



SUSTAINING  
**STRENGTHS.**



INNOVATING  
**PRODUCTS.**



GROWING  
**JOY.**



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## SUSTAINING STRENGTHS.



## INNOVATING PRODUCTS.



## GROWING JOY.



As ESAF Small Finance Bank crosses another milestone year and ESAF celebrates its 31-year legacy, we remain true to our overarching mission of creating consistent value for all our stakeholders. We continue to work on our goal of reaching out to the underserved through inclusive and responsible banking.

Our financial performance is a direct result of our unwavering commitment to the three principles of Sustain, Innovate and Grow. As we continue on this journey, our key objective is to sustain our performance and the impact we have created in these six years of being an SFB, besides our 30-year record of service to the community. We are also strengthening our asset quality, risk mitigation measures and distribution network to pursue meaningful growth.

Today, product innovation is our key market differentiator and we continue to drive innovation for future success. Our comprehensive

and uniquely designed product portfolio is developed in a way that they evolve as social banking products. With deep knowledge of customer lifecycles and their needs, we are not only transforming products but also bringing large-scale advancements in our planning and process improvements.

As part of our journey to become more customer-centric and deliver value, we constantly aim to provide an unparalleled and joyful banking experience to our customers. We also deliver the joy of banking by maintaining a sharp focus on empowering the poor and the marginalised in society.

*We are following the ESAF way of banking – by acting responsibly, earning the lasting loyalty of our customers, employees and communities and delivering products and services responsibly. As our vision statement goes, we aim to be India's leading social bank offering equal opportunities for the whole society through universal access and financial deepening, and promoting financial inclusion, livelihood and economic development as a whole.*



Rs. **146,656.25** million  
Total Deposits



Rs. **141,181.27** million  
Gross Advances



Rs. **202,236.57** million  
Total Assets



**21.4%**  
CASA Ratio



**1.13%**  
Net NPA Ratio



**57.9%**  
Cost to Income Ratio

# THE NEW-AGE SOCIAL BANK

## A Bank for All

We are redefining the banking experience of all our stakeholders by acting as a bridge between the haves and the have nots. We expand the banking horizon by serving the unbanked and underbanked areas. As a "Bank for All", we are present in the urban, semi-urban, rural and rural unbanked areas.

## 6 Years of SFB

Ever since our existence, we listened closely to our customers and provided them with financial solutions serving specific needs. Today, we serve across the value chain through our wide range of asset and liability products.

## Providing Joy of Banking to our Customers

As the 5<sup>th</sup> scheduled bank from Kerala, and the first bank from the State to have received a banking licence since Independence, we are providing safe, secure and differentiated facilities to fulfil the dreams of our customers.

## One of India's Leading Small Finance Banks

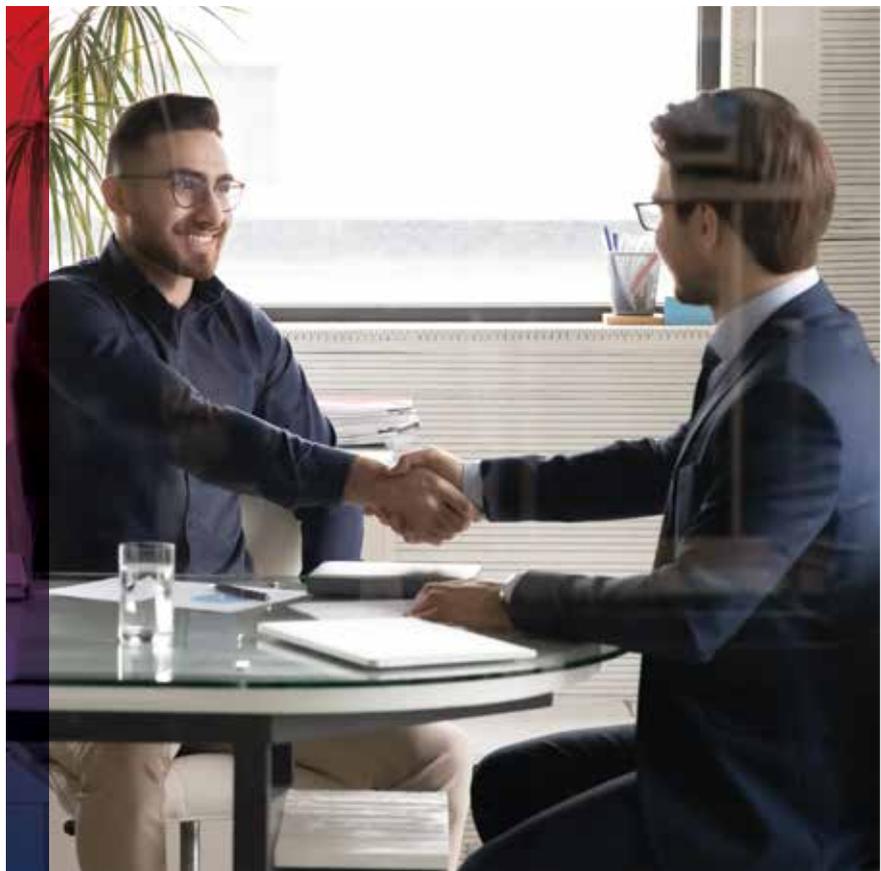
We are one of India's leading Small Finance Banks in terms of share of retail deposits, yield on advances and growth rate of assets under management. Our wide range of banking services includes digital banking and investment solutions.

