

Airtel Payments Bank Limited

Financial Statements for the year ended March 31, 2019

AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

BALANCE SHEET AS ON MARCH 31, 2019

(Rupees in thousands)

	Schedule	As on 31.03.2019	As on 31.03.2018
CAPITAL & LIABILITIES			
Capital	1	13,028,751	10,050,251
Share Application Money Received	18 (Note 26)	116	-
Reserves & Surplus	2	(11,130,411)	(7,744,268)
Employee Stock Options Outstanding	18 (Note 11)	34,693	14,074
Deposits	3	2,705,621	2,904,874
Borrowings	4	-	-
Other Liabilities and Provisions	5	8,009,867	4,137,559
Total		12,648,637	9,362,490
ASSETS			
Cash & Balances with Reserve Bank of India	6	913,558	307,781
Balances with Banks and Money at Call & Short Notice	7	4,075,591	3,184,514
Investments	8	4,006,462	3,904,811
Advances	9	-	-
Fixed Assets	10	237,970	237,549
Other Assets	11	3,415,056	1,727,835
Total		12,648,637	9,362,490
Contingent Liabilities	12	39,670	18,009
Bills for Collection		-	-
Significant Accounting Policies	17	-	-
Notes on Accounts	18	-	-

The schedules referred to above form an integral part of this Balance Sheet

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule of the Banking Regulation Act, 1949.

As per our report of even date

For Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration No: 117365W

For and on behalf of the Board of Directors of Airtel Payments Bank Limited

Kalpesh J. Mehta

Kalpesh J. Mehta
Partner
Membership No: 48791



Sunil Bharti Mittal

Sunil Bharti Mittal
Chairman
DIN:00042491

Gopal Vittal

Gopal Vittal
Director
DIN:02291778

Rakesh Kapur

Rakesh Kapur
Director
DIN:00007230

Anubrata Biswas

Anubrata Biswas
Managing Director & CEO
DIN:08140188

Gaurav Seth

Gaurav Seth
Chief Financial Officer

Suman Singh

Suman Singh
Company Secretary

Place : New Delhi
Date : *May 2, 2019*



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

(Rupees in thousands except per share data)

	Schedule	For the year ended 31.03.2019	For the year ended 31.03.2018
I. INCOME			
Interest Earned	13	557,094	481,295
Other Income	14	<u>1,987,367</u>	<u>1,121,337</u>
		2,544,461	1,602,632
II. EXPENDITURE			
Interest Expended	15	122,837	145,932
Operating Expenses	16	5,726,747	4,171,114
Provisions and Contingencies	18 (Note 15)	<u>83,091</u>	<u>11,864</u>
		5,932,675	4,328,910
III. LOSS			
Net Loss for the year		(3,388,214)	(2,726,278)
Loss Brought Forward		<u>(7,744,268)</u>	<u>(5,017,990)</u>
Total		(11,132,482)	(7,744,268)
IV. APPROPRIATIONS			
Transfer to :		-	-
a) Statutory Reserves		-	-
b) Other Reserves		-	-
c) Proposed Dividend		-	-
d) Tax on Dividend		-	-
Balance Carried over to Balance Sheet		<u>(11,132,482)</u>	<u>(7,744,268)</u>
Total		(11,132,482)	(7,744,268)
V. Loss Per Share (Face value of Rs 10/-)			
Basic and Diluted (In Rs.) [Refer Note 13 - Schedule 18]		(3.37)	(2.72)
Significant Accounting Policies	17		
Notes on Accounts	18		

The schedules referred to above form an integral part of this Profit and Loss Account

The Profit and Loss account has been prepared in conformity with Form 'B' of the Third Schedule of the Banking Regulation Act, 1949.

As per our report of even date

For Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration No: 117365W

For and on behalf of the Board of Directors of Airtel Payments Bank Limited


Kalpesh J. Mehta

Partner
Membership No: 48791



Place : New Delhi
Date : May 2, 2019


Sunil Bharti Mittal

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DIN:00042491


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DIN:00007230


Anubrata Biswas

Managing Director & CEO
DIN:08140188


Gaurav Seth

Chief Financial Officer


Suman Singh

Company Secretary



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)
Cash Flow Statement for the year ended 31st March, 2019

	For the year ended March 31, 2019	(Rupees in thousands) For the year ended March 31, 2018
A. Cash flow from operating activities:		
Loss before tax	(3,388,214)	(2,726,278)
Adjustments for:		
Depreciation and Amortisation Expense	94,168	54,088
Amortisation of Premium on HTM investments	149	-
Employees Stock Option Expenses	22,691	14,074
Provision for Depreciation on Investments	-	(720)
Other Provisions	83,091	12,584
Profit on Sale of Fixed Assets (net)	(39)	(3)
Share Issue Expenses	-	2,502
Operating cash flow before changes in assets and liabilities	(3,188,154)	(2,643,753)
Adjustments for changes in assets and liabilities :		
(Decrease)/ Increase in Deposits	(199,253)	2,221,513
Increase in Other Liabilities	3,869,525	938,966
Decrease/ (Increase) in Investments (other than HTM securities)	99,179	(1,977,824)
Increase in Other Assets	(1,767,063)	(1,215,146)
Cash generated from operations	(1,185,766)	(2,676,244)
Taxes paid (including tax deducted at source)	(3,544)	(13,471)
Net cash flow used in operating activities (A)	(1,189,310)	(2,689,715)
B. Cash flow from investing activities:		
Purchase of Fixed Assets	(93,040)	(263,142)
Proceeds from Sale of Fixed Assets	1,568	132
Purchase of Investments (HTM securities)	(200,980)	-
Net cash flow used in investing activities (B)	(292,452)	(263,010)
C. Cash flow from financing activities:		
Proceeds from Issuance of Equity Share Capital	-	106,431
Proceeds from Issuance of 0.0001% Non-Cumulative Compulsorily Convertible Non-Redeemable Preference Shares	2,978,500	-
Share Application Money Received	116	-
Share Issue Expenses Paid	-	(2,502)
Net Proceeds from Borrowings	-	-
Net cash flow from financing activities (C)	2,978,616	103,929
Net Increase/ (decrease) in cash and cash equivalents (A+B+C)	1,496,854	(2,848,796)
Add : Balance as at the beginning of the year	3,492,295	6,341,091
Balance as at the end of the year (Schedule 6 and 7)	4,989,149	3,492,295

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks (including Fixed deposits) and money at call and short notice.

Notes :

- Figures in brackets indicate cash outflow.
- Previous year figures have been regrouped and recast wherever necessary to conform to the current year classification.

The accompanying notes form an integral part of these financial statements
As per our report of even date

For Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration No: 117365W

For and on behalf of the Board of Directors of Airtel Payments Bank Limited

Kalpesh J. Mehta

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Partner
Membership No: 48791



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Place : New Delhi
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Anubrata Biswas

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Managing Director & CEO
DIN:08140188

Gaurav Seth

Gaurav Seth
Chief Financial Officer

Suman Singh

Suman Singh
Company Secretary

AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)

As on 31.03.2019 As on 31.03.2018

SCHEDULE 1: CAPITAL

Authorised Capital	19,800,000	19,800,000
1,180,000,000 equity shares of Rs. 10 each (March 31, 2018 - 1,980,000,000 equity shares of Rs. 10 each)	11,800,000	19,800,000
800,000,000 preference shares of Rs. 10 each (March 31, 2018 - Nil)	8,000,000	-
Issued, Subscribed and Paid-Up Capital		
1,005,025,128 equity shares of Rs. 10 each (March 31, 2018- 1,005,025,128 equity shares of Rs. 10 each)	10,050,251	10,050,251
During the year Bank has issued 297,850,000 0.0001% non-cumulative compulsorily convertible non redeemable preference shares (March 31, 2018- Nil) of Rs. 10 each (Refer Note 1 of Schedule 18)	2,978,500	-
Total	13,028,751	10,050,251

During the year, the Bank has divided authorised capital of Rs. 19,800,000 thousands into 1,180,000 thousands equity shares of Rs. 10 each and 800,000 thousands preference shares of Rs. 10 each.

SCHEDULE 2: RESERVES & SURPLUS

I. Statutory Reserves

Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Total	-	-

II. Capital Reserves

Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Total	-	-

III. Share Premium

Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Total	-	-

IV. Revenue and Other Reserves

Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Total	-	-

V. General Reserves

Opening Balance	-	-
Additions during the year	2,071	-
Deductions during the year	-	-
Total	2,071	-

VI. Balance In Profit and Loss Account

	(11,132,482)	(7,744,268)
(I,II,III, IV, V & VI)	(11,130,411)	(7,744,268)



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)

As on 31.03.2019

As on 31.03.2018

SCHEDULE 3: DEPOSITS

A I. Demand Deposits		
i) From Banks	-	-
ii) From Others	-	-
Total	-	-
II. Saving Banks Deposits	2,705,621	2,904,874
III. Term Deposits		
i) From Bank	-	-
ii) From Others	-	-
Total	-	-
(I, II & III)	2,705,621	2,904,874
B Deposits of Branches		
i) In India	2,705,621	2,904,874
ii) Outside India	-	-
	2,705,621	2,904,874

SCHEDULE 4: BORROWINGS

I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	-	-
iii) Other Institutions and Agencies	-	-
Total	-	-
II. Borrowings Outside India	-	-
Total (I & II)	-	-
Secured Borrowings (Included in I and II)	-	-



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)

As on 31.03.2019 As on 31.03.2018

SCHEDULE 5: OTHER LIABILITIES AND PROVISIONS

I.	Bills Payable	-	-
II.	Inter Office Adjustments (net)	-	-
III.	Interest Accrued	-	-
IV.	Others (Including provisions)*	8,009,867	4,137,559
	Total	8,009,867	4,137,559

* Includes semi-closed prepaid payment instruments of INR 1,006,914 thousands (March 31, 2018 : INR 987,060 thousands)

SCHEDULE 6: CASH & BALANCES WITH RESERVE BANK OF INDIA

I.	Cash in Hand	-	-
II.	Balance with Reserve Bank of India:		
	a) In Current Account	913,558	307,781
	b) In other Accounts	-	-
	(I & II)	913,558	307,781



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)

