accrued for the entire year on accounts classified as NPA as at March 31, 2021 in accordance with RBI - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015.

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16. Business ratio

Particulars	March 31, 2022	March 31, 2021
Interest income as a percentage to working funds ^{1 2}	13.48%	12.75%
Non-interest income as a percentage to working funds ^{1 2}	1.34%	1.63%
Operating profit ³ as a percentage to working funds ^{1 2}	3.79%	2.98%
Return on assets (average)	(1.33)	0.19%
Business ⁴ (deposit plus net advances) per employee ⁵ (₹ in crore)	1.67	1.42
Profit per employee ⁵ (₹ in crore)	(0.02)	0.00

- 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.

17. Employee benefits

Employee benefits - Gratuity

The Bank has non-contributory defined benefit arrangement providing gratuity benefits expressed in terms of final monthly salary and years of service. Every employee who has completed five years or more of service gets a gratuity on cessation of employment at 15 days salary (last drawn basic salary) for each completed year of service, subject to a maximum of ₹ 20 Lakhs (March 31, 2021: ₹ 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, 2022	March 31, 2021
Current service cost	2.25	1.98
Interest cost on benefit obligation	0.38	0.32
Past Service Cost	-	-
Expected return on plan assets*	(0.03)	(0.01)
Net actuarial (gain)/loss recognized in the year	0.15	0.04
Employer Expenses	2.75	2.33

* Represents expected returns determined by the actuary

	₹ in crore	
Net Liability/(Asset) recognised in the Balance Sheet	March 31, 2022	March 31, 2021
Present value of Defined Benefit Obligation	8.83	7.65
Fair value of plan assets	(0.17)	(0.11)
Net liability recognized in balance sheet	8.66	7.54
Less: Unrecognised Past Service Cost	-	-
Liability recognized in balance sheet	8.66	7.54
of which, Short term provision	1.17	1.00

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₹ in crore

Reconciliation of Defined Benefit Obligation (DBO)	March 31, 2022	March 31, 2021
Present Value of DBO at start of year	7.65	5.82
Interest cost	0.38	0.32
Current service cost	2.25	1.98
Benefits paid	(1.65)	(0.51)
Actuarial loss	0.20	0.04
Present Value of DBO at end of year	8.83	7.65

₹ in crore

Reconciliation of Fair Value of Plan Assets	March 31, 2022	March 31, 2021
Fair Value of Plan Assets at start of year	0.11	0.37
Expected return on plan assets	0.03	0.01
Contributions by the employer	1.64	0.24
Benefits paid	(1.65)	(0.51)
Actuarial (loss)/gain	0.05	0.00
Fair value of plan assets at end of year	0.18	0.11
Estimated employer contributions for the next year	0.10	0.10
Actual return on plan assets	0.07	0.01

The principal assumptions used in determining gratuity obligations for the Bank's plan are shown below:	March 31, 2022	March 31, 2021
Discount rate	5.40%	5.00%
Expected rate of return on assets	5.00%	5.50%
Employee turnover	25.00%	25.00%
Salary growth rate	7.50%	7.50%
Mortality Rate	IALM 2012-14 (Ult.)	IALM 2012-14 (Ult.)
Expected average remaining working lives of employees	3 Years	3 Years

Percentage break-down of total plan assets	March 31, 2022	March 31, 2021
Insurer Managed Funds (non unit-linked)	21.00%	32.00%
Insurer Managed Funds (unit-linked)	79.00%	68.00%
Total	100.00%	100.00%

Planned Asset Break up for Unit Linked Fund (Balanced Managed Fund)	March 31, 2022	March 31, 2021
Equities	43.45%	NA
Debentures and Bonds	22.85%	NA
Government Securities	19.57%	NA
Deposits, Money market instruments and net current assets	14.13%	NA
Total	100.00%	NA

Planned Asset Break up for Unit Linked Fund (Secure Managed Fund)	March 31, 2022	March 31, 2021
Debentures and Bonds	34.77%	36.84%
Government Securities	51.71%	57.27%
Deposits, Money market instruments and net current assets	13.52%	5.89%
Total	100.00%	100.00%

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Planned Asset Break up for Non Linked Fund	As at March 31, 2022	As at March 31, 2021
Government Securities	38.10%	32.90%
Corporate Bonds	59.29%	63.36%
Cash and Deposit	2.61%	3.74%
Total	100.00%	100.00%

Experience Adjustments

Experience Adjustments	₹ in crore						
	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Present Value of DBO	8.83	7.65	5.82	3.81	2.62	2.07	1.40
Less: Fair Valuation of Plan Assets	0.17	0.11	0.37	0.69	0.87	1.08	1.11
Funded Status [Surplus/(Deficit)]	(8.66)	(7.54)	(5.45)	(3.12)	(1.75)	(0.99)	(0.29)
Experience adjustment on plan liabilities : (Gain)/Loss	0.36	0.13	0.20	0.04	(0.16)	(0.02)	-
Experience adjustment on plan Assets : Gain/(Loss)	0.04	0.00	0.02	0.01	0.01	0.01	(0.03)

Employee benefits - Leave Availment

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at March 31, 2022 is ₹ 1.02 crore (March 31, 2021: ₹ 1.01 crore).