## Inclusive and Responsible Banking

With a legacy of over three decades, we enable financial inclusion and capitalise on the strength of ESAF as a brand. We provide inclusive and responsible banking to our customers and serve the unserved and underserved segments of society.

**90.85%**

Share of Retail Deposits in Total Deposits



## VISION

To be India's leading social bank that offers equal opportunities for the whole society through universal access and financial deepening, thus promoting financial inclusion, livelihood, and economic development as a whole.



## MISSION

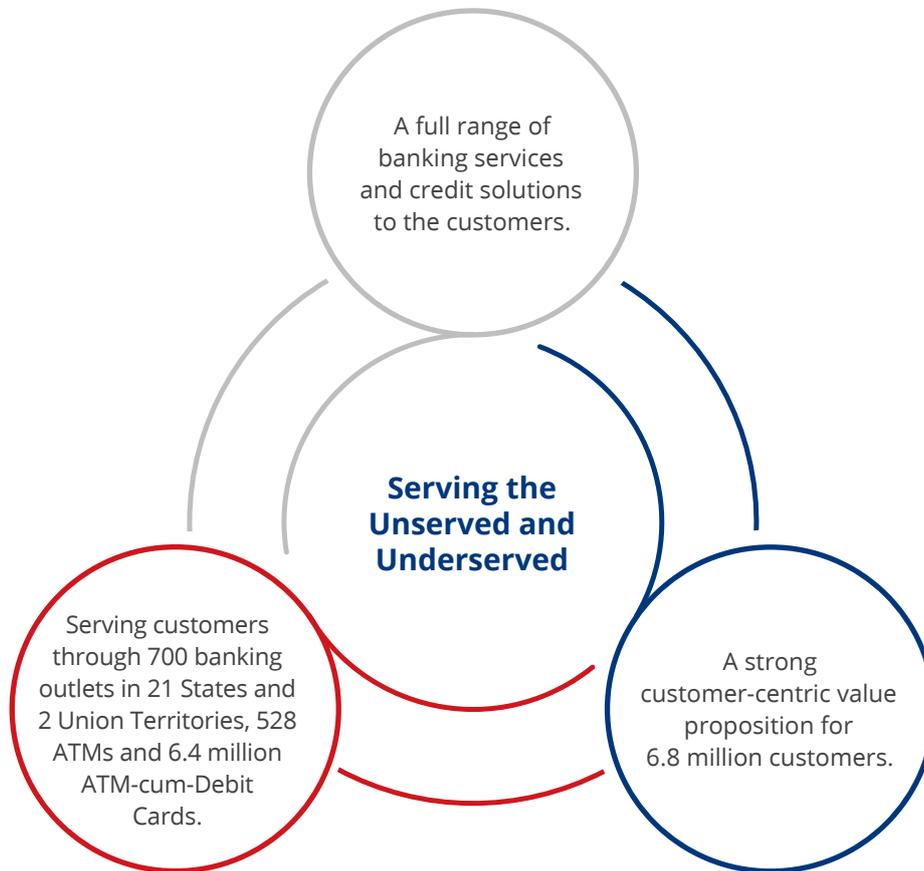
To provide responsive banking services to the underserved and unserved households in India, facilitated by customer-centric products, high-quality service and innovative technology.



## BRAND PROMISE

To deliver the Joy of Banking through personalised, accessible, safe and responsive services.

## A CUSTOMER-CENTRIC VALUE PROPOSITION



### Expanding Our Customer Base

We are constantly expanding our customer base by expanding our channels.



#### BRANCH BANKING

- A phygital approach for full-fledged banking products and services
- Branch operations
- Single point for all customer services
- Deposit raised through branches



#### DIGITAL BANKING

- Enabling customers to pay bills, transfer funds to other banks and use scan and pay facilities at merchant outlets
- WhatsApp and Missed Call Banking



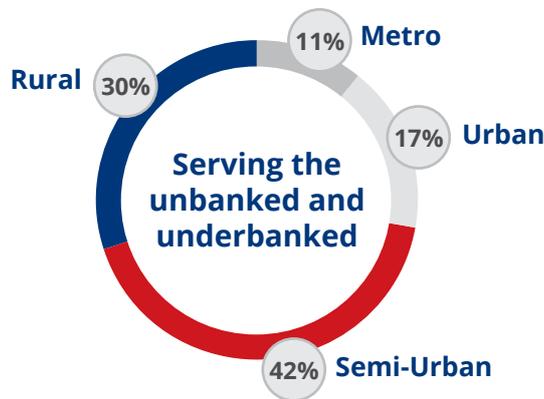
#### BUSINESS CORRESPONDENT

- Sourcing and servicing customers vis-à-vis microfinance loans, deposits and third-party products

### Fighting the Partiality of Prosperity

Through our Triple Bottom Line Approach focussing on People, Planet and Prosperity, we aim to support livelihood and economic development and predominantly serve the low-income and middle-income segments in India.