As on 31.03.2019

As on 31.03.2018

SCHEDULE 7: BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE

I. IN INDIA

i) Balances with Banks		
a) In Current Accounts	300,691	418,139
b) In other Deposit Accounts*	3,524,900	2,716,400
ii) Money at Call & Short Notice		
a) With Banks	250,000	-
b) With Other Institutions	-	49,975
Total (i & ii)	4,075,591	3,184,514

II OUTSIDE INDIA

i) In Current Accounts	-	-
ii) In Other Deposit Accounts	-	-
iii) Money at Call & Short Notice	-	-
Total (i, ii & iii)	-	-
Total (I & II)	4,075,591	3,184,514

* Pledged with other bank of INR 2,500 thousands (March 31 2018 : INR 2,500 thousands)



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)

As on 31.03.2019

As on 31.03.2018

SCHEDULE 8: INVESTMENTS

A. I. Investment in India in :

i) Government Securities	4,006,462	3,904,811
ii) Other Approved Securities	-	-
iii) Shares	-	-
iv) Debentures & Bonds	-	-
v) Subsidiaries and/ or Joint Ventures	-	-
vi) Others	-	-
Total	4,006,462	3,904,811

II. Investments Outside India

i) Government securities (Including local authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other investments	-	-
Total	-	-

Grand Total (I & II)	4,006,462	3,904,811
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AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)

As on 31.03.2019

As on 31.03.2018

SCHEDULE 9: ADVANCES

A) i) Bills Purchased and Discounted	-	-
ii) Cash Credits, Overdrafts & Loans repayable on demand	-	-
iii) Term Loans	-	-
Total	-	-
B) i) Secured by Tangible Assets	-	-
ii) Covered by Banks/ Government Guarantees	-	-
iii) Unsecured	-	-
Total	-	-
C) I. Advances in India		
i) Priority Sector	-	-
ii) Public Sector	-	-
iii) Banks	-	-
iv) Others	-	-
Total	-	-
II. Advances Outside India		
i) Dues from Banks	-	-
ii) Dues from others	-	-
a) Bills purchased and discounted	-	-
b) Syndicated loans	-	-
c) Others	-	-
Total	-	-
Grand C (I & II)	-	-
Grand Total (A, B & C)	-	-



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)
As on 31.03.2019 **As on 31.03.2018**

SCHEDULE 10: FIXED ASSETS

I. Premises

At cost on 31st March of the preceding year	-	-
Additions during the year	-	-
Deductions during the year	-	-
Less: Depreciation to date	-	-
Net Block	-	-

II. Other Fixed Assets (Including Furnitures & Fixtures)

[Refer Note 9 - Schedule 18]

At cost as on 31st March of the preceding year	340,595	365,974
Additions during the year	96,118	260,244
Deductions during the year	(12,326)	(285,623)
Depreciation to date*	(186,417)	(103,046)
Net Block	237,970	237,549

Total Fixed Assets (I and II)	237,970	237,549
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*Includes depreciation charge for the current financial year amounting to INR 94,168 thousands (March 31, 2018 : INR 54,088)



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)

As on 31.03.2019

As on 31.03.2018

SCHEDULE 11: OTHER ASSETS

I Inter-office adjustment (net)	-	-
II Interest Accrued	190,835	138,503
III Tax paid in advance / Tax deducted at source (Net)	160,195	157,607
IV Stationery and Stamps	-	-
V Deferred Tax Assets (Net) [Refer Note 27 - Schedule 18]	-	-
VI Others	3,064,026	1,431,725
	3,415,056	1,727,835

SCHEDULE 12: CONTINGENT LIABILITIES

I Claims against the banks not acknowledged as debts	2,824	1,107
II Liabilities for partly paid investments	-	-
III Liability on account of outstanding forward exchange contracts	-	-
IV Guarantees given on behalf of constituents	-	-
a) In India	-	-
b) Outside India	-	-
V Acceptances, endorsements and other obligations	-	-
VI Other items for which the bank is contingently liable	-	-
- Capital commitments	34,346	14,402
- Bank guarantee given by other bank on our behalf	2,500	2,500
	39,670	18,009



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)

For the year ended **For the year ended**
31.03.2019 **31.03.2018**

SCHEDULE 13: INTEREST EARNED

I. Interest/ Discount on Advances/ Bills	-	-
II. Income on Investments	272,756	189,480
III. Interest on balances with RBI and other inter-Bank funds	284,333	289,494
IV. Others	5	2,321
Total	557,094	481,295

SCHEDULE 14: OTHER INCOME

I. Commission, Exchange and Brokerages	1,984,493	1,109,255
II. Profit on Sale of Investments (Net)	3,037	11,497
III. Profit / (Loss) on revaluation of Investments (Net)	-	-
IV. Profit on Sale of Fixed Assets (Net)	39	3
V. Loss on Exchange Transactions (Net)	(203)	(57)
VI. Income earned from Subsidiaries/ Joint Ventures	-	-
VII. Miscellaneous Income	1	639
Total	1,987,367	1,121,337



AIRTEL PAYMENTS BANK LIMITED
(Formerly Airtel M Commerce Services Limited)

(Rupees in thousands)

	For the year ended 31.03.2019	For the year ended 31.03.2018
SCHEDULE 15: INTEREST EXPENDED		
I. Interest on Deposits	118,759	143,246
II. Interest on Reserve Bank of India and inter-Bank Borrowings	1,327	718
III. Others	2,751	1,968
	122,837	145,932
SCHEDULE 16: OPERATING EXPENSES		
I. Payment to and Provision for employees	845,605	615,248
II. Rent, Taxes and Lighting	76,633	45,463
III. Printing and Stationery	11,315	1,977
IV. Advertisement and Publicity	477,837	470,375
V. Depreciation/Amortisation on Bank's Property	94,168	54,088
VI. Directors' fees, allowances and expenses	6,800	7,108
VII. Auditors' fee and expenses (including Branch Auditors)	2,511	1,406
VIII. Law Charges	-	-
IX. Postage, Telegram, Telephones etc.	8,759	5,278
X. Repairs and Maintenance	16,910	7,451
XI. Insurance	14,190	24,202
XII. Other Expenditure (Refer Note 25 - Schedule 18)	4,172,019	2,938,518
	5,726,747	4,171,114



Significant Accounting Policies

Schedule 17: Significant Accounting Policies

1. Background

Airtel Payments Bank Limited (formerly Airtel M Commerce Services Limited) was incorporated under Companies Act, 1956. The company had been in business of providing Semi-Closed Prepaid Payment Instrument and domestic remittance services.

The company applied for the Payments Bank License to Reserve Bank of India and obtained the banking license on April 11, 2016. Registrar of Companies issued fresh Certificate of Incorporation (COI) dated May 2, 2016 from which the name of the company changed from 'Airtel M Commerce Services Limited' to 'Airtel Payments Bank Limited'. The Payments bank commenced its operation on November 23, 2016. As per the Reserve Bank of India (RBI) guidelines, Payments Bank cannot directly undertake lending activities but can offer Savings & Current account, issue prepaid wallets, offer remittance products and distribute non risk sharing financial products such as insurance, mutual fund, loans etc.

As the Payments Bank cannot lend to any person except their own employees, accordingly, all the disclosures pertaining to advances have not been made.

The Bank currently provides Savings Account, Semi-Closed Prepaid Payment Instrument, Remittance service and distributing non risk sharing financial product such as insurance to the customers.

The Bank has received a license from Insurance Regulatory and Development Authority to operate as Corporate Agent, that will enable the Bank to distribute insurance products of the partner Companies.

2. Basis of preparation

The financial statements have been prepared in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of Airtel Payments Bank Limited (Bank) used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time, the Accounting Standards specified under Section 133 of the Companies Act, 2013 read together with the relevant rules defined thereunder and other relevant provisions of the Companies Act, 2013, in so far as they apply to banks. The financial statements have been prepared under the historical cost convention and on an accrual basis except in case of assets for which revaluation is carried out and certain derivative financial instruments (Refer note 3.6 – Schedule 17). The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year.

These financial statements are presented in Indian Rupees ('Rupees' or 'Rs') and all amounts are rounded to the nearest thousands, except as stated otherwise.

Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year.

The Bank's Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

3. Summary of significant accounting policies

3.1 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") categories (hereinafter called "categories"). Subsequent shifting amongst the categories, if done, is also done in accordance with these 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,



Significant Accounting Policies

Investments in Subsidiaries / Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

The Bank follows 'Settlement Date' accounting for recording purchase and sale transactions of securities, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification: Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities as on that date. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above two categories are classified under AFS category.

Acquisition Cost: Broken period interest on debt instruments and government securities are considered as a revenue item under Profit and Loss Account as per RBI guidelines. The transaction costs including brokerage, commission etc. paid at the time of acquisition of investments is recognised in Profit and Loss Account.

Disposal of investments:

- a. Investments classified as HFT or AFS-** Profit or loss on sale or redemption is recognised in the Profit and Loss Account.
- b. Investments classified as HTM-** Profit on sale or redemption of investments is recognised in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale or redemption is recognized in the Profit and Loss Account.

Valuation: -

i. Investments classified as HTM - These are carried at their acquisition cost. Any premium on acquisition of debt instruments / government securities is amortised over the balance maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided.

ii. Investments classified as HFT or AFS :

- a.** Investments are marked to market on a periodical basis as per relevant RBI guidelines and the net depreciation, if any, within each category is recognised in the Profit and Loss Account. Net appreciation, if any, is ignored, except to the extent of depreciation previously provided. Further, provision other than temporary diminution is made at individual security level. Except in cases where provision other than temporary diminution is made, the book value of the individual securities is not changed as a result of periodic valuations.
- b.** The market or fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the market price of the scrip as available from the trades or quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Financial Benchmark India Private Limited (FBIL) as at the year end.

The market or fair value of unquoted government securities included in the 'AFS' and 'HFT' categories is determined as per the price published by FBIL. Further, in the case of unquoted bonds and debentures, valuation is carried out by applying an appropriate mark-up (reflecting associated credit risk) over the Yield to Maturity (YTM) rates of government securities. Such mark up and YTM rates applied are as per the relevant rates published by FBIL.

- c.** Treasury Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d.** Units of mutual funds are valued as per the latest Net Asset Value declared by the mutual fund in respect of each particular scheme.

iii. Non-performing investments are identified and valued based on the RBI guidelines.

iv. Repurchase and reverse repurchase transactions- Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are accounted as collateralised borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo is recognised as interest income or interest expense over the period of the transaction.