Assumption used :

Discount rate : 5.4%

Salary escalation rate : 7.5%

The estimates of future salary growth considered in the actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.

All the assets consist of unit-linked and traditional insurer managed debt instruments, the expected rate of return on assets is drawn from the Indian Government bond yields.

Employee benefits - Provident Fund

The contribution to Employees Provident Fund included under "Payments to and Provisions for Employees" in Schedule 16 amounted to ₹ 11.55 crore for the year ended March 31, 2022 (March 31, 2021: ₹ 9.78 crore).

18. Disclosure on Remuneration

A) Qualitative Disclosures

(a) Information relating to the bodies that oversee remuneration.

Name, composition and mandate of the main body overseeing remuneration

The Nomination and Remuneration Committee (NRC) of the Board is the main body overseeing remuneration. As on March 31, 2022, the NRC had five members of which four are Independent Directors. The functions of the Committee include formulating criteria to determine independence of directors, identifying persons for appointment as directors on the Board of the Bank, devising a policy on board diversity, formulating criteria for evaluation of performance of the Board, its Committees and individual directors, recommending remuneration of senior management personnel, administering, monitoring and formulating detailed terms and conditions of the Employees' Stock Option Scheme of the Bank, recommending to the Board policy on succession planning for the Board and senior management and overseeing and reviewing the succession plans from time to time.

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External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process

Not Applicable

Scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

- (a) The Policy on appointment and remuneration of Directors, Key Managerial personnel and senior management employees was approved by the Board on January 23, 2017 and reviewed periodically. It was modified in October 2020 to exclude the remuneration aspects in view of new Compensation Policy being formulated and approved by the Board.
- (b) The Bank's new Compensation Policy (formulated in accordance with RBI Guidelines on Compensation of Whole Time Directors, Chief Executive Officers, Material Risk Takers and Risk Control & Compliance Staff), was approved by the Board in October 2020. The Compensation Policy is under implementation for FY 2020-21.
- (c) The Employee Policies Manual of the Bank approved by the Board on January 23, 2017 and reviewed periodically covers the compensation policy for all other employees of the Bank.

Type of employees covered and number of such employees by the Compensation Policy and the Employee Policies Manual.

All permanent employees of the Bank are covered. The total number of permanent employees of the Bank at March 31, 2022 was 5,223.

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

Key features and objectives of Compensation policy: The Bank, under the guidance of the NRC and the Board, follows remuneration practices that are intended to drive meritocracy and performance based on a prudent risk management framework and in line with the RBI guidelines. The NRC has oversight over compensation to senior management personnel and also provides overall guidance to the compensation paid to other employees. While the Bank seeks to achieve a mix of fixed and variable (cash and non-cash) remuneration for employees covered under the new Compensation Policy, for all other employees, it has predominantly a fixed remuneration structure with no guaranteed bonuses. Also, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their performance. Further, the Bank has an Employee Stock Option Scheme for eligible employees aimed at aligning compensation to long term performance through stock options that vest over a period of time.

Effective governance of compensation: The NRC has oversight over compensation to senior management personnel and also provides overall guidance to the compensation paid to other employees.

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable (cash and non-cash) remuneration for employees covered under the new Compensation Policy, for all other employees, it has predominantly a fixed remuneration structure with no guaranteed bonuses. Also, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their performance. Further, the Bank has an Employee Stock Option Scheme for eligible employees aimed at aligning compensation to long term performance through stock options that vest over a period of time.

Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made: Yes; the Compensation Policy was modified and approved during the period. The key changes included roles identified for Material Risk Takers and Risk Control Staff and change in deferment period for cash variable.

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.

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- (c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank and senior management, shall consider adherence to the policies and accordingly make its recommendations to the Board. The evaluation process shall incorporate both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and mentoring key members of the top and senior management. In order to ensure alignment of remuneration with prudent practices, the NRC takes into account adherence to the risk framework in addition to business performance.

Overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure: The evaluation process shall incorporate both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and mentoring key members of the top and senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, the NRC takes into account adherence to the risk framework in addition to business performance.

Discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration: With the introduction of the new Compensation Policy, the compensation structure of employees covered therein has undergone a change resulting in an increase in overall remuneration.

- (d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include profitability, business growth, asset quality, compliance, and customer service. The assessment of employees shall be based on their performance with respect to their result areas and shall include the metrics mentioned above.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees shall be based on their performance with respect to their result areas and shall include the metrics mentioned above.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining 'weak' performance metrics: In case such an event should occur, the Board/NRC shall review and provide overall guidance on the corrective measures to be taken.