 <p><b>PEOPLE</b></p> <ul style="list-style-type: none"> <li>• Social capital built by the Bank through fair and beneficial business practices towards our employees and the communities in which we operate.</li> </ul>	 <p><b>PLANET</b></p> <ul style="list-style-type: none"> <li>• The environmental impact of our operations.</li> </ul>	 <p><b>PROSPERITY</b></p> <ul style="list-style-type: none"> <li>• The economic value created by the Bank for all its stakeholders.</li> </ul>
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# EXPANDING PROGRESSIVELY. STRATEGISING TO SCALE HIGHER.

Today, we are a “Bank for All” with our varied portfolio mix of assets and liability products. As we scale higher in an agile and flexible manner, we are well-poised for our next phase of growth. We demonstrated strong resilience against the headwinds by expanding our network, strengthening our deposit book, diversifying geographically, and serving customers across the spectrum.

ESAF Small Finance Bank has demonstrated its strong ability to run a full-service bank with a well-formulated strategy in sync with our philosophy of driving financial inclusion and serving customers at the bottom of the pyramid. As a key element of our strategy, the Bank is focussed on the retail segment. With a “Right for Customers” approach, we are constantly assessing the customers’ requirements and risk appetite, and leveraging our branch network, BC banking and digital channels. This is aimed at expanding presence in various ecosystems, increasing our customer base in savings, investment and credit products and cross-selling a comprehensive suite of products to our customers.

## INCREASING THE RETAIL DEPOSITS PORTFOLIO

We are focussing on building our deposit base to grow the business and reduce our cost of funds. The Bank’s Total Deposits have increased from Rs. 128,150.72 million in FY2022 to Rs. 146,656.25 million in FY2023 - a CAGR of 14.44%.



### Retail Deposits

Retail Deposits accounted for Rs. 133,230.03 million, up from Rs. 97,963.84 million – a CAGR of 23.07%. By focussing on customer service and by offering competitive pricing, our banking outlets and business correspondents are continuing to target new and existing customers to source deposits in the form of CASA, fixed deposits and recurring deposits.



### NRI Deposits

Our deposits from the NRI segment are increasing year on year. Deposits from NRIs stood at Rs. 31,662.32 million as on 31<sup>st</sup> March 2023, nearly 22% of total Deposits. We have received the category 1 Licence from the RBI and will shortly introduce FCNR & RFC products for our NR customers.

This also provides us with an opportunity to have rupee drawing arrangements with exchange houses and SWIFT code, so as to ease the remittance process for our customers. In order to enhance the NR customer base, several reference-seeking and marketing campaigns are being regularly conducted. In addition to GCC, special focus is being given to African and South East Asian countries.



### High Net Worth Individuals

To be able to serve high net-worth individuals (HNIs), we continue to leverage our banking outlets by appointing dedicated relationship managers. Through our HNI programme, we offer differentiated services to them. We also plan to further our relationships with farmer producer associations, co-operative societies, government departments, non-government organisations and educational institutions with the objective of offering products

and services, including CASA, to members and employees.



### Other Deposits-related Initiatives

Invest Easy, a new initiative, provides the option to customers to not maintain the minimum account balance in savings account, provided 10 times of the minimum balance is maintained in term deposits for the entire year. Rainbow Savings Account is a new product especially customised for transgenders.

Going forward, we are planning to

- Enable savings bank account collection for micro banking customers.
- Create a dedicated team to service start-ups by setting up a dedicated desk for helping in documentation; by having a completely free banking service; and by developing an in-house CRM to track calls, meetings and business closures for customers.

## GROWING OUR RETAIL LOAN PORTFOLIO

We plan to maintain our focus on our individual customers to continue building our retail loan portfolio, as well as capitalise on our relationships with our existing micro loan customers whose borrowing ability has increased and who require higher loan amounts. We will also continue offering personalised loan products to salaried account holders.



### Retail Advances

To expand our retail loan customer base, we are working on increasing our retail advances in value and as a percentage of assets managed. To achieve this, we are targeting agriculturists, small farmers, small-scale entrepreneurs, salaried employees, students and senior citizens in small towns and rural India.



### Micro Loans

With the new regulatory framework introduced by the RBI, we revamped our products based on specific customer needs. We plan to continue to grow our Micro Loans by cross-selling and upselling to our customer base and marketing these loans to family members of our existing customers. With this, we are further deepening our relationships with them and becoming their trusted “bank of choice”. We also plan to appoint new Business Correspondents to target more customers. As on 31<sup>st</sup> March 2023, we had over 3.35 million Micro Loan customers. Business Correspondents source and service customers for Microfinance Loans and other Micro Loans.



### Gold Loans

Our Gold Loan AUM has crossed Rs. 20,000 million. Our emphasis is on further expanding the number of branches offering gold loans. The Bank has increased the number of banking outlets offering gold loans from 345 banking outlets (63% of 550 banking outlets in March 2022) to 545 outlets (78% of 700 banking outlets in March 2023). A new LOS has been launched for Gold Loan, and we are also onboarding external appraisers to ensure quality of gold appraisal. We are also launching a dedicated customer service for Gold Loans to ensure 24/7 service availability.



### Agri Loans

FIG loan was focussed more towards requirements of BoP, especially the marginal farmers, ensuring greater penetration in various geographies. Kisan Jyoti was introduced to cater to the needs of progressive farmers and help them meet post-harvest expenses, providing value addition to crops, and other farm development activities. Kisan Pragati is a new product introduced to cater to the needs of large landholding farmers with greater capital requirement for operational obligations and inputs. The ticket size is bigger to match the demand.