Significant Accounting Policies

3.2 Fixed assets (Tangibles and Intangibles) and depreciation / amortisation

Fixed Assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred. Capital work in progress is valued at cost.

Gains and losses arising from retirement or disposal of the tangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in statement of profit and loss on the date of retirement or disposal. Profit on sale of premises of the Bank, if any, is appropriated to Capital Reserve as per the RBI guidelines

Depreciation on fixed assets is provided on the straight line method based on useful lives of respective assets as estimated by the management. The assets' residual values and useful lives are reviewed at each financial year end or whenever there are indicators for review, and adjusted prospectively.

Estimated useful lives of the assets are as follows:

Particulars	Years
Computers	3
Office Equipment	2-5
Furniture & Fixtures	5
Leasehold Improvements	Period of lease or useful life, whichever is less
Others (Including software's, Goodwill and system development expenses)	1-5 years*

The management basis its past experience and technical assessment has estimated the useful life, which is at variance with the life prescribed in Part C of Schedule II of the Companies Act, 2013 and has accordingly, depreciated the assets over such useful life.

*Software is capitalized at the amounts paid to acquire the respective license for use and is amortized over the period of license, generally not exceeding five years. Software up to Rs 500 thousand, which has an independent use is amortized over a period of one year from the date of place in service.

Goodwill is carried at cost less accumulated amortisation and is amortised on a straight-line basis over the period of 5 years from the date of acquisition

3.3 Impairment of assets

The carrying amounts of assets are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or when annual impairment testing for an asset is required. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

3.4 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise Balances with RBI, cash on hand, cheques on hand, balances with other Banks/Institutions and money at call and short notice.



Significant Accounting Policies

3.5 Revenue recognition and receivables

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is measured at the consideration received/receivable, excluding discounts, rebates, and Goods and Service Tax (GST) or duty.

i) Investing and other activities

Income on account of interest and other activities are recognised on an accrual basis. Interest income on discounted instruments is recognised over the tenure of the instruments so as to provide a constant periodic rate of return. Dividend income is accounted on an accrual basis when the right to receive the dividend is established.

ii) Service Revenue

Service revenue is recognised on completion of provision of services. Revenue, net of discount, is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of consideration.

iii) Unbilled revenue

Unbilled revenue represent revenue recognized in respect of services provided from the last bill cycle date to the end of the reporting period. These are billed in subsequent periods as per the terms of the contractual arrangements.

iv) Provision for doubtful debts

The Bank provides for amounts outstanding for more than 90 days from the date of billing, net off security deposits or in specific cases where the management is of the view that the amounts from certain merchants / vendors are not recoverable.

3.6 Foreign currency translation and accounting for derivatives

Initial Recognition

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.

Conversion

Foreign currency monetary items are translated using exchange rates prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are translated using the exchange rates at the date when the values were determined.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on restatement of the Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Embedded Derivatives

The Bank occasionally enters into contracts, that do not in their entirety meet the definition of a derivative instrument, that may contain "embedded" derivative instruments – implicit or explicit terms that affect some or all of the cash flow or the value of other exchanges required by the contract in a manner similar to a derivative instrument. The Bank assesses whether the economic characteristics and risks of the embedded derivative are clearly and closely related to the economic characteristics and risks of the remaining component of the host contract and whether a separate, non-embedded instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument.



Significant Accounting Policies

When it is determined that (1) the embedded derivative possesses economic characteristics and risks that are not clearly and closely related to the economic characteristics and risks of the host contract and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract, carried at fair value as a trading or non-hedging derivative instrument. At every year end, all outstanding embedded derivative instruments are fair valued on mark-to-market basis and any loss on valuation is recognized in the statement of profit and loss for the year. Any reduction in mark to market valuations and reversals of such reductions are included in statement of profit and loss of the year.

3.7 Employee benefits

The Bank's post-employment benefits include defined benefit plan and defined contribution plans. The Bank also provides other benefits in the form of compensated absences.

Under the defined benefit retirement plan, the Bank provides retirement obligation in the form of Gratuity. Under the plan, a lump sum payment is made to eligible employees at retirement or termination of employment based on respective employee salary and years of experience with the Bank.

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability in the balance sheet. Scheme liabilities are calculated using the projected unit credit method and applying the principal actuarial assumptions as at the date of balance sheet. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies.

All expenses in respect of defined benefit plans, including actuarial gains and losses, are recognised in the statement of profit and loss as incurred.

The Bank's contributions to defined contribution plans are recognised in statement of profit and loss as they fall due. The Bank has no further obligations under these plans beyond its periodic contributions.

The distinction between short-term and long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits.

The employees of the Bank are entitled to compensated absences based on the un-availed leave balance as well as other long term benefits. The Bank records liability based on actuarial valuation computed under projected unit credit method.

Employee Stock Option Scheme (ESOS)

The Employees Stock Option Scheme (APBL ESOP - 2017 scheme, as amended so far) provides for grant of options on the Bank's equity shares/ non-cumulative compulsorily convertible non-redeemable preference shares to certain employees of the Bank and Bharti Airtel Limited. The scheme provides that employees are granted an option to subscribe to equity shares/ non-cumulative compulsorily convertible non-redeemable preference shares of the Bank that vest in a graded manner. The options may be exercised within specified period. The Bank follows the fair value method to account for its stock-based employee compensation plans. In case of equity-settled awards, the stock option is fair valued on grant date and amortized over the vesting period. The amortization of fair value is recognised as an expense in the statement of profit and loss within employee benefits as employee share-based payment expenses, with the corresponding increase in share-based payment reserve (a component of equity).

Gain on cancellation of unvested options are recognized decrease in expense in statement of profit and loss within employee benefits. Further, share based payment reserve transferred to General Reserve at the time of cancellation of vested options.

3.8 Leases

The determination of whether an arrangement is a lease is based on whether fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement

Leases where the lessor transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance lease and other leases are classified as operating lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.



Significant Accounting Policies

3.9 Taxes

Current Income tax

Current Income tax is measured at the amount expected to be paid to the tax authorities in accordance with Indian Income Tax Act, 1961.

Deferred tax

Deferred income taxes reflects 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.

At each balance sheet date, unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably or virtually certain, as the case may be, that future taxable income will be available against which such deferred tax assets can be realised.

3.10 Segmental reporting

The, segment information as per AS 17, "Segment Reporting", has been disclosed as per guidelines issued by RBI on AS-17 vide circular dated April 18, 2007.

3.11 Earnings / (loss) per share

The earnings / (loss) considered in ascertaining the Bank's Earnings per Share ('EPS') comprises of the net profit / (loss) after tax attributable to equity shareholders. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares.

3.12 Provisions and contingencies

Provisions are recognised when the Bank has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or a present obligation that is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Information on contingent liabilities is disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

Schedule -18: Notes To Accounts

Disclosure as laid down by Reserve Bank of India (RBI) Circulars

1) Capital Adequacy

The Bank computes capital adequacy ratio as per New Capital Adequacy Framework Basel II and operating guidelines for Payments Banks (issued by RBI on October 06.2016).

The Capital adequacy ratio (CRAR) of the bank is calculated as per the standardized approach for Credit Risk. As per RBI directions dated November 08, 2017 DBR. NBD. No. 4503/16.13.2018/2017-18, RBI for the time being has advised that no separate capital charge is prescribed for market risk and operational risk for Payments Banks. Capital Adequacy Ratio of the bank at March 31, 2019 is 45.26% against the regulatory requirement of 15.00% prescribed by RBI.

Capital conservation buffer & Counter-cyclical capital buffer is not applicable on Payments Banks as per operating guidelines issued on Payments Banks by RBI.

The following table sets forth, for the period indicated, computation of capital adequacy as per Basel II framework.

(Rupees in thousands)

S. No.	Particulars	As on 31.03.2019	As on 31.03.2018
i)	Common Equity Tier 1 Capital Ratio (%)**	6.00%	96.41%
ii)	Additional Tier I Capital Ratio	39.26%	-
iii)	Tier 1 Capital ratio (%)	45.26%	96.41%
iv)	Tier 2 Capital ratio (%)	--	--
v)	Total Capital ratio (CRAR) (%)	45.26%	96.41%
vi)	Percentage of the shareholding of the Government of India in the Bank	--	--
vii)	Amount raised by issue of equity shares	--	106,431
viii)	Amount of Additional Tier 1 capital raised; of which Fully paid up, 0.0001% Non-Cumulative Compulsorily Convertible Non-Redeemable Preference Shares* : PDI:	2,978,500	--
ix)	Amount of Tier II capital raised; of which Debt capital instrument: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)] Amount raised by issue of IPDI	--	--

*During the year the bank has allotted 297,850,000 fully paid up, 0.0001% Non-Cumulative Compulsorily Convertible Non-Redeemable Preference Shares (Non-Cumulative CCPS) aggregating to face value INR 2,978,500,000.

** During the year the Bank's Common Equity Tier 1 ratio has gone below 6%. As per the Basel III guidelines, the bank has temporary written down the Non-Cumulative CCPS issued to Bharti Airtel Limited and Bharti Enterprises Limited (Formerly Bharti Ventures Limited) to restore CET1 ratio at 6%.