- (e) Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance

Discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance: Under the new Compensation Policy, the cash variable component will be deferred equally over 5 years and the non-cash variable component (employee stock options) will be deferred over the vesting period as per the extant ESOP Scheme. In case of other employees, where cash variable is not applicable and in case of employees being granted ESOPs, they will be deferred over the vesting period as per the extant ESOP Scheme. In the case of employees covered under the Compensation Policy, all deferred variable compensation would be subjected to malus/clawback arrangements as provided in the RBI guidelines and this would be administered by the NRC.

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as at March 31, 2022

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements: In the case of employees covered under the Compensation Policy, all deferred variable compensation would be subjected to malus/clawback arrangements as provided in the RBI guidelines and this would be administered by the NRC.

- (f) **Description of the different forms of variable remuneration that the Bank utilises and the rationale for using these different forms :** As per the Compensation Policy, the variable remuneration will comprise of cash and non-cash components.

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance: As per the new Compensation Policy, only the employees falling under the categories of Material Risk Takers (MRTs), Risk Control & Compliance Staff (RCS) and Enabling & Supporting Functions Staff (ESS) are eligible for variable remuneration which could be in cash or non- cash forms. The Policy also determines the category-wise mix of the variable compensation payable.

18. Disclosure on Remuneration

B) Quantitative Disclosures

		₹ in crore	
Sr. No	Subject	March 31, 2022*	March 31, 2021
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings : 13 Remuneration paid : ₹ 0.13 crores	Number of meetings : 7 Remuneration paid : ₹ 0.05 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year.	None**	1
(b) (ii)	Number and total amount of sign on awards made during the financial year	1****	None
(b) (iii)	Details of guaranteed bonus, if any, paid as joining/sign on bonus	None	None
(b) (iv)	Details of severance pay, in addition to accrued benefits, if any	None	None
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms	None	None
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	None	None
(d) (i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred.	"Fixed Pay*** : ₹ 1.36 crore Variable : Nil"	"Fixed Pay*** : ₹ 1.36 crore Variable : Nil"
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	None	None
(e) (ii)	Total amount of reductions during the Financial year due to ex post explicit adjustments.	None	None
(e) (iii)	Total amount of reductions during the financial year due to ex post implicit adjustments	None	None
(f)	Numbers of MRT identified	8	12

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as at March 31, 2022

		₹ in crore	
Sr. No	Subject	March 31, 2022*	March 31, 2021
(g) (i)	• Number of cases where malus has been exercised.	None	None
(g) (ii)	• Number of cases where clawback has been exercised.	None	None
(g) (iii)	• Number of cases where both malus and clawback have been exercised.	None	None
(h)	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	N.A	N.A

*For FY 22, the quantitative disclosures covers Whole Time Directors, Chief Executive Officer and Material Risk Takers

**For FY 22, the NRC and Board approved the increase in the fixed remuneration of MD and CEO from ₹ 1.30 crores per annum to ₹ 1.55 crores per annum (exclusive of retivals, perquisites and retiral pay). This is pending for approval of the RBI.

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

**** Only one MRT was granted sign on ESOPs

19. Segment Reporting

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by the RBI. The Bank operates in the following segments:

a) Treasury

Treasury performs liquidity management activities for various business segments. Transfer pricing is based on internally approved yield curve or at an agreed transfer rate on the funding provided by treasury to another business segment.

b) Retail banking

The retail banking segment serves retail customers through a branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with the Bank. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

c) Wholesale banking

Wholesale banking includes all advances to borrowers, which are not included under Retail banking. Revenues of the wholesale banking segment consist of interest and fees on loans made to customers.

d) Other Banking Operation

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

e) Unallocated

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

Geographical segments

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

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as at March 31, 2022

Segment reporting for the year ended March 31, 2022 is given below:

₹ in crore

Particular	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	137.62	991.11	49.20	6.52	1,184.45
Segment Result	19.27	(129.68)	(9.25)	-	(119.66)
Unallocated expenses					(7.39)
Operating Profit					(127.05)
Income taxes					34.02
Extraordinary profit/loss					-
Net Profit					(93.03)
Other information:					
Segment assets	2,979.12	4,496.93	566.48	4.56	8,047.09
Unallocated assets					133.09
Total assets					8,180.18
Segment Liabilities	(2,717.47)	(3,503.61)	(450.43)	(2.38)	(6,673.89)
Unallocated liabilities					(1.18)
Total liabilities					(6,675.07)
Capital employed					(1,505.12)
Capital expenditure					50.47
Depreciation					19.38

Segment reporting for the year ended March 31, 2021 is given below:

₹ in crore

Particular	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	146.76	809.03	41.29	4.05	1001.13
Segment Result *	7.04	7.64	0.71	-	15.39
Unallocated expenses					(3.29)
Operating Profit					12.10
Income taxes					(0.24)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					11.86
Other information:					
Segment assets	2,324.02	3,923.41	378.87	2.81	6,629.11
Unallocated assets					82.88
Total assets					6,711.99
Segment Liabilities	1,571.56	3,517.02	23.93	1.94	5,114.45
Unallocated liabilities					0.64
Total liabilities					5,115.09
Capital employed					1,596.90
Capital expenditure					19.49
Depreciation					15.03

* Includes additional provision of ₹ 65.99 crore for potential impact of COVID-19 (refer note 15) - Retail banking ₹ 57.43 crore and Corporate banking ₹ 8.56 crore. Without COVID-19 additional provision segment result for Retail banking and Corporate would have been ₹ 211.04 crore and ₹ 4.07 crore respectively.