### Mortgage Loans

We maintain a renewed focus on the affordable segment and also on revamping the products and features. As on 31<sup>st</sup> March 2023,

there are 200 banking outlets (29% of 700 outlets) that offer mortgages. We plan to increase our mortgage business by increasing the number of branches that offer mortgages by focussing on affordable housing loans with new policies and processes designed to increase the ease and efficiency for granting housing loans. We plan to introduce a mobile-based loan origination system (LOS) for mortgage loans.



### Mobility Loans

The Bank remodelled and developed the features and policies of Mobility Loans to enhance product growth. We launched an exclusive LOS for all mobility products – Aadhaar Vault, E-KYC and Auto CIF creation. Going forward, we plan to initiate dealer funding to ensure increased sales for the product. We also plan to introduce e-NACH to increase customer convenience.



### MSME Loans

The Bank started offering MSME loans in 2020, and since then, we have been expanding this portfolio every year. Exclusive LOS was introduced to streamline the business process. GST Power OD, ESAF Business LAP and Secured Corporate Business Loan are some newly launched products meant for diversified needs of MSME customers. To ramp up our Micro Enterprise Loan business, we have identified high-potential branches. Agency Channel and Branch Channel will be activated for Vyapar Vikas Yojana product, which will increase cross-channel sales. Small ticket secured lending will be done through BC banking.

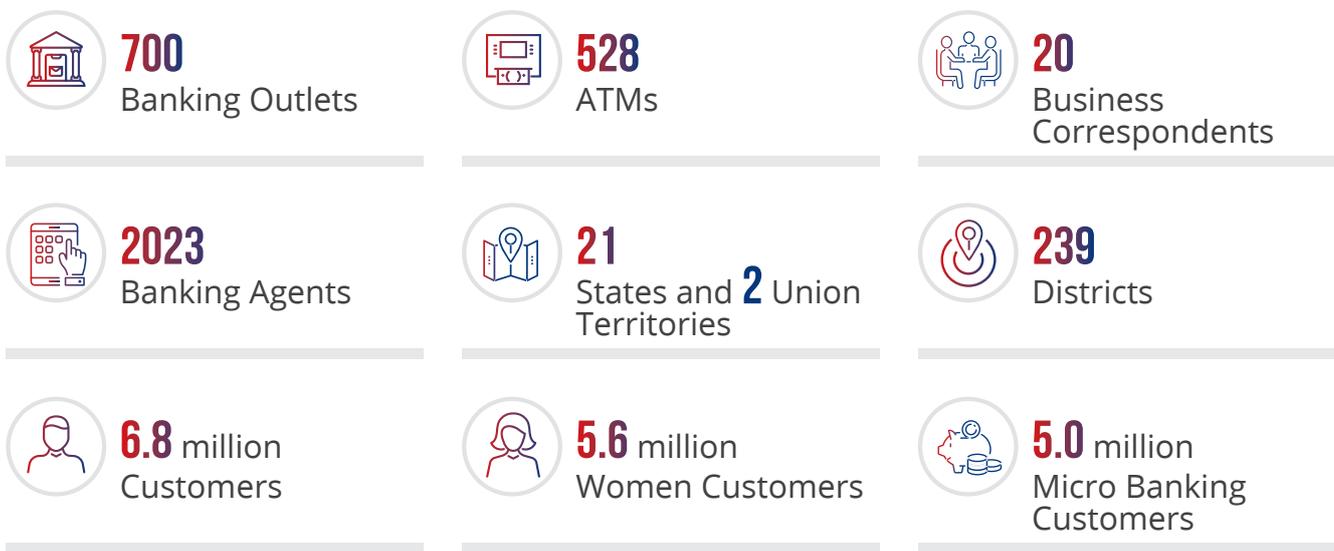
## INCREASING FEE-BASED INCOME

We intend to increase our fee-based income by cross-selling third-party products and service offerings to our customers and expanding the range of third-party products and service offerings. Today, we distribute the National Pension System, Atal Pension Yojana, third-party general and life insurance products, third-party mutual funds and third-party depository services. Also, we plan to offer bank guarantees and letters of credit to MSMEs.

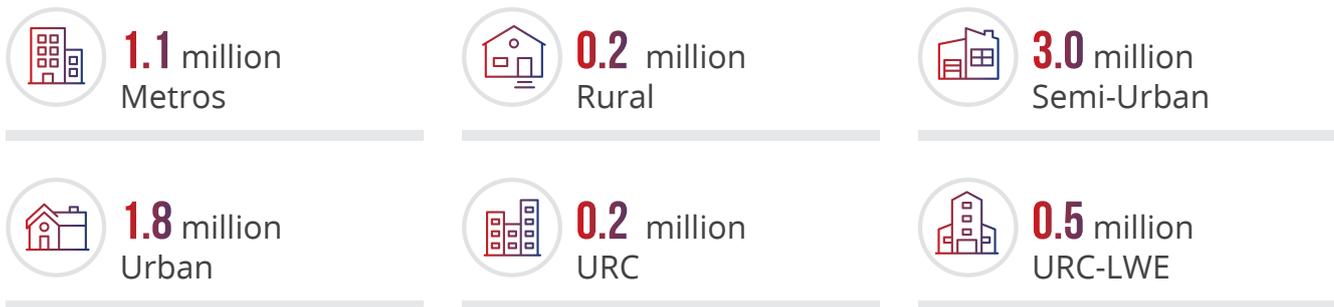


# PROVIDING RIGHTFUL ACCESS TO MODERN-DAY BANKING FOR THE UNBANKED AND UNDERBANKED

A portfolio predominantly focussed on serving the underbanked customers is what distinguishes us from other small finance banks, facilitating financial and social inclusion. Our objective is to deepen our presence across India, enhance our service portfolio and create a seamless customer experience.