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

The following table summarizes the constituents of Common Equity Tier-1, Additional Tier -1 & Tier-1 Capital:-

Common Equity Tier 1 Capital

(Rupees in thousands)

Particulars	As on 31.03.2019	As on 31.03.2019	As on 31.03.2018	As on 31.03.2018
Risk weighted assets (A)		41,93,954		23,91,875
Common Equity Tier 1 Capital				
Equity Share Capital (B)		1,00,50,251		1,00,50,251
Debit Balance in Profit and Loss Account (C)	(1,11,32,482)		(77,44,268)	
Add: adjusted against Non-Cumulative CCPS (Part of Additional Tier I Capital) (D)	13,31,798			
Debit Balance in Profit and Loss Account after Adjustment E=(C+D)		(98,00,684)		(77,44,268)
General Reserve (F)		2,071		
Total Common Equity Tier 1 Capital Equity Share Capital (G=B+E+F)		2,51,638		2,305,983
Common Equity Tier 1 Capital Ratio (G/A)		6.00%		96.41%

Additional Tier I Capital

(Rupees in thousands)

Particulars	As on 31.03.2019	As on 31.03.2019	As on 31.03.2018	As on 31.03.2018
Risk weighted assets-(A)		41,93,954		23,91,875
Non-Cumulative CCPS -(B)	29,78,500			
Less: adjusted against Non-Cumulative CCPS (part of Additional Tier I Capital)- (C)	13,31,798			
Non-Cumulative CCPS after adjustment or Total Additional Tier I Capital D=(B-C)		16,46,702		---
Additional Tier I Capital Ratio E= D/A		39.26%		Not Applicable



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

Tier 1 Capital ratio

(Rupees in thousands)

Particulars	As on 31.03.2019	As on 31.03.2019	As on 31.03.2018	As on 31.03.2018
Risk weighted assets (A)		41,93,954		23,91,875
Common Equity Tier 1 Capital				
Equity Share Capital (B)		1,00,50,251		1,00,50,251
Debit Balance in Profit and Loss Account (C)	(1,11,32,482)		(77,44,268)	
Less: adjusted against Non-Cumulative CCPS (part of Additional Tier I Capital) (D)	13,31,798		-	
Debit Balance in Profit and Loss Account after Adjustment E=(C+D)		(98,00,684)		(77,44,268)
General Reserve (F)		2071		-
Total Common Equity Tier 1 Capital Equity Share Capital G=(B+E+F)		2,51,638		2,305,983
Non-Cumulative CCPS -(H)	29,78,500		-	
Less adjusted against Non-Cumulative CCPS (part of Additional Tier I Capital)- (I)	13,31,798		-	
Non-Cumulative CCPS after adjustment or Total Additional Tier I Capital J=(H-I)		16,46,702		
Total Tier 1 Capital K=(G+J)		18,98,340		2,305,983
Total Tier 1 Capital ratio (%) L=(K/A)		45.26%		96.41%



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)**Notes to Financial Statements****2) Investments**

- a. The following table sets forth, for the periods indicated, the details of investments and the movement of provision held towards depreciation on investments of the Bank.

(Rupees in thousands)

Particulars	As on 31.03.2019	As on 31.03.2018
1. Value of Investments :		
i) Gross Value of Investments		
a) In India	4,006,462	3,904,811
b) Outside India	-	-
ii) Provision for Depreciation		
a) In India	-	-
b) Outside India	-	-
iii) Net value of Investments		
a) In India	4,006,462	3,904,811
b) Outside India	-	-
2. Movement of provisions held towards depreciation on investments :		
i) Opening balance	-	720
ii) Add: Provisions made during the year	-	-
iii) Less: Write-off/ write-back of excess provisions during the year	-	720
iv) Closing Balance	-	-

- b. Repo Transactions (in face value terms):-

(Rupees in thousands)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on 31 st March 2019
Securities sold under tri-party repos				
(i) Government securities	29,995	369,933	176,627	-
Securities purchased under tri-party reverse repos				
(i) Government securities	19,986	499,737	123,280	-

The Bank has not purchased/sold any securities under tri-party repo/ tri-party reverse repo during the year 2017-18.

c. Non-SLR Investment Portfolio

- i) **Issuer composition of Non SLR investments:** - The Bank does not have any Non SLR investments as on 31.03.2019 and 31.03.2018.
- ii) **Non performing Non-SLR Investments:** - The Bank does not have any non performing investments during the year 2018-19 and 2017-18.



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)**Notes to Financial Statements****d. Categorisation Of Investments**

In accordance with Reserve Bank of India guidelines investment portfolio has been categorized as under:

(Rupees in thousands)

Securities	As on 31.03.2019			
	HTM	HFT	AFS	Total
Government Securities	200,830	-	3,805,632	4,006,462
Other Approved Securities	-	-	-	-
Shares	-	-	-	-
Debentures /Bonds	-	-	-	-
Others - Mutual Funds	-	-	-	-
Others (Joint Venture)	-	-	-	-
Total	200,830	-	3,805,632	4,006,462

(Rupees in thousands)

Securities	As on 31.03.2018			
	HTM	HFT	AFS	Total
Government Securities	-	-	3,904,811	3,904,811
Other Approved Securities	-	-	-	-
Shares	-	-	-	-
Debentures /Bonds	-	-	-	-
Others - Mutual Funds	-	-	-	-
Others (Joint Venture)	-	-	-	-
Total	-	-	3,904,811	3,904,811

HTM – Held to Maturity : HFT – Held for Trading : AFS – Available for Sale

i) Provision for Depreciation on Investments:

Provision for depreciation on investments under 'Available for Sale' and 'Held for Trading' categories as on 31.03.2019 is INR Nil (Previous year INR Nil).

ii) Sales and transfers of securities to/from Held to Maturity (HTM) category

The bank has not sold/ transferred any securities to/from Held to Maturity during 2018-19 and 2017-18.

3) Derivatives :- The bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations during the year 2018-19 and 2017-18. Also, the Bank does not have any Forward Rate Agreement or Interest rate swaps for the year 2018-19 and 2017-18.



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

4) Business Ratios

S. No.	Particulars	As on / for the year ended 31.03.2019	As on / for the year ended 31.03.2018
i)	Interest Income as a percentage to Working Funds	5.19%	5.14%
ii)	Non-interest income as a percentage to Working Funds	18.50%	11.98%
iii)	Operating Loss as a percentage to Working Funds	(30.78)%	(28.99)%
iv)	Return on Assets	(31.55)%	(29.12)%
v)	Business (Deposits plus advances) per employee ('in lacs)	53.26	78.94
vi)	Loss per employee ('in ₹acs)	(66.70)	(74.08)

1. For the purpose of computing the ratio, working funds represent the monthly average of total assets (excluding accumulated losses, if any) computed for reporting dates of Form X submitted to RBI under Section 27 of the Banking Regulation Act, 1949.

2. Operating loss is loss for the year before provisions and contingencies.

3. Productivity ratios are based on number of employees as on the end of financial year.

5) Asset Liability Management

Maturity pattern of certain items of assets and liabilities : The following table sets forth, the maturity pattern of assets and liabilities of the Bank.

As on 31.03.2019

(Rupees in thousands)

Maturity Pattern	Day 1	2-7 days	8-14 Days	15-28 Days	29 days - 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	270,562	-	-	-	-	-	-	-	2,435,059	-	2,705,621
Loans & Advances	-	-	-	-	-	-	-	-	-	-	-
Investments	-	99,944	-	-	1,119,555	1,332,512	1,253,620	-	-	200,831	4,006,462
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)**Notes to Financial Statements****As on 31.03.2018***(Rupees in thousands)*

Maturity Pattern	Day 1	2-7 days	8-14 Days	15-28 Days	29 days - 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	290,487	-	-	-	-	-	-	2,614,387	-	-	2,904,874
Loans & Advances	-	-	-	-	-	-	-	-	-	-	-
Investments	-	49,967	-	55,302	691,719	1,422,783	1,685,040	-	-	-	3,904,811
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-

6) Exposure to Capital Market and Real estate sector

The Bank has not entered into any transactions related to capital market and real estate sector during the year 2018-19 and 2017-18.



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)
Notes to Financial Statements

7) Additional Disclosure:

a. Concentration of Deposits

	(Rupees in thousands)	
Particulars	As on 31.03.2019	As on 31.03.2018
Total Deposits of twenty largest depositors	1997	2000
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	0.07%	0.07%

b. Off Balance Sheet SPVs sponsored (domestic & overseas) – INR Nil (Previous Year – INR Nil)

c. Transfers to Depositor Education and Awareness Fund (DEAF)

Particulars	As on 31.03.2019	As on 31.03.2018
Opening Balance of amounts transferred to DEAF	-	-
Add: Amount transferred to DEAF during the year	-	-
Less: Amount reimbursed by DEAF towards claim	-	-
Closing balance of amounts transferred to DEAF	-	-

(Rupees in thousands)

d. Liquidity Coverage Ratio

The Basel Committee for Banking Supervision (BCBS) had introduced the liquidity coverage ratio (LCR) in order to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant liquidity stress lasting for a period of 30 days. LCR is defined as a ratio of HQLA to the total net cash outflows estimated for the next 30 calendar days. As per the RBI guidelines the minimum LCR required to be maintained by banks shall be implemented in the phased manner from January 1, 2015. The Bank is required to submit the Liquidity Coverage Ratio to the RBI from March 17 onwards.

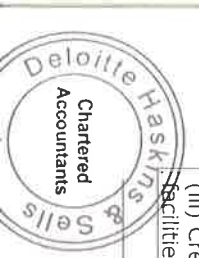


Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)
Notes to Financial Statements

As on 31.03.2019

(Rupees in thousands)

S. No	Particulars	Three months ended March 31, 2019		Three months ended December 31, 2018		Three months ended September 30, 2018		Three months ended June 30, 2018	
		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)
High Quality Liquid Assets									
1.	Total High Quality Liquid Assets (HQLA)	N.A.	2,052,068	N.A.	2,001,928	N.A.	1,790,834	N.A.	1,662,564
Cash Outflows									
2.	Retail deposits and deposits from small business customers, of which:	2,731,922	273,192	3,250,983	325,098	3,168,077	316,808	3,058,419	305,842
(i)	Stable deposits	-	-	-	-	-	-	-	-
(ii)	Less stable deposits	2,731,922	273,192	3,250,983	325,098	3,168,077	316,808	3,058,419	305,842
3.	Unsecured wholesale funding, of which:	-	-	-	-	-	-	-	-
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4.	Secured wholesale funding	N.A.	-	N.A.	-	N.A.	-	N.A.	-
5.	Additional requirements, of which	-	-	-	-	-	-	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)
Notes to Financial Statements

(Rupees in thousands)