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as at March 31, 2022

20. Liquidity Coverage Ratio

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

Particulars	Quarter ended				Quarter ended				Quarter ended							
	March 31, 2022				December 31, 2021				September 30, 2021				June 30, 2021			
	unweighted value (average)	weighted value (average)	unweighted value (average)	Total value (average)	unweighted value (average)	weighted value (average)	unweighted value (average)	Total value (average)	unweighted value (average)	weighted value (average)	unweighted value (average)	Total value (average)	unweighted value (average)	weighted value (average)	unweighted value (average)	Total value (average)
1 Total High Quality Liquid Assets (HQLA)		1,289.29		1,532.52		1,875.43		2,141.95								
CASH OUTFLOWS																
2 Retail deposits and deposits from small business customers, of which:																
(i) Stable deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Less stable deposits	2,189.86	218.99	2,063.74	206.37	2,063.74	206.37	2,025.15	202.51	2,025.15	202.51	1,881.78	188.18	1,881.78	188.18	1,881.78	188.18
3 Unsecured wholesale funding, of which:																
(i) Operational deposits (all counterparties)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Non-operational deposits (all counterparties)	278.34	35.19	248.59	34.57	248.59	34.57	241.71	36.76	241.71	36.76	247.85	40.79	247.85	40.79	247.85	40.79
(iii) Unsecured debt	446.90	446.90	531.83	531.83	531.83	531.83	557.39	557.39	557.39	557.39	720.61	720.61	720.61	720.61	720.61	720.61
4 Secured wholesale funding		31.69		32.85		63.43		52.56								
5 Additional requirements, of which																
(i) Outflows related to derivative exposures and other collateral requirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(iii) Credit and liquidity facilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6 Other contractual funding obligation	269.04	159.41	319.89	199.28	319.89	199.28	414.55	220.78	414.55	220.78	440.70	156.72	440.70	156.72	440.70	156.72
7 Other contingent funding obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8 Total cash outflows		892.18		1,004.90		1,080.87		1,158.86								
CASH INFLOWS																
9 Secured lending (e.g. reverse repo)	274.34	0.00	136.96	0.00	136.96	0.00	310.48	0.00	310.48	0.00	583.66	0.00	583.66	0.00	583.66	0.00
10 Inflows from fully performing exposures	323.71	191.29	349.10	216.30	349.10	216.30	315.40	199.57	315.40	199.57	393.48	271.07	393.48	271.07	393.48	271.07
11 Other cash inflows	163.19	81.60	202.73	101.36	202.73	101.36	162.24	81.12	162.24	81.12	136.68	68.34	136.68	68.34	136.68	68.34
12 Total cash inflows	761.24	272.89	688.79	317.66	688.79	317.66	788.12	280.69	788.12	280.69	1,113.82	339.41	1,113.82	339.41	1,113.82	339.41
21 Total HQLA		1,289.29		1,532.52		1,875.43		2,141.95								
22 Total Net Cash Outflows		619.29		687.24		800.18		819.44								
23 Liquidity Coverage Ratio (%)		208.19%		223.00%		234.38%		261.39%								

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as at March 31, 2022

Particulars	Quarter ended				Quarter ended				Quarter ended				₹ in crore
	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020						
	Total unweighted value (average)	Total weighted value (average)*	Total unweighted value (average)	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*					
20. Liquidity Coverage Ratio (Contd.)													
1 Total High Quality Liquid Assets (HQLA)		2,124.86		2,090.73		1,944.42		1,361.40					
CASH OUTFLOWS													
2 Retail deposits and deposits from small business customers, of which:													
(i) Stable deposits		-		-		-		-		-		-	-
(ii) Less stable deposits		1,662.56		1,489.34		1,279.56		1,052.39		1,052.39		105.24	
3 Unsecured wholesale funding, of which:		969.96		863.31		843.21		640.72					
(i) Operational deposits (all counterparties)		-		-		-		-		-		-	-
(ii) Non-operational deposits (all counterparties)		208.38		200.55		191.99		164.54		164.54		25.48	
(iii) Unsecured debt		761.58		662.76		651.22		615.24		615.24		615.24	
4 Secured wholesale funding		83.77		49.11		52.72		56.58					
5 Additional requirements, of which													
(i) Outflows related to derivative exposures and other collateral requirement		-		-		-		-		-		-	-
(ii) Outflows related to loss of funding on debt products		-		-		-		-		-		-	-
(iii) Credit and liquidity facilities		-		-		-		-		-		-	-
6 Other contractual funding obligation		444.87		296.60		228.86		168.19					
7 Other contingent funding obligations													
8 Total cash outflows		1,220.95		1,046.18		1,039.52		970.73					
CASH INFLOWS													
9 Secured lending (e.g. reverse repo)		619.19		760.99		685.48		592.07		592.07		-	
10 Inflows from fully performing exposures		326.47		333.63		207.71		180.24		180.24		158.87	
11 Other cash inflows		121.94		109.97		88.77		80.44		80.44		40.22	
12 Total cash inflows		1,067.60		1,204.59		1,084.76		852.75		852.75		199.09	
21 Total HQLA		2,124.86		2,090.73		1,944.42		1,361.40		1,361.40		771.64	
22 Total Net Cash Outflows		965.00		788.03		787.42		771.64		771.64		176.43%	
23 Liquidity Coverage Ratio (%)		220.19%		265.31%		246.94%		176.43%					