## SERVING CUSTOMERS IN UNBANKED AND UNDERBANKED AREAS



Having a wide network in rural and semi-urban areas is a key strategic advantage for ESAF Small Finance Bank.

We are focussed on building India's largest network of banking outlets to serve the unserved and underserved in rural, semi-urban and urban markets. With this, we promise to give our customers their rightful access to a wide range of modern-day and high-quality

banking services. ESAF Bank offers its services through three primary channels: Branch Banking, BC Channel, and Digital Banking. We are actively expanding our presence and operations across these three channels to enhance our business.

### Branch Banking

The Bank operates 700 branches in 21 states and two union territories in India, of which 125 branches were

opened during the year under review. As a Small Finance Bank, we are required to set up a minimum of 25% of our branches in unbanked rural centres. However, approximately 27% of our banking outlets are strategically located in these unbanked rural areas, where we cater to the underbanked and underprivileged.

## Scaling New Heights Since 2020

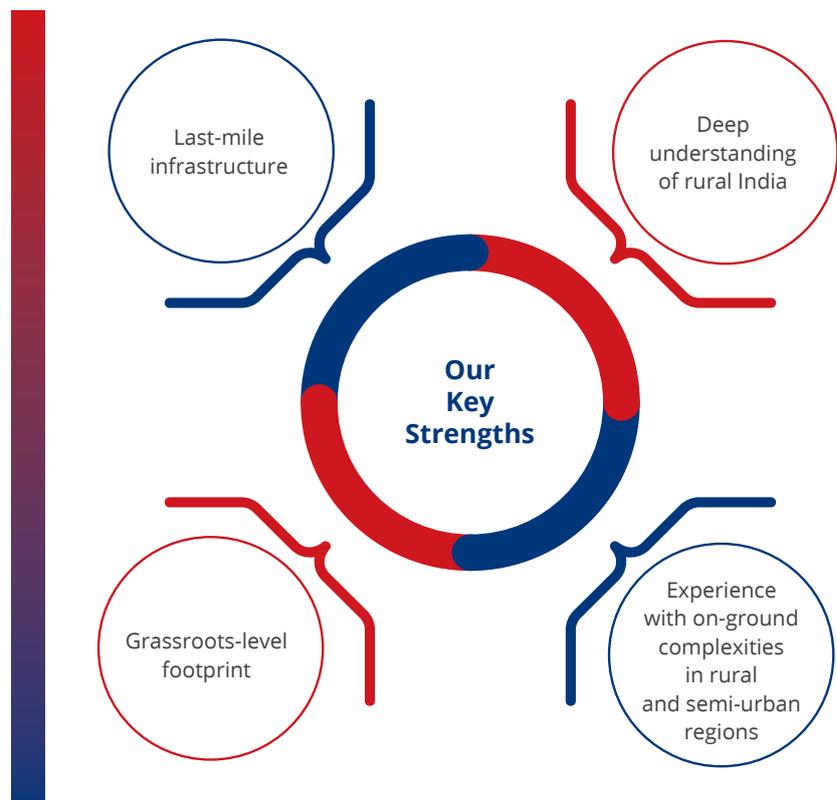
Since April 2020, we have considerably expanded the number of states and union territories we operate in. Since then, we have expanded our operations to Meghalaya, Uttar Pradesh, Haryana, Tripura and Chandigarh, by opening banking outlets and/or appointing business correspondents for these states and union territories. In FY2022, we expanded our operations to Uttarakhand by appointing a business correspondent. Other than Uttarakhand, Tripura was another new geography we explored during the year. We also opened two Asset Hubs in Coimbatore and Bhopal to support our retail asset business.

With our strategic expansion efforts in rural and semi-urban locations, the number of customers we serve in these areas has significantly increased. As on 31<sup>st</sup> March 2023, we proudly serve a customer base of 3.94 million customers in these rural and semi-urban areas. Moreover, we have also established 528 ATMs in these regions, further enhancing the accessibility of our banking services to these customers.

### BC Channel

Through the BC channel, we are continuously bringing innovative business models to leverage BC partnerships and deliver a wide range of financial services to our last-mile customers. During the year, the BC channel onboarded six new BCs, fostering the partnership between the Bank and BCs to drive business growth. These newly onboarded BCs operate in various states, including West Bengal, Bihar, Gujarat, Haryana, Uttarakhand, Tamil Nadu, and Odisha. Their presence in these regions helps in increasing market penetration in existing areas and providing an opportunity to explore new geographical territories.