S. No	Particulars	Three months ended		Three months ended		Three months ended		Three months ended	
		March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
6.	Other contractual funding obligations	2,711,292	2,711,292	2,474,574	2,474,574	1,790,849	1,790,849	1,705,145	1,705,145
7.	Other contingent funding obligations	-	-	-	-	-	-	-	-
8.	Total Cash Outflows	N.A.	2,984,484	N.A.	2,799,672	N.A.	2,107,657	N.A.	2,010,987
Cash Inflows									
9.	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10.	Inflows from fully performing exposures	365,316	365,316	445,859	433,413	320,374	279,613	267,168	242,827
11.	Other cash inflows	1,674,842	1,674,842	1,558,224	1,558,225	1,066,583	1,066,583	1,064,372	1,064,372
12.	Total Cash Inflows	2,040,158	2,040,158	2,004,083	1,991,638	1,386,957	1,346,196	1,331,540	1,307,199
13.	Total HQLA	N.A.	2,052,068	N.A.	2,001,928	N.A.	1,790,834	N.A.	1,662,564
14.	Total Net Cash Outflows @	N.A.	944,327	N.A.	808,035	N.A.	761,461	N.A.	703,788
15.	Liquidity Coverage Ratio (%)	N.A.	217%	N.A.	248%	N.A.	235%	N.A.	236%



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)
Notes to Financial Statements

As on 31.03.2018

(Rupees in thousands)

S. No	Particulars	Three months ended March 31, 2018		Three months ended December 31, 2017		Three months ended September 30, 2017		Three months ended June 30, 2017	
		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)
High Quality Liquid Assets									
1.	Total High Quality Liquid Assets (HQLA)	N.A.	2,105,737	N.A.	1,439,900	N.A.	1,159,013	N.A.	815,632
Cash Outflows									
2.	Retail deposits and deposits from small business customers, of which:	2,937,442	293,744	3,205,531	320,553	1,609,317	160,932	865,363	86,536
(i)	Stable deposits	-	-	-	-	-	-	-	-
(ii)	Less stable deposits	2,937,442	293,744	3,205,531	320,553	1,609,317	160,932	865,363	86,536
3.	Unsecured wholesale funding, of which:	-	-	-	-	-	-	-	-
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4.	Secured wholesale funding	N.A.	-	N.A.	-	N.A.	-	N.A.	-
5.	Additional requirements, of which	-	-	-	-	-	-	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)
Notes to Financial Statements

(Rupees in thousands)

S. No	Particulars	Three months ended March 31, 2019		Three months ended December 31, 2018		Three months ended September 30, 2018		Three months ended June 30, 2018	
		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)
6.	Other contractual funding obligations	2,023,334	2,023,334	1,596,945	1,596,945	813,910	813,910	1,055,745	1,055,745
7.	Other contingent funding obligations	-	-	-	-	-	-	-	-
8.	Total Cash Outflows	N.A.	2,317,078	N.A.	1,917,498	N.A.	974,842	N.A.	1,142,281
Cash Inflows									
9.	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10.	Inflows from fully performing exposures	442,544	409,932	384,761	310,304	652,096	497,460	1,105,575	976,117
11.	Other cash inflows	1,097,013	1,097,013	960,574	960,574	580,543	580,543	462,019	462,019
12.	Total Cash Inflows	1,539,557	1,506,945	1,345,335	1,270,878	1,232,639	1,078,003	1,567,594	1,438,136
13.	Total HQLA	N.A.	2,105,737	N.A.	1,439,900	N.A.	1,159,013	N.A.	815,632
14.	Total Net Cash Outflows @	N.A.	810,132	N.A.	646,619	N.A.	243,711	N.A.	285,570
15.	Liquidity Coverage Ratio (%)	N.A.	259.93%	N.A.	222.68%	N.A.	475.57%	N.A.	285.61%

@- Net outflow or 25% of outflow- whichever is higher

Qualitative disclosure around LCR

Liquidity Coverage Ratio (LCR) standard has been introduced with the objective that a Bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA)s that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. 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. Beginning January 2015, LCR has been mandated at 60% which is to rise in equal steps of 10% to reach 100% by January 2019. Accordingly, the LCR has increased to 100% with effect from January 01, 2019. LCR has been defined as Stock of high quality liquid assets (HQLAs) over Total net cash outflows over the next 30 calendar days. Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while Level 2A assets are with a minimum 15% haircut and Level 2B Assets, with a minimum 50% haircut.

The total net cash outflows is the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected

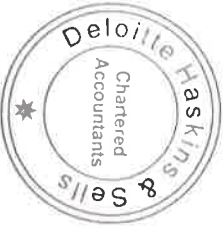


Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)
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cash inflows and outflows are calculated by multiplying the outstanding balances of various categories of contractual receivables and types of liabilities and off-balance sheet commitments by the rates at which they are expected to flow in or drawn down.

The main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time;

- i. The main drivers of LCR results are High Quality liquid assets (HQLA) in the form of excess SLR over mandatory SLR requirement and providing additional liquidity facility in the form of Facility to Avail Liquidity for LCR (FALLCR) upto 13% of NDTL at end of the year.
- ii. Intra-period changes as well as changes over time;
- iii. The composition of HQLA:
HQLA Mainly consists of Cash including excess CRR, Govt. Securities upto 13% of NDTL within the mandatory SLR requirement (FALLCR), Marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development Banks that are assigned a 20% risk weight, Corporate bonds not issued by a Bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency, Commercial Papers not issued by a Bank/PD/financial institution or any of its Affiliated entities etc.
- iv. Concentration of funding sources:
The Bank has well diversified deposit base, none of the customer depositor has balances in excess of 0.1% of the total liabilities of the Bank as on 31.03.2019.
- v. Derivative exposures and potential collateral calls; - INR Nil (Previous Year – INR Nil)
- vi. Currency mismatch in the LCR; - INR Nil (Previous Year – INR Nil)
- vii. A description of the degree of centralisation of liquidity management and interaction between the group's units:-
The Bank is not having any subsidiary. The Liquidity Management is undertaken by Treasury Department.
- viii. Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile. - INR Nil (Previous Year – INR Nil)



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

8) Disclosure of Penalties imposed by RBI under Banking Regulation Act,1949:

During the current year no penalty (Previous year: 50,000 thousands) has been imposed by Reserve Bank of India on the Bank.

9) Fixed Assets

Fixed Assets as per Schedule 10 includes software's, trademark and goodwill, details of which are as follows:

(Rupees in thousands)

Software's	As on 31.03.2019	As on 31.03.2018
At cost as on 31st March of the preceding year	226,348	208,576
Additions during the year	20,623	175,472
Deductions during the year	(26)	(157,700)
Depreciation to date	(114,866)	(66,612)
Net Block	132,079	159,736

Trademark	As on 31.03.2019	As on 31.03.2018
At cost as on 31st March of the preceding year	-	127,660
Additions during the year	-	-
Deductions during the year	-	(127,660)
Depreciation to date	-	-
Net Block	-	-

Goodwill	As on 31.03.2019	As on 31.03.2018
At cost as on 31st March of the preceding year	2,680	2,680
Additions during the year	-	-
Deductions during the year	(2,680)	-
Depreciation to date	-	(2,680)
Net Block	-	-

10) Accounting Standard AS-15 Employees Benefits

a) During the year, the Bank has recognized the following in the Profit & Loss Account.

i. Defined Contribution Plans

(Rupees in thousands)

Particulars	For the year ended 31.03.2019	For the year ended 31.03.2018
Employer's Contribution to Provident Fund	39,789	29,510
Employer's Contribution to ESI and other Funds	975	1,083

ii. Defined Benefit Plans

For the Year ended 31.03.2019

(Rupees in thousands)

Particulars	Gratuity	Leave Encashment
	Unfunded	Unfunded
Current service cost	13,267	9,784
Interest cost	3,943	1,935
Actuarial gain	(1,650)	(3,163)
Net gratuity/Leave encashment cost	15,560	8,556



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

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For the Year ended 31.03.2018

(Rupees in thousands)

Particulars	Gratuity	Leave Encashment
	Unfunded	Unfunded
Current service cost	10,614	7,371
Interest cost	3,125	1,563
Actuarial gain	(1,668)	(5,495)
Net gratuity/Leave encashment cost	12,071	3,439

b) The assumptions used to determine the benefit obligation are as follows:

For the Year ended 31.03.2019

Particulars	Gratuity	Leave Encashment
Discount Rate	7.65%	7.65%
Expected Rate of increase in Compensation Levels	7.00%	7.00%
Expected Rate of Return on Plan Assets	N.A	N.A
Expected Average remaining working lives of employees (years)	24.99	24.99

For the Year ended 31.03.2018

Particulars	Gratuity	Leave Encashment
Discount Rate	7.85%	7.85%
Expected Rate of increase in Compensation Levels	9.00%	9.00%
Expected Rate of Return on Plan Assets	N.A	N.A
Expected Average remaining working lives of employees (years)	24.28	24.28

c) Reconciliation of opening and closing balances of benefit obligations

For the Year ended 31.03.2019

(Rupees in thousands)

	Gratuity	Leave Encashment
	Unfunded	Unfunded
Change in Projected Benefit Obligation (PBO)		
Projected benefit obligation at beginning of year	50,235	24,653
Current service cost	13,267	9,784
Acquisition/ Transfer In/ Transfer out	2,750	1,799
Interest cost	3,943	1,935
Benefits paid	(11,464)	(6,609)
Actuarial gain	(1,650)	(3,163)
Projected benefit obligation at year end	57,081	28,399
Current Liabilities	12,541	28,399
Non-Current Liabilities	44,540	-



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

For the Year ended 31.03.2018

(Rupees in thousands)

	Gratuity	Leave Encashment
	Unfunded	Unfunded
Change in Projected Benefit Obligation (PBO)		
Projected benefit obligation at beginning of year	42,237	21,125
Current service cost	10,614	7,371
Interest cost	11,683	6,309
Acquisition/ Transfer In/ Transfer out	3,125	1,563
Benefits paid	(15,756)	(6,220)
Actuarial gain	(1,668)	(5,495)
Projected benefit obligation at year end	50,235	24,653
Current Liabilities	10,636	24,653
Non-Current Liabilities	39,599	-

d) History of experience adjustment is as follows:

Gratuity

(Rupees in thousands)

Particulars	As on 31.03.2019	As on 31.03.2018	As on 31.03.2017	As on 31.03.2016	As on 31.03.2015
Defined benefit obligation	57,081	50,235	42,237	23,376	889
Surplus/(Deficit)	(57,081)	(50,235)	(42,237)	(23,376)	(889)
Experience Adjustment on plan liabilities- loss	(1,847)	(866)	(532)	2,584	(72)

Leave Encashment

(Rupees in thousands)