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

The objective of LCR is to ensure that the Bank maintains an adequate stock of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs for a 30-day period under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the Bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

The LCR is calculated by dividing the amount of High Quality Liquid unencumbered Assets (HQLA) by the expected net cash outflows over a stressed 30 day period as per the RBI Guidelines. Minimum LCR requirement for small finance banks is 90% upto March 31, 2021 and 100% by April 1, 2021. As per the RBI circular on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) dated April 17, 2020, the LCR requirement for Banks during the year ended March 31, 2021 was as under:

From date of circular to September 30, 2020	- 80%
Oct 1, 2020 to March 31, 2021	- 90%
April 1, 2021 onwards	- 100%

HQLA comprises of cash in hand, excess CRR, excess SLR/Non SLR securities, maximum liquidity facility allowed by RBI under marginal standing facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, borrowings), as well as to undrawn commitments and other miscellaneous liabilities, partially offset by expected inflows from assets maturing within 30 days.

The average LCR for the quarter ended March 31, 2022 was at 208.19% as against 220.19% for the quarter ended March 31, 2021, and well above the present prescribed minimum requirement of 100%. The average HQLA for the quarter ended March 31, 2022 was ₹1289.29 crore, as against was ₹ 2124.86 crore for the quarter ended March 31, 2021.

Reason for LCR in excess of minimum regulatory requirement is liquidity maintained to meet unforeseen eventualities.

21. Net Stable Funding ratio (NSFR)

NSFR became applicable vide circular RBI circular RBI/2017-18/178 DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018, RBI/2020-21/95 DOR.No.LRG.BC.40/21.04.098/2020-21 dated February 6, 2021 and RBI/2020-21 DOR. BP.BC No.16/21.04.098/2020-21 dated Septemebr 06, 2021 to be computed quarterly. The NSFR was 147% for the quarter ended March 31, 2022, which was well above the requirement of 100%. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by NSFR. The amount of stable funding required ("Required stable funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

ASF and RSF reflect the amount of funding available and required for liabilities and assets (including off balance sheet assets). The amounts of ASF and RSF specified in the BCBS standard are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets. The objective of NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the probability of erosion of a bank's liquidity position due to disruptions in a bank's regular sources of funding that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off-balance sheet items, and promotes funding stability.

Schedules to the Financial Statements

as at March 31, 2022

Net Stable Funding ratio as on March 31, 2022

₹ in crore

(₹ in Crore)	Unweighted value by Residual Maturity				Weighted Value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item					
1 Capital (2+3)	1,524.58	25.00	0.00	100.00	1,624.68
2 Regulatory capital	1,524.58	25.00	0.00	100.00	1,624.68
3 Other capital instruments	0.00	0.00	0.00	0.00	0.00
4 Retail deposits and deposits from small business customers: (5+6)	622.70	317.55	272.57	1,313.72	2,405.25
5 Stable deposits	0.00	0.00	0.00	0.00	0.00
6 Less stable deposits	622.70	317.55	272.57	1,313.72	2,405.25
7 Wholesale funding: (8+9)	101.46	882.88	574.37	2,215.89	2,687.92
8 Operational deposits	0.00	0.00	0.00	0.00	0.00
9 Other wholesale funding	101.46	882.88	574.37	2,215.89	2,687.92
10 Other liabilities: (11+12)	298.83	0.00	0.00	0.00	0.00
11 NSFR derivative liabilities		0.00	0.00	0.00	0.00
12 All other liabilities and equity not included in the above categories	298.83	0.00	0.00	0.00	0.00
13 Total ASF (1+4+7+10)					6,717.85
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)	0.00	448.00	0.00	2,131.25	825.85
15 Deposits held at other financial institutions for operational purposes	41.76	0.00	0.00	0.00	20.88
16 Performing loans and securities: (17+18+19+21+23)	0.00	2,734.20		1,973.91	2,957.06
17 Performing loans to financial institutions secured by Level 1 HQLA	0.00	249.90	0.00	0.00	24.99
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0.00	225.69	97.16	135.54	217.97
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	0.00	1,171.51	983.39	1,394.40	2,400.83
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	4.84	5.55	32.39	26.25
21 Performing residential mortgages, of which:	0.00	6.56	7.18	423.79	296.12