The Bank's business model leverages partnerships with BCs for last-mile delivery. We intend to enhance our distribution within states and union territories by expanding our network of Business Correspondents (BCs) to establish more Customer Service Centres (CSCs) and Business Correspondent-Operated Banking (BCBO) Outlets. We encourage BCs to enter into agreements with more banking agents/entities and business facilitators and utilise their advantage to further the penetration of micro ATMs to the last mile.



### Expanding Business Correspondents

As on 31<sup>st</sup> March 2023, we had 20 Business Correspondents (BC). There are 743 CSCs across the country, of which 213 were opened this year. Two BCBOs have been successfully piloted, and the model has been expanded to 59 outlets. The BC entities act for us on a non-exclusive basis and are responsible for the sourcing and servicing of customers for Microfinance Loans and other Micro Loans. BCs also source customers for mortgage loans, vehicle loans, MSME loans, agricultural loans and select deposit products. In addition, BCs are responsible for sourcing and servicing our banking

agents. Further, our Business Facilitators generate product-specific leads from potential customers and collect relevant documentation from customers.

### Digital Channel

There has been significant growth in the number of agents at the Bank. A total of 1,444 new agents were added during the year, taking the total number to 2023. Yet another milestone touched during the year was the facilitation of Merchant QR codes which crossed 10,000 this year. Digital products like CASA, Mobile Banking, and Internet Banking demonstrated healthy growth and further depth in penetration level during the year.

# CHAIRMAN'S MESSAGE TO SHAREHOLDERS



Today, as a socially responsible financial institution and one of India's leading Small Finance Banks, we continue to remain dedicated to making a positive impact on millions of people at the bottom of the economic pyramid.



## *Dear Shareholders,*

We are happy to share with you our Annual Report for the fiscal year 2022-23. During the year, the Indian banking industry demonstrated impressive resilience and adaptability in navigating a volatile business landscape and geopolitical risks. The war between Ukraine and Russia has had a massive impact on politics and economies across the globe. I am happy that despite macroeconomic and geopolitical events, we are moving in the right direction. But the pace of change has been quite dynamic in India.

However, by capitalising on the emerging trends and being vigilant, the industry rose to the occasion with renewed determination to meet the challenges of a dynamic and evolving market environment.

A strong recovery is underway in the Indian banking sector. The reforms undertaken by the government addressed credit discipline, ensured responsible lending and improved governance, making the Indian banking system profitable, growing and adequately capitalised.

The government's steadfast commitment to economic reforms, coupled with measures to enhance the ease of doing business, has contributed to a more conducive investment climate. These efforts, alongside the implementation of targeted policies, have helped stimulate private sector investment and promote entrepreneurship. As we all know, the role of banks in balancing the economy is crucial

during these challenging times. And as a Small Finance Bank, ESAF contributed its bit to balance the economy and reform the Indian financial system, especially at the grassroots level.

The Indian economy is projected to grow in the range of 6% to 6.5% in FY 2023-24 against the backdrop of improved global demand, credit growth and continued reforms, along with the expectation of a better monsoon. Given this scenario, ESAF SFB is committed to sustainable development by identifying the right opportunities in the agriculture and MSME segments, and by exhibiting a laser-sharp focus on financial inclusion through channels like agency networks.

### Three Decades of Promoting Financial Inclusion

The Bank recently celebrated its sixth anniversary, while ESAF as an organisation has completed 31 years of its establishment. Over the past three decades, ESAF has been instrumental in reducing the income gap in rural areas, making a meaningful contribution to the development of these regions.

Today, as a socially responsible financial institution and one of India's leading small finance banks, we continue to remain dedicated to making a positive impact on millions of people at the bottom of the economic pyramid. Despite being a relatively young bank, we have achieved significant milestones in a short span of time, taking banking services to the unserved and underserved rural communities in India. Our penetration in diverse sectors, including education, healthcare, women empowerment, livelihood development, farmer support, and skill development, has positively transformed lives and fostered sustainable growth of our customers.

### Creating Opportunities for 6.8 Million Customers

Our steadfast commitment to empowering the underprivileged and promoting financial inclusion has led us to serve 6.8 million customers across 21 states and two union territories across India, through our widespread network of 700 banking outlets. I would like to take this opportunity to thank our team for their utmost dedication and courage. We are also grateful for the remarkable resilience demonstrated by our customers, as evidenced by a sustainable improvement in collection efficiency. Today, our robust governance standards have helped us establish a reputation for professionalism and excellence. Even during the challenging times

faced by the industry, we remained focussed on meeting our customers' needs, driving operational efficiency, and strengthening our resilience.

### Building Resilience During Challenging Times

As a social bank, we recognised that our customers' resilience helped strengthen our own resilience too amidst the challenging times. Our customers have big dreams and aspirations and we see ourselves as their agents of hope, and catalysts to help them realise their goals. This was the vision clearly articulated by our Founder, and the organisation strives to realise this vision every single day by handholding our customers and providing them with innovative products and services to meet their diverse needs.

We realised that our customers need us even more during times of uncertainty. And hence, during the challenging times, we upped the ante by being with them and supporting them every step of the way. We constantly aim to step into their

shoes and create solutions to make banking easier and more accessible for each one of them.

Microfinance was one segment that demonstrated tremendous customer resilience. Microfinance being an essential tool for poverty alleviation, we are proud to play a key role in providing small loans to micro-entrepreneurs and small business owners. We believe that our success is tied to that of our customers. And together, we can weather any storm and emerge stronger.