Particulars	As on 31.03.2019	As on 31.03.2018	As on 31.03.2017	As on 31.03.2016	As on 31.03.2015
Defined benefit obligation	28,399	24,653	21,125	12,839	326
Surplus/(Deficit)	(28,399)	(24,653)	(21,125)	(12,839)	(326)
Experience Adjustment on plan liabilities-gain	804	3,887	1,225	1,748	225

- e) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market.
- f) Long term service award provided by the Bank as on 31.03.2019 is INR. 2,685 thousands (Previous Year INR. 2,171 thousands)

11) Employee Stock Option Scheme (ESOS):

During the year, the Bank has granted equity settled 10,295,000 stock options' (hereinafter "LTI 2018) having the face value of INR 10/- each. Under the stock option scheme, eligible employees of Airtel Payments Bank Limited and Bharti Airtel Limited are granted stock options. The stock options granted along with their vesting period is as follows:

Vesting period	Grant - 1	Grant - 2
Number of Options Granted	9,795,000	500,000
August - 19	20%	-
October - 19	-	20%



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

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iv) August - 20	20%	20%
v) August - 21	30%	30%
vi) August - 22	30%	30%

During the previous year, the Bank has granted equity settled 14,063,032 stock options (hereinafter "LTI 2017") having the face value of INR 10/- each. Under the stock option scheme, eligible employees of Airtel Payments Bank Limited and Bharti Airtel Limited are granted stock options. The stock options granted along with their vesting period is as follows:

Vesting period	Grant - 1	Grant - 2	Grant - 3
Number of Options Granted	13,405,714	507,318	150,000
i) August - 18	20%	-	-
ii) October - 18	-	20%	-
iii) November - 18	-	-	20%
iv) August - 19	20%	20%	20%
v) August - 20	30%	30%	30%
vi) August - 21	30%	30%	30%

Weightage average fair value per unit of LTI 2018 and LTI 2017 are INR 4.32 and INR 4.36 respectively and total share based payment expenses during the year is INR 22,691 thousands (PY : INR 14,074 thousands).

Exercise period is 3 years from vesting date or 1 year from IPO listing (whichever is later). Eligible employee will be able to exercise the option at a price of 50% of FMV (determined at the end of previous financial year) or INR 10 whichever is higher. Employee can exercise the unexercised options within 3 months / 1 month from the date of retirement/resignation from the Airtel Group.

The movement in the number of stock options is as follows:

	Number of Options (LTI 2018)	Number of Options (LTI 2017)		Weighted average exercise price
	For the year ended 31.03.2019	For the year ended 31.03.2019	For the year ended 31.03.2018	
i) Outstanding at the beginning of the year	-	10,704,495	-	10
ii) Add: Granted during the year	10,295,000	-	14,063,032	10
iii) Less: Lapsed during the year	455,000	2,993,825	3,358,537	10
iv) Less: Exercise during the year	-	11,570	-	10
v) Outstanding at the end of the year [i+ii-iii-iv]	9,840,000	7,699,100	10,704,495	10
vi) Exercisable at year end	-	1,539,820	2,140,899	10

The Weighted average remaining contractual life of options is 6.4 years (PY: 7.4 years).

Fair Value methodology

The fair value of per equity share have been estimated using The Binomial model. The shares of the Bank are not listed on any stock exchange. Accordingly, the Bank has considered the volatility of the Bank's stock price as an average of the historical volatility of the similar listed enterprises for the purpose of calculating the fair value. The key assumptions used to estimate the fair value of the options granted during the year ended 31.03.2019 are given below.

Particulars	For the year ended 31.03.2019	For the year ended 31.03.2018
Risk-free interest rate	8%	6.9%
Expected Life	7 years	8 years
Expected volatility	44%	40%
Dividend yield	NA	NA



Notes to Financial Statements

During the current year, the Board of Directors in its meeting held on July 25, 2018 and the members in the Extra-ordinary general meeting held on August 4, 2018 amended the ESOP scheme-2017 and the Stock Option Plan-2017 to provide for the issuance of shares i.e. 0.0001% non-cumulative compulsorily convertible non-redeemable preference shares (CCPS) on exercise of the stock options in order to comply with the bank's licensing condition on non-dilution of equity stake up to April 2021. The modification allowing for issuance of CCPS instead of equity shares does not result in change in fair value of the Grant as the CCPS have substantially similar economic characteristics of an equity share.

12) Accounting Standard AS-17 – Segment Reporting:

- i) The Business Segments, which is the Primary Segment include:
 - Treasury Operations
 - Retail Banking Operations
- ii) The Geographical segments are recognized as the Secondary Segment. As the Bank is not carrying on any foreign operations, the only reportable geographical segment is of Domestic operations.
 - **Treasury Operations:** Treasury operations consist of dealing in securities and Money Market Operations
 - **Retail banking business operations:** Includes all other Banking operations not covered under Treasury. Other banking business is the residual category.

Business Segment

(Rupees in thousands)

Segment report for year ended 31.03.2019			
Particulars	Treasury	Retail Banking Operations	Total
Revenue	560,126	2,355,785	2,915,911*
Result	27,636	(3,546,249)	(3,518,613)
Less : Inter-segment			145,269
Result net of inter- segment			(3,373,344)
Less : Un-allocable Expenditure net off un-allocable income			(14,870)
Operating Loss			(3,388,214)
Income Taxes			-
Extraordinary Profit/ (Loss)			-
Net Loss			(3,388,214)
Other Information:			
Segment Assets	8,885,755	3,602,687	12,488,442
Unallocated Assets			160,195
Total Assets			12,648,637
Segment Liabilities		10,650,901	10,650,901
Unallocated Liabilities			1,997,736
Total Liabilities			12,648,637

*Includes inter-segment and unallocated revenue amounting to INR 371,657.



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

(Rupees in thousands)

Segment report for year ended 31.03.2018			
Particulars	Treasury	Retail Banking Operations	Total
Revenue	490,471	1,326,963	1,817,434*
Result	28,465	(2,981,054)	(2,952,589)
Less : Inter-segment			233,643
Result net of inter- segment			(2,718,946)
Less : Un-allocable Expenditure net off un-allocable income			(7,332)
Operating Loss			(2,726,278)
Income Taxes			-
Extraordinary Profit/ (Loss)			-
Net Loss			(2,726,278)
Other Information:			
Segment Assets	7,117,471	2,087,415	9,204,886
Unallocated Assets			157,604
Total Assets			9,362,490
Segment Liabilities		6,983,215	6,983,215
Unallocated Liabilities			2,379,275
Total Liabilities			9,362,490

*Includes inter-segment and unallocated revenue amounting to INR 214,802.

13) Accounting Standard AS-20 - Earnings per Share (EPS):

(Rupees in thousands, except per share data and as stated otherwise)

S.No.	Particulars	For the year ended 31.03.19	For the year ended 31.03.18
a)	Loss attributable to equity shareholders (i)	(3,388,214)	(2,726,278)
b)	Weighted average number of equity shares outstanding during the year (ii)	1,005,025,128	1,000,680,408
c)	Total number of equity share outstanding at end of year	1,005,025,128	1,005,025,128
d)	Nominal value of share (INR)	10	10
e)	Loss per share (Basic and Diluted) INR (i) / (ii)	(3.37)	(2.72)

Note: The effect of the conversion of 0.0001% Non-Cumulative Compulsorily Convertible Non-Redeemable Preference Shares and Employee Stock options were anti-dilutive, hence not considered while computing dilutive earning per share.

14) Fee/Commission earned in respect of sale of insurance and other third party products :-

(Rupees in thousands)

S. No.	Nature of Income	For the year ended 31.03.2019	For the year ended 31.03.2018
1	Life insurance policies	452	-
2	Non-life insurance policies	1,611	-
3	Mutual fund products	-	-
4	Others (Atal Pension Yojana & Referral Income)	9,118	-



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)**Notes to Financial Statements****15) Break up of Provisions and Contingencies shown under the head Expenditure In Profit And Loss Account***(Rupees in thousands)*

Particulars	For the year ended 31.03.2019	For the year ended 31.03.2018
(i) Provisions for depreciation on Investment	-	(720)
(ii) Provision towards Non Performing Assets	-	-
(iii) Provision made towards Income Tax (including FBT & Deferred Tax)	-	-
(iv) Other Provisions and Contingencies (with details)		
(a) Non Performing Investments	-	-
(b) Provisions towards legal and fraud cases	989	-
(c) Others	82,102	12,584
Total	83,091	11,864

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with the provisions of Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Bank recognises a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements.

16) Details of provisioning related to fraud accounts:-*(Rupees in thousands, except no. of frauds reported)*

S. No	Particulars	For the year ended 31.03.2019	For the year ended 31.03.2018
A	No. of frauds reported	56	-
B	Amount involved in such frauds (net of recovery)	113	-
C	Quantum of provision made	989	-
D	Quantum of unamortized provision debited from 'other Reserves' at the end of the year	-	-

17) Disclosures of Complaints**a. Customer Complaints**

S. No.	Particulars	For the year ended 31.03.2019	For the year ended 31.03.2018
i)	Number of complaints pending at the beginning of the year	1,885	1,025
ii)	Number of complaints received during the year	68,575	206,141
iii)	Number of complaints redressed during the year	69,603	205,281
iv)	Number of complaints pending at the end of the year	857	1,885



Notes to Financial Statements

b. Awards passed by the Banking Ombudsman

S.No	Particulars	For the year ended 31.03.2019	For the year ended 31.03.2018
i)	Number of unimplemented Awards at the beginning of the year	-	-
ii)	Number of Awards passed by the Banking Ombudsman during the year	-	-
iii)	Number of Awards implemented during the year	-	-
iv)	Number of unimplemented Awards at the end of the year	-	-

18) Drawdown from reserves The Bank has not drawdown any amount from reserve during the year ended 31.03.2019 (Previous year: INR Nil).

19) Leases: The total amount paid by the Bank under cancellable operating lease for the financial year is INR 75,514 thousand (Previous year: INR 43,803 thousand). The Bank has not entered into any non-cancellable operating lease and financial lease arrangement in the current year and in the previous years.

20) Impairment of Assets:

An asset is treated as impaired when its carrying amount exceeds its recoverable amount. The impairment is recognised by debiting the profit and loss account and is measured as the amount by which the carrying amount of the impaired assets exceeds their recoverable value.