Schedules to the Financial Statements

as at March 31, 2022

₹ in crore

(₹ in Crore)	Unweighted value by Residual Maturity				Weighted Value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	5.70	6.24	354.86	236.62
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	0.00	0.00	0.00	20.18	17.15
24 Other assets: (sum of rows 25 to 29)	135.60	157.63	0.61	569.62	762.15
25 Physical traded commodities, including gold	0.00				
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0.00	0.00	17.38	14.78
27 NSFR derivative assets		0.00	0.00	0.00	0.00
28 NSFR derivative liabilities before deduction of variation margin posted		0.00	0.00	0.00	0.00
29 All other assets not included in the above categories	135.60	157.63	0.61	552.24	747.38
30 Off-balance sheet items			105.26		5.26
31 Total RSF (14+15+16+24+30)					4,571.21
32 Net Stable Funding Ratio (%)					146.96%

Net Stable Funding ratio as on December 31, 2021

₹ in crore

(₹ in Crore)	Unweighted value by Residual Maturity				Weighted Value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item					
1 Capital (2+3)	1,572.75	0.00	25.00	100.00	1,685.25
2 Regulatory capital	1,572.75	0.00	25.00	100.00	1,685.25
3 Other capital instruments	0.00	0.00	0.00	0.00	0.00
4 Retail deposits and deposits from small business customers: (5+6)	549.83	332.57	302.02	1,233.83	2,299.81
5 Stable deposits	0.00	0.00	0.00	0.00	0.00
6 Less stable deposits	549.83	332.57	302.02	1,233.83	2,299.81
7 Wholesale funding: (8+9)	58.75	574.74	544.27	1,770.82	2,179.99
8 Operational deposits	0.00	0.00	0.00	0.00	0.00
9 Other wholesale funding	58.75	574.74	544.27	1,770.82	2,179.99
10 Other liabilities: (11+12)	0.00	138.81	80.62	12.48	12.48
11 NSFR derivative liabilities		0.00	0.00	0.00	0.00
12 All other liabilities and equity not included in the above categories	0.00	138.81	80.62	12.48	12.48
13 Total ASF (1+4+7+10)					6,177.52

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as at March 31, 2022

₹ in crore

(₹ in Crore)	Unweighted value by Residual Maturity				Weighted Value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)					822.29
15 Deposits held at other financial institutions for operational purposes	34.84	0.00	0.00	0.00	17.42
16 Performing loans and securities: (17+18+19+21+23)	0.00	2,466.56	1,804.55	2,883.27	2,883.27
17 Performing loans to financial institutions secured by Level 1 HQLA	0.00	0.00	0.00	0.00	0.00
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0.00	109.44	100.30	160.48	227.05
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	0.00	2,244.63		1,252.96	2,378.31
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	10.05		37.43	29.35
21 Performing residential mortgages, of which:	0.00	12.20		391.12	277.92
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	9.50		303.14	201.79
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	0.00	0.00	0.00	0.00	0.00
24 Other assets: (sum of rows 25 to 29)	0.00	98.08	-0.55	525.73	625.78
25 Physical traded commodities, including gold	0.00				
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0.00	0.00	17.39	14.78
27 NSFR derivative assets		0.00	0.00	0.00	0.00
28 NSFR derivative liabilities before deduction of variation margin posted		0.00	0.00	0.00	0.00
29 All other assets not included in the above categories		98.08	(0.55)	508.34	610.99
30 Off-balance sheet items			98.25		4.91
31 Total RSF (14+15+16+24+30)					4,353.67
32 Net Stable Funding Ratio (%)					141.89%

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as at March 31, 2022

22. Deferred Tax Assets

As at March 31, 2022, the Bank has recorded net deferred tax asset of ₹ 95.07 crore (March 31, 2021 : ₹ 61.36 crore), included in other assets.

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

Particulars	₹ in crore	
	March 31, 2022	March 31, 2021
A) 'Deferred tax asset arising out of:		
Loan loss provision and COVID-19 provision	101.17	56.58
Employee benefits	2.52	2.18
Depreciation	2.55	2.56
Others	0.07	0.04
Total (A)	106.31	61.36
B) Deferred tax liability arising out of:		
Total (B)	-	-
Deferred tax asset (net) (A-B)	106.31	61.36

23. Sale of PSLC

Type of PSLCs	₹ in crore	
	March 31, 2022	March 31, 2021
Agriculture	150.00	50.00
Small and Marginal Farmers	1,450.00	1,415.00
Micro Enterprises	-	50.00
General	1,035.00	1,750.00
Total	2,635.00	3,265.00

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

Purchase of PSLC

Type of PSLCs	₹ in crore	
	March 31, 2022	March 31, 2021
Agriculture	-	-
Small and Marginal Farmers	-	-
Micro Enterprises	150.00	140.00
General	-	-
Total	150.00	140.00