Our customers often face significant challenges in gaining access to traditional forms of financing. However, with full-fledged and timely financial support from ESAF Small Finance Bank, our Microfinance customers can dream big and raise their standard of living and aspirations. Also, flexible repayment options designed by the Bank for different products also result in a higher level of customer satisfaction.

Despite being a relatively young bank, we have achieved significant milestones in a short span of time, taking banking services to the unserved and underserved rural communities in India.



## Strategies to Sustain Growth

For our Bank to sustain its growth in the long term, we understand and leverage the potential of agency banking in order to expand our reach and offer banking services to underserved and unbanked communities. Our expansion is clearly evident in the recent launch of our first banking outlet in Sholayur.

We also understand the significance of making the right investments towards digital transformation. Today, the COVID-19 pandemic has led us to realise the critical need for banks to be equipped with robust digital capabilities that help them provide online banking and other digital services to customers. We have laid up detailed plans to invest in technology infrastructure and digital tools that will improve the efficiency of our operations and our customer experience.

With new technologies such as blockchain, artificial intelligence, and machine learning, we aim to streamline our processes and provide personalised services to our customers. However, we also understand that with this advancement comes with inherent risks, particularly the looming threat of cyber-attacks.

Recognising these potential dangers, we are ensuring that we also invest substantial resources towards bolstering cyber security measures to be able to thwart such attacks.

Furthermore, we are also in the process of establishing tie-ups with fintech companies to leverage their expertise and access cutting-edge technologies and innovative business models. This is aimed at enhancing our existing services and also developing new products to meet the diverse and evolving needs of our customers.

Besides technology, making the right investments in our human capital is also a key priority at ESAF. With adequate training and development, we are aiming at fostering a culture of excellence, increasing productivity and driving growth and success.

However, in the backdrop of increasing opportunities, it is also important to acknowledge the potential risks lying ahead. The uncertainty surrounding the global economic landscape, volatility in commodity prices, and the lingering impact of the COVID-19 pandemic are factors that require continued and constant vigilance and proactive measures.

## Driving Sustainability Through Our Triple Bottom Line Approach

The Bank's Triple Bottom Line Approach, which takes into account the 3Ps of People, Planet, and Prosperity, is a crucial factor for driving sustainable development. With these three key elements being interconnected, their integration is essential for ensuring long-term sustainability of the business.

Our focus on People encompasses the impact of our operations on our employees, customers, and the communities we serve. We prioritise ethical practices, diversity and inclusion, and remain committed to creating a positive impact on society as a whole. The element of Planet in our Triple Bottom Line Approach focusses on environmental sustainability, and we remain aligned with this by taking significant steps to reduce carbon footprint and promote sustainable practices. We engage in Green Financing through Go Green Vehicle Loans and Solar Energy Loans, being in alignment with the United Nations' Sustainable Development Goals. Lastly, Prosperity is vital to sustainability. It ensures long-term economic sustainability of the business and the communities we serve. As part of this, we prioritise financial inclusion by providing



We prioritise the integration of ESG standards and objectives into the Bank's policies and priorities. By doing so, we ensure that the Bank actively demonstrates its commitment to ESG consciousness and encourages its borrowers to adopt a more ESG-focussed approach.



access to banking services to the underserved communities and the underprivileged sections of society, thereby contributing to the economic growth of these regions.

### Instilling a Strong Focus on ESG

The ESG challenge in banking is real. The banking industry is constantly evolving and adapting to meet the changing needs of the economy and the customers we serve. There has been a growing focus on Environmental, Social, and Governance (ESG) practices in recent years. ESG is a critical factor and a growing imperative for banks, shaping their operations and influencing investors' decisions. More banks are gearing up to adopt a sustainable model.

ESAF too is actively prioritising ESG in banking operations. We have adopted an ESG Roadmap for 2023-27, and we are working on it fervently to gain the desired results in the coming years. The Bank has also shown significant growth in its Hrudaya Fixed Deposit,

Green Wheels and Clean Energy Loans, focussed on providing sustainable finance options to our customers. These initiatives are aimed at promoting sustainability in the banking industry and encouraging customers to make environmentally conscious choices.

We prioritise the integration of ESG standards and objectives into the Bank's policies and priorities. By doing so, we ensure that the Bank actively demonstrates its commitment to ESG consciousness and encourages its borrowers to adopt a more ESG-focussed approach. Given the revenue potential of our ESG principles, we are actively exploring new avenues that align with our environmental, social and governance values.

We are also preparing to assess and rate our customers based on their ESG performance, and ensuring their eligibility for green financing and other ESG-related incentives. To align with global standards of the Business

Responsibility and Sustainability Report and Net Zero commitments, we are working on adapting our culture and organisational structure to accommodate the evolving ESG landscape. This transformative shift is set to herald a new age of banking. Our initiatives define a proactive stance in addressing ESG-related matters and making great strides in promoting sustainability in the Indian banking industry.

### Vote of Thanks

As we chart our course for the future, our key priorities are to maintain and further improve our asset quality and pursue growth on par with the industry, with a key focus on quality assurance at all levels. We remain committed to upholding the foundational values that have been integral to our culture and guiding our operations. We also understand that the resilience displayed by the economy at large, combined with the government's reform agenda, sets a favourable stage for sustained growth. We thus remain committed to supporting the aspirations of our customers and contributing towards India's economic development.