The management has reviewed the carrying value of the assets, as per Accounting Standard 28 – "Impairment of Assets", and assessed that no impairment is required as the value in sale is higher than the carrying value.

21) Dues to Micro and Small Enterprises

The dues to micro and small enterprises as required under MSMED Act, 2006, based on the information available with the Bank, is given below.

(Rupees in thousands)

S.No	Particulars	For the year ended 31.03.2019	For the year ended 31.03.2018
1	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	268	28
2	The amount of interest paid by the buyer in terms of section 16 of the MSMED ACT 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	802	1,793
3	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED ACT 2006.	-	-
4	The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	28
5	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED ACT 2006.	-	-



22) Disclosure on Remuneration:

Qualitative Disclosure

a. Information relating to the composition and mandate of the Remuneration Committee:

The Nomination & Remuneration committee comprises of non-executive directors including Independent Directors of the Bank. Key mandate of the Nomination & Remuneration committee is to oversee the identification, appointment and fixation of remuneration of directors, Key Managerial Personnel ("KMP") and senior management positions and in overall design and operation of the compensation policy of the Bank to achieve alignment between risks and remuneration.

b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

- To lay down the criteria and terms and conditions with regard to appointment of Directors (executive and non-executive including Independent Directors), KMP and senior management.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage for the Company.
- To determine remuneration of Directors, KMPs and other senior management personnel's keeping in view all relevant factors including industry trends and practices.
- To provide for rewards linked directly to their effort, performance, dedication and achievement of Company's targets.

The remuneration process is aligned to the Bank's Compensation Policy objectives.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, a significant portion of senior and middle management compensation is variable.

In addition, remuneration process provides for 'malus' and 'clawback' option to take care of any code of conduct related issue or future drop in performance of individual/ business/ company.

d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

Individual performance is assessed against the Key Result Areas (KRAs) determined for each Individual and Company (Airtel Payments Bank Limited) for the year to achieve the top business priorities. The Total Cost to Company (TCC) for all employees is a mix of fixed pay and variable pay. The variable pay, as a percent of the TCC is a function of the nature of job and the band of the individual in the hierarchy. The variable payout is calculated as a percent of the target variable pay basis individual performance against the pre - determined KRAs and the Company's performance measured against a bank-specific scorecard.

e. A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

Employees are classified into following three categories for the purpose of remuneration:

Category I: Chief Executive Officer (CEO)

Category II: Risk Control and Compliance Staff

Category III: Other categories of Staff - includes all other employees not covered in the first 2 categories.



Notes to Financial Statements

Following principles are applied for deferral / vesting of variable remuneration in accordance with RBI guidelines and Bank's compensation policy:

Category I: Chief Executive Officer (CEO)

- a. Variable pay will not exceed 70% of fixed pay.
- b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.
- c. In case the Variable Pay in any year reaches the level of 50% or more of the Total Fixed Pay, an appropriate portion of the Variable Pay shall be deferred as per the Board approved Remuneration Policy.

The compensation will be approved by the Nomination and Remuneration committee and RBI.

Category II: Risk Control and Compliance Staff

- a. Variable pay will not exceed 70% of fixed pay.
- b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.
- c. However, if Variable Pay is less than or equal to 15 lakhs, management will have the discretion to pay the entire amount as cash.

For adjusting deferred remuneration before & after vesting:

The deferred/variable remuneration (including Long Term Incentive) of directors, KMPs and other senior management personnel's shall be subject to malus/clawback arrangements in the event of negative contributions of the Company and/or the relevant line of business in any year.

Malus: A malus arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration, however, it does not reverse vesting after it has already occurred.

Clawback: A clawback is a contractual agreement between the employee and the Company wherein the employee returns previously paid or already vested deferred/variable pay to the company under certain circumstances.

Under Malus and/or clawback arrangement, the Company, at the discretion of Nomination and remuneration Committee/Board of Directors, shall have the power to prevent vesting of all or part of the amount of a deferred/variable remuneration or reduce, withhold, cancel, clawback such remuneration or impose further conditions in certain circumstances including:

- Significant drop in performance of Individual/Company;
- Disciplinary Action against the individual;
- Resignation of the individual prior to the payment date;
- Directions/approval of any authority governing the Company.

f. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:

The main forms of such variable remuneration include:

- Cash – this may be at defined intervals (quarterly/annual/other custom frequency).
- Deferred Cash / Deferred Incentive Plan.
- ESOP as per SEBI guidelines.

The form of variable remuneration depends on the job level of individual, risk involved, the time horizon for review of quality and longevity of the assignments performed.

Quantitative Disclosure:

- i. Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.
Number of meetings – Four (4) (previous year: Five (5))
Remuneration paid to the members during FY - INR 800,000 (previous year: INR 900,000)



Notes to Financial Statements

- ii. Number of employees having received a variable remuneration award during the financial year.
One (1) (previous year: One (1))
- iii. Number and total amount of sign-on awards made during the financial year.
Nil
- iv. Details of guaranteed bonus, if any, paid as joining / sign on bonus
Nil
- v. Details of severance pay, in addition to accrued benefits, if any.
Nil (Previous year: Nil)
- vi. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.
Stock Options: 3,130,000 (Previous year: 86,433)
- vii. Total amount of deferred remuneration paid out in the financial year.
Nil
- viii. Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.

Fixed Pay - Basic Salary: INR 10,609,995 (Previous year: INR 9,208,330), Other Allowances: INR 5,665,111 (Previous year: INR 9,940,364)

Perquisites, provident fund, gratuity, leave encashment, contribution to National Pension Scheme, medical reimbursement, medical insurance etc.

Deferred Variable Pay: Nil

*Non Deferred Variable Pay: INR 562,488 (Previous year: INR 447,586)**

**Details relating to variable pay pertains to remuneration awards for the financial year 2017-18 awarded during current financial year. Remuneration award for the year ended 31.03.2019 are yet to be reviewed and approved by the remuneration committee.*

- ix. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.
NA
- x. Total amount of reductions during the financial year due to ex- post explicit adjustments.
NA
- xi. Total amount of reductions during the financial year due to ex- post implicit adjustments.
NA

23) Intra group Exposure: - The Bank does not have any exposure (advances/investments) within the group. Also, interbank exposures are exempt from Intra Group Exposure prudential limit as per Para 3.4.b of RBI circular RBI/2013-14/487/DBOD.No.BP.BC.96/21.06.102/2013-14 - 'Guidelines on Management of Intra-Group Transactions and Exposures' hence transaction with Kotak Mahindra Bank has not been considered accordingly.



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

24) Related Party disclosure

List of Related Parties

Bharti Enterprises (Holding) Private Limited (held by private trusts of Bharti family with Mr. Sunil Bharti Mittal's family trust effectively controlling the same company) (w.e.f. November 03, 2017)

Bharti Telecom Limited (w.e.f. November 03, 2017)

Bharti Airtel Limited

Bharti Telemedia Limited

Bharti Hexacom Limited

Nxtra Data Limited

Bharti Airtel Services Limited

Wynk Limited

Bharti Enterprises Limited* (Formerly known as Bharti Ventures Limited)

Hike Private Limited (Formerly known as Hike Limited*)

Centum Learning Limited*

Bharti Axa General Insurance Company Limited*

Kotak Mahindra Bank Limited Limited

Anubrata Biswas (W.e.f 07 May 2018)

Shashi Arora (till Jan 31, 2018)

Relationship

Ultimate Controlling Company

Entity having control over Bharti Airtel Limited Holding Company

Fellow Subsidiary

Fellow Subsidiary

Fellow Subsidiary

Fellow Subsidiary

Fellow Subsidiary

Group Companies

Group Companies

Group Companies

Group Companies

Investor having Significant Influence

Key Management Personnel (KMP)

Key Management Personnel (KMP)

Relative of KMPs:

Jhelum Biswas, Anup Biswas, Indrani Bose, Ishi Biswas (W.e.f 07 May 2018)

Alka Arora, H.D. Arora, Santosh Arora, Dhruv Arora, Isha Arora, Ravi Arora, Arun Arora, Raman Arora (till Jan 31, 2018)

* Group companies though not 'Related Parties' as per the definition under AS-18 – Related Party Disclosure, have been included by way of a voluntary disclosure, following the utmost corporate governance practice and to be considered for disclosure only if there is any transaction with the such related party



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

The details of the amounts due to or due from the related parties as on 31.03.2019 and 31.03.2018 along with transactions entered during year are as follows:

(Rupees in thousands)

Items / Related Party	Holding Company	Fellow Subsidiary	Group Companies	Investor having Significant Influence	Key Management Personnel (KMP)	Total
I. Liabilities						
Borrowings						
Kotak Mahindra Bank Limited Kotak Mahindra Bank Limited (Maximum balance outstanding during the year is INR 250,000, Previous year INR 250,000)	-	-	-	-	-	-
Other Liabilities						
Bharti Airtel Limited	1,079,913 (728,546)	-	-	-	-	1,079,913 (728,546)
Nextra Data Limited	-	1,260 (352)	-	-	-	1,260 (352)
Bharti Hexacom Limited	-	204,260 (40,877)	-	-	-	204,260 (40,877)
Bharti Telemedia Limited	-	5,912 (5,950)	-	-	-	5,912 (5,950)
Wynk Limited	-	47 (112)	-	-	-	47 (112)
Kotak Mahindra Bank Limited	-	-	-	3,002 (31,744)	-	3,002 (31,744)
Centum Learning Limited	-	-	1,077 (466)	-	-	1,077 (466)
Bharti Airtel Services Limited	-	32,830 (64,740)	-	-	-	32,830 (64,740)
Bharti Axa General Insurance Company Limited	-	-	6,366 (12,798)	-	-	6,366 (12,798)
Hike Private Limited	-	-	1,823 (18,592)	-	-	1,823 (18,592)
II. Assets :						
Balances with Bank and Money at Call & Short Notice						
Kotak Mahindra Bank Limited	-	-	-	287,872 (377,514)	-	287,872 (377,514)



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

(Rupees in thousands)