24. Unhedged Foreign Currency Exposure

In accordance with the RBI guidelines on Banks' exposures to entities with Unhedged Foreign Currency Exposure ('UFCE'), the Bank has put in place a mechanism to seek information from its borrowers and to evaluate the currency induced credit risk. In the case of listed entities, the Bank obtains information relating to unhedged positions based on the latest available audited/reviewed financial statements; whilst in the case of unlisted/private companies, the Bank obtains the aforesaid information based on the latest available audited financial statements (not exceeding a financial year) so as to estimate the extent of likely loss and to provide for incremental capital or to recognise incremental provision in accordance with the aforesaid guidelines. Further, as per the above-mentioned guidelines, the Bank obtains audited and certified UFCE information from the statutory auditors of the borrowers, wherever feasible, on an annual basis. In the

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as at March 31, 2022

case of smaller entities i.e. entities with exposure to banking industry of less than ₹ 25 crore, the Bank recognises an incremental provision at 10 basis points on all such exposures. The bank has not received certified UFCE information from the statutory auditors of the borrowers hence the Bank has recognised an incremental provision at 80 basis points on all such exposures on prudent basis.

In accordance with RBI guidelines, as at March 31, 2022 the Bank holds UFCE provisions of ₹ 4.87 crore (March 31, 2021: ₹ 1.01 crore)

25. Leases

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

Particulars	₹ in crore	
	March 31, 2022	March 31, 2021
Not later than one year	0.60	5.34
Later than one year but not later than five years	0.36	3.28
Later than five years	-	-
Total	0.96	8.62
The total lease payments recognised in the Statement of Profit and Loss account for the year	26.44	25.12
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	-	-
Sub-lease amounts recognized in the Profit and Loss Account for the year	-	-
Contingent (usage based) lease payments recognized in the Profit and Loss Account for the year	-	-

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.

26. Customer Complaints

Summary information on complaints received by the bank from customers and from the Out Bound offices (OBOs)

Particulars	March 31, 2022	March 31, 2021
Complaints received by the bank from its customers		
1. Number of complaints pending at beginning of the year	42	12
2. Number of complaints received during the year	6,596	2,495
3. Number of complaints disposed during the year	6,547	2,465
3.1 Of which, number of complaints rejected by the Bank	-	-
4. Number of complaints pending at the end of the year	91	42
Maintainable complaints received by the bank from Office of Ombudsman		
5. Number of maintainable complaints received by the bank from Office of Ombudsman	29	21
5.1 Of 5, number of complaints resolved in favour of the Bank by Office of Ombudsman	26	21
5.2 Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	3	-
5.3 Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the Bank	-	-
6. Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

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as at March 31, 2022

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
March 31, 2022					
ATM/Debit Cards	8	791	109%	9	0
Loans and advances	1	184	(40)%	4	0
Internet/Mobile/Electronic Banking	16	4,108	327%	52	1
Account opening/difficulty in operation of accounts	0	141	(13)%	2	0
Others	17	1,372	101%	24	2
Total	42	6,596	164%	91	3
March 31, 2021					
ATM/Debit Cards	0	379	(14)%	8	0
Loans and advances	7	308	367%	1	0
Internet/Mobile/Electronic Banking	4	962	139%	16	1
Account opening/difficulty in operation of accounts	0	163	758%	0	0
Others	1	683	332%	17	2
Total	12	2,495	129%	42	3

27. Award passed by the Banking Ombudsman

Particulars	March 31, 2022	March 31, 2021
(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	-	-

28. Corporate Social Responsibility (CSR)

Gross amount required to be spent by the Bank during the year ended March 31, 2022 is ₹ 2.05 crore (March 31, 2021 ₹ 2.22 crore) under section 135 of the Companies Act, 2013.

Amount spent during the financial year ended March 31, 2022

₹ in crore

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

Amount spent during the financial year ended March 31, 2021

₹ in crore

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction/acquisition of asset	-	-	-
ii) on purpose other than (i) above	2.22	-	2.22
Total	2.22	-	2.22

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as at March 31, 2022

29. Related party disclosure

The Bank has only one related party i.e. Mr. R Baskar Babu, Managing Director (MD) and Chief Executive Officer (CEO). Hence, related party transactions are not disclosed as per the exemption provided in the RBI Master circular on 'Disclosure in Financial Statements' Notes to Accounts dated July 1, 2015.

30. Off balance sheet SPV

There are no off balance sheet SPVs sponsored by the Bank, which needs to be consolidated as per accounting norms.

31. 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, 2021: ₹ Nil).