Items / Related Party	Holding Company	Fellow Subsidiary	Group Companies	Investor having Significant Influence	Key Management Personnel (KMP)	Total
Advances						
Bharti Axa General Insurance Company Limited (Maximum balance outstanding during the year is INR 20,257, Previous year INR 29,299)	-	-	8,192 (20,299)	-	-	8,192 (20,299)
Other						
Bharti Airtel Limited	43,544 (528,099)	-	-	-	-	43,544 (528,099)
Bharti Telemedia Limited	-	1,593 (2,545)	-	-	-	1,593 (2,545)
Bharti Hexacom Limited	-	3,503 (929)	-	-	-	3,503 (929)
Bharti Axa General Insurance Company Limited	-	-	767 (-)	-	-	767 (-)
Hike Private Limited	-	-	595 (-)	-	-	595 (-)
Kotak Mahindra Bank Limited	-	-	-	86 (-)	-	86 (-)
III. Expenses:						
Salaries						
Anubrata Biswas *#	-	-	-	-	20,421 (-)	20,421 (-)
Shashi Arora	-	-	-	-	(19,301)	(19,301)
Others						
Bharti Airtel Limited	183,496 (153,846)	-	-	-	-	183,496 (153,846)
Bharti Hexacom Limited	-	7,755 (12,971)	-	-	-	7,755 (12,971)
Bharti Telemedia Limited	-	2,160 (1,690)	-	-	-	2,160 (1,690)
Nxtra Data Limited	-	945 (1,252)	-	-	-	945 (1,252)
Kotak Mahindra Bank Limited	-	-	-	43,970 (104,256)	-	43,970 (104,256)
Centum Learning Limited	-	-	2,637 (627)	-	-	2,637 (627)
Bharti Airtel Services Limited	-	1,464 (3,076)	-	-	-	1,464 (3,076)
Bharti Axa General Insurance Company Limited	-	-	12,103 (23,981)	-	-	12,103 (23,981)



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

(Rupees in thousands)

Items / Related Party	Holding Company	Fellow Subsidiary	Group Companies	Investor having Significant Influence	Key Management Personnel (KMP)	Total
IV. Income						
Interest Earned						
Kotak Mahindra Bank Limited		-	-	1,922 (61,118)	-	1,922 (61,118)
Other Income						
Bharti Airtel Limited	480,111 (443,946)	-	-	-	-	480,111 (443,946)
Bharti Telemedia Limited	-	57,622 (70,141)	-	-	-	57,622 (70,141)
Bharti Hexacom Limited	-	34,732 (31,604)	-	-	-	34,732 (31,604)
Bharti Axa General Insurance Company Limited	-	-	1,898 (-)	-	-	1,898 (-)
Hike Private Limited	-	-	8,422 (3,023)	-	-	8,422 (3,023)
V. Other Transactions						
Subscription to share capital						
Bharti Airtel Limited	- (85,251)	-	-	-	-	- (85,251)
Kotak Mahindra Bank Limited		-	-	- (21,180)	-	- (21,180)
Subscription to 0.0001 % Non-cumulative compulsorily convertible non redeemable preference shares						
Bharti Airtel Limited	2,381,500 (-)	-	-	-	-	2,381,500 (-)
Bharti Enterprises Limited (Formerly known as Bharti Ventures Limited)	-	-	597,000 (-)	-	-	597,000 (-)
Reimbursement Made						
Bharti Airtel Limited	249,097 (217,081)	-	-	-	-	249,097 (217,081)
Bharti Hexacom Limited	-	3 (3,046)	-	-	-	3 (3,046)
Bharti Telemedia Limited	-	197 (1,684)	-	-	-	197 (1,684)
Reimbursement Received						
Bharti Airtel Limited	8,790 (33,012)	-	-	-	-	8,790 (33,012)
Bharti Telemedia Limited	-	863 (173)	-	-	-	863 (173)
Bharti Hexacom Limited	-	715 (727)	-	-	-	715 (727)
Wynk Limited	-	-	582 (-)	-	-	582 (-)



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

- * As the liabilities for the gratuity and compensated absences are provided on an actuarial basis, and calculated for the Bank as a whole rather than each of the individual employees, the said liabilities pertaining specifically to KMP are not known and hence not included in the above table. Value of Performance Linked Incentive considered above represents incentive at 100% performance level. Number of Employee Stock Options (ESOP) granted during the year are 3,000 thousands are not considered above.
- # Remuneration mentioned above in the schedule includes salaries for the period 07 May 2018 to 22 May 2018 amounting Rs 1,081 thousands (date of joining Bank and receipt of RBI approval as MD and CEO) and Rs. 19,340 thousands as MD and CEO for the period 23rd May 2018 to 31st March 2019.

1. Figures of previous year are given in brackets
2. Maximum outstanding balances are in thousands

25) Break up of Other Expenditure

(Rupees in thousands)

Particulars	For the year ended 31.03.2019	For the year ended 31.03.2018
IT & Call Centre Expenses	460,544	456,990
Selling and Distribution Expenses	2,823,708	1,990,023
Professional / Consultancy Charges	16,576	5,995
Network Charges	137,077	98,050
Office Maintenance Charges	32,904	22,664
Travelling & Conveyance Charges	47,682	27,229
Transaction processing charges	339,095	128,793
Other expenses	314,433	208,774*
Total	4,172,019	2,938,518

*Includes penalty paid to Reserve Bank of India (RBI) and Unique Identification Development Authority of India

26) As at 31 March 2019, the Bank has received an amount of INR 116 thousands towards share application money exercise price for 11,570 stock options under the ESOP Scheme read with the ESOP Plan of the Bank, convertible into 11,570, 0.0001% non-cumulative compulsorily convertible non-redeemable preference shares of the Bank (As at 31 March, 2018 Nil) at a Face value of INR 10/- each and at a premium of Nil (As at 31 March, 2018 Nil). The Bank is required to complete the allotment formalities within 60 days from the receipt of the exercise price of the ESOPs. The Bank has sufficient authorised capital to cover the allotment of these shares.

27) Deferred tax assets are recognised to the extent that it is virtually certain that taxable profit will be available against which the deductible temporary differences, carry forward of unabsorbed depreciation and unused tax losses can be utilised. Accordingly, the Bank has not recognised deferred tax assets in respect of deductible temporary differences, carry forward of unabsorbed depreciation and unused tax losses of INR 11,019,966 thousands and INR 7,652,716 thousands as at March 31, 2019 and March 31, 2018, respectively as it is not virtually certain that taxable profits will be available in future.

28) As per the operating guidelines for Payments Bank issued by Reserve Bank of India (RBI) vide its circular no. RBI/2016-17/80/DBR.NBD.No.25/16.13.218/2016-17 dated 6th October, 2016, a Payments Bank can not lend to any person except their own employees. Accordingly, all the disclosures pertaining to advances have not been made.



Airtel Payments Bank Limited (Formerly Airtel M Commerce Services Limited)

Notes to Financial Statements

- 29)** As at the year end, the accumulated losses are more than fifty percent of the paid up share capital of the Bank and the net worth of the Bank has eroded to that extent. The Bank's ability to continue as going concern is dependent on the success of operations and its ability to arrange funding for the operations. On May 2, 2019, INR 2,603,250 thousands received from Bharti Airtel Limited, the Holding Company towards subscription of 0.0001% Non-Cumulative Compulsorily Convertible Non-Redeemable Preference Shares of the Bank.

The Bank, based the commitment from Bharti Airtel Limited, the Holding Company, is confident of meeting its operating and capital funding requirements in next twelve months. Accordingly, these financial statements have been prepared on a going concern basis.

- 30)** Comparative figures: Figures of the previous year have been re-grouped and reinstated to conform to the current year presentation.



REF: KJM/7054

**INDEPENDENT AUDITOR'S REPORT
To The Members of AIRTEL PAYMENTS BANK LIMITED
Report on the Audit of the Financial Statements**

Opinion

We have audited the accompanying financial statements of Airtel Payments Bank Limited ("the Bank"), which comprise the Balance Sheet as at 31 March 2019, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards"), and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2019, and its loss, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). 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 made 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 by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to Note 18.1 of the financial statements. On account of continuing losses the Bank's Common Equity Tier1 capital has gone below the prescribed regulatory limits. Consequentially, the Bank has temporary written down its 0.0001% of Non-Cumulative Compulsorily Convertible Non-Redeemable Preference shares by an equivalent amount to restore Common Equity Tier 1 Capital Ratio to its prescribed limit.

Our opinion is not modified in respect of this matter.



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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our 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.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, the Accounting Standards, other accounting principles generally accepted in India, and the guidelines issued by the Reserve Bank of India.

The Board of Directors of the Bank is responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The Board of Directors of the Bank is also responsible for overseeing the financial reporting process of the Bank.

Auditor's Responsibility for the Audit of the Financial Statements

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Bank 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Bank to express an opinion on the Bank's financial statements.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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



Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act and section 30 of the Banking Regulation Act, 1949 based on our audit we report to the extent applicable that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid financial statements have been kept by the Bank so far as it appears from our examination of those books and found them to be satisfactory.
- c) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.
- d) The Bank has its operations automated, with the key applications largely integrated to the core banking systems and controlled centrally, it does not require its branches to submit any financial returns or perform significant controls. Accordingly, our audit is carried out centrally at the Head Office and Central Processing Units based on the necessary records and data required for the purposes of the audit being made available to us. We report that during the course of our audit we have not visited any of the Banks's branches.
- e) The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- f) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, as applicable to banks.
- g) On the basis of the written representations received from the directors of the Bank as on 31 March, 2019 taken on record by the Board of Directors of Bank, none of the directors of the Bank is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- h) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of Bank's internal financial controls over financial reporting.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, as the Bank is governed by Section 35B (2A) of the Banking Regulation Act, 1949, section 197 of the Act related to the managerial remuneration is not applicable.

- j) 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:



**Deloitte
Haskins & Sells**

- i) The financial statements disclose the impact of pending litigations on the financial position of the Bank.
- ii) The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117365W)



Kalpesh J. Mehta

Kalpesh J. Mehta
Partner
(Membership No. 48791)

New Delhi, 2 May, 2019

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(h) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Airtel Payments Bank Limited ("the Bank") as of 31 March 2019 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that are operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting of the Bank based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial controls over financial reporting 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 over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and 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 Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2019, based on the criteria for internal financial control over financial reporting 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.

For **Deloitte Haskins & Sells**

Chartered Accountants

(Firm's Registration No. 117365W)



A handwritten signature in black ink, appearing to read "Kalpesh J. Mehta".

Kalpesh J. Mehta
Partner

(Membership No. 48791)