32. Depositor Education and Awareness Fund

In accordance with the guidelines issued by the 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 more than ten years to the DEAF. During the year ended March 31, 2022, no amount has been transferred to Depositor Education and Awareness Fund. (March 31, 2021: ₹ Nil)

33. Bancassurance Business

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

Nature of income	₹ in crore	
	March 31, 2022	March 31, 2021
For selling life insurance policies	5.58	3.49
For selling non-life insurance policies	0.83	0.54
Total	6.41	4.03

34. Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas assets/NPA as at March 31, 2022 and no overseas operations were undertaken for the year ended March 31, 2022. Hence revenue from overseas operation is ₹ Nil. (March 31, 2021: ₹ Nil)

35. Fraud cases

Particulars	₹ in crore	
	March 31, 2022	March 31, 2021
No. of fraud cases reported during the year	233	178
Amount involved in fraud	1.18	0.53
Provisions created against fraud cases (adjusted for recovery)	0.82	0.18

36. Penalties levied by the RBI

During the year ended March 31, 2022, ₹ NIL crore penalty was imposed by RBI on the Bank (March 31, 2021: 0.03 Crores).

37. Letter of Comfort

The Bank has not issued letter of comfort during the year ended March 31, 2022 (March 31, 2021: ₹ Nil).

38. Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank for the year ended March 31, 2022 (March 31, 2021: ₹ Nil).

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as at March 31, 2022

39. Disclosure on the scheme for sustainable structuring of stressed assets

The Bank does not have any account under the Scheme for Sustainable Structuring of Stressed Assets (S4A) as on March 31, 2022 (March 31, 2021: ₹ Nil).

40. Disclosure on flexible structuring of existing loans

The Bank does not have any account under the Scheme Flexible Structuring of Existing Loans as on March 31, 2022. (March 31, 2021: ₹ Nil).

41. Disclosure on strategic debt restructuring (SDR) scheme

The Bank does not have any account under the strategic debt restructuring (SDR) scheme as on March 31, 2022. (March 31, 2021: ₹ Nil).

42. Disclosure on change in ownership of project under implementation

The Bank does not have any account which are currently under the scheme of Change in Ownership of Projects Under Implementation as on March 31, 2022 (March 31, 2021: ₹ Nil).

43. Disclosure on change in ownership outside SDR scheme

The Bank does not have any account which are currently under the scheme of Change in Ownership Outside SDR as on March 31, 2022 (March 31, 2021: ₹ Nil).

44. The Code on Social Security, 2020

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

45. Details of payment of Audit fees.

Particulars	₹ in crore	
	March 31, 2022	March 31, 2021
Statutory Audit fees and other related services*#	1.08	0.56
Other Matters	-	-
Total	1.08	0.56

*Includes out of pocket expenses.

#prior to September 2021, relates to predecessor auditor

46. No proceedings have been initiated on or are pending against the Bank for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.

47. The Bank has no transactions with the companies struck off under Companies Act, 2013 or Companies Act, 1956.

48. The Bank, as part of its normal banking business, that is conducted ensuring adherence to all regulatory requirements, grants loans and advances, makes investments and accepts deposits and borrowings from its customer, other entities and persons.

Other than the transactions described above which are carried out in the normal course of business, the Bank has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank (Ultimate Beneficiaries) or

Schedules to the Financial Statements

as at March 31, 2022

- b. provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.

The Bank has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Bank shall:

- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
- b. provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

49. There is no income surrendered or disclosed as income during the current or previous year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.

50. Proposed dividend

The Board of Directors of the Bank has not proposed any dividend for the year ended March 31, 2022 (March 31, 2021: ₹ Nil).

51. Impact of COVID-19

During Q1 FY 2022, India experienced a “second wave” of COVID-19, including a significant surge of COVID-19 cases following the discovery of mutant coronavirus variants. The impact of COVID-19, including changes in customer behaviour caused/triggered by disruption to their income, due to restrictions on business and individual activities, had led to significant volatility in Indian financial markets and a significant decrease in local economic activities.

Whilst business activities have since nearly reached pre-COVID levels, the lower collection efficiency with respect to the COVID-19 impacted portfolio originated up to June 2021, has led and could lead to further rise in customer defaults on this impacted portfolio. The Bank has, on a prudent basis, made an additional provision of 15% on the non-performing restructured loans as at March 31, 2022, amounting to INR 46 crores. Further, the Bank also continues to hold floating provisions of INR 91.28 crores as at March 31, 2022 (March 31, 2021: INR 91.28 crores).

The extent to which the COVID-19 pandemic shall continue to impact the Bank’s results, on account of additional provisions towards the loan assets, shall depend on ongoing as well as future developments.

52. Comparatives

Figures for the previous year have been regrouped wherever necessary to conform with the current year presentation.

As per our report of even date

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm Registration No: 001076N/N500013

For and on behalf of the Board of Directors

Sudhir N. Pillai

Partner

Membership No: 105782

R. Ramachandran

Chairperson

DIN-01953653

R. Baskar Babu

Managing Director and
Chief Executive Officer

DIN-02303132

Jyotin Mehta

Director

DIN-00033518

Krishna Kant Chaturvedi

Company Secretary

Kanishka Chaudhary

Chief Financial Officer

Place: Navi Mumbai

Date: May 19, 2022



Suryoday Small Finance Bank Limited

Registered and Corporate Office:
1101 Sharda Terraces, Plot 65, Sector 11,
CBD Belapur, Navi Mumbai - 400 614