Before signing off, I extend our heartfelt gratitude and appreciation to all our stakeholders, especially the Government of India, various State Governments, Regulators, Board Members, shareholders and customers, and last but not least our employees. We look forward to your continued patronage, guidance and support.

Thank you, once again, for your unwavering support in nurturing and mentoring our young and dynamic banking institution. We look forward to your continued support in the future.

With Regards,

**Ravimohan  
Periyakavil Ramakrishnan**  
Chairman

# MANAGING DIRECTOR'S MESSAGE



 Sustain, Innovate and Grow encapsulates our corporate theme for the year, emphasising the critical aspects that will drive our continued success. By sustaining our performance and impact, driving innovation, and pursuing meaningful growth, we can create a pathway to even greater achievements. 



## *Dear Shareholders,*

It is with great pleasure that I am addressing you during the 07<sup>th</sup> AGM of our Bank.

As we reflect on the past year, it is evident that we have made significant strides in our pursuit of growth and creating a societal impact. Our commitment to scaling higher has helped us push the boundaries, enhance and optimise our strategies, and embrace new opportunities with great determination.

In the face of economic and industry-related challenges during the year, we remained resilient and adaptable, continuously strengthened our foundation and positioned ourselves for an even more promising future. In other words, our focus remained on serving the needs of the

vulnerable sections of society, as we navigated the evolving landscape and embraced the potential of a better and brighter future for the Bank.

### **Economy and Industry Scenario**

India's strong economic growth post COVID-19 makes it the fastest growing major economy in terms of aggregate and per-capita GDP. India's banking system is robust, stable, and in good health, contributing to its potential to thrive even amidst the current global economic downturn. The sector's resilience and stability play a crucial role in its positive outlook, providing a solid foundation for India to emerge as a leading player in the global economy. With a strong and healthy banking system, India remains poised

to navigate the challenges and seize the right opportunities, potentially making it a standout performer.

The positive trends in the banking sector are reflected within ESAF Small Finance Bank too. We attribute our success to the resilience shown by the rural economy and our microfinance customers, in particular. The government's strong emphasis to promote financial inclusion contributed to our rapid success. Small Finance Banks, in particular, witnessed noteworthy expansion as their non-performing assets (NPAs) declined and credit growth outpaced that of other banking institutions.

Throughout the year, ESAF's primary focus was to enhance asset quality, liquidity, and capital adequacy.

We achieved this by diversifying our portfolio and geographical presence, and tailoring our product offerings to cater to customers' requirements in various states. Our robust risk management measures played a critical role in minimising the lateral impact of the pandemic and the challenging macroeconomic environment on the bank's business. We also expanded our distribution network and strengthened the Bank's human capital.

### Sustain, Innovate and Grow

In continuation of the previous year's corporate theme "Collaborate, Leverage, and Surge.", our onward journey of success set the stage well for our new theme of "Sustain, Innovate and Grow." With a clear focus on sustainable growth, let us delve into the three key aspects of this theme, reiterating that our financial performance is a direct impact of our unwavering commitment to these three principles.

"Sustain, Innovate and Grow" encapsulates our corporate theme for the year, emphasising the critical aspects that will drive our continued success. By sustaining our performance and impact, driving innovation, and pursuing meaningful growth, we can create a pathway to even greater achievements. As we embrace these principles, we are confident that ESAF Bank will remain a leader, continuously adapting to the evolving needs of our customers and shaping a brighter future for all.

### Sustaining Our Performance and Impact

We take pride in our accomplishments of the previous year, which include expanding our geographic reach to 700 branches, a significant number of these being in the rural areas. Additionally, we also successfully increased our customer base in the agricultural sector to 0.10 million, and also inaugurated our first exclusive asset hub in Coimbatore.

Notably, our Net Profit for the financial year 2022-23 registered an all-time high year-on-year growth of 453%. However, what is most essential is that we continue to sustain our achievements and strive ahead for further progress of the Bank.

### Driving Innovation for Future Success

Innovation is our key to unlocking new growth opportunities and staying relevant in today's dynamic landscape. While maintaining our current success is vital, it is important that we must not allow complacency to set in. The launch of our Rainbow Savings Account for the transgender community this year received significant appreciation from all quarters, exemplifying our strong commitment to product innovation. Further, by adopting a customer-centric approach, we identify and address the gaps in their needs and requirements, With this, we innovate not only our planning but also our process execution.

Our efforts in digitisation, such as the use of tablets for account opening and loan underwriting, along with the enhancement of existing digital products, reinforce our commitment to providing seamless customer experiences.

### Pursuing Meaningful Growth

As we move forward, we must align our growth objectives with the well-being of our customers. Offering a generous interest rate of 9% to Senior Citizens for their fixed deposits further depicts our customer-centric approach.

With studies indicating that low and middle-income groups will drive the Indian economy in the years to come, the potential for growth and innovation is immense for ESAF. Moreover, our strategic focus on agriculture and the MSME sector will further propel our growth trajectory upwards, enabling us to make a substantial impact.

Innovation is our key to unlocking new growth opportunities and staying relevant in today's dynamic landscape. While maintaining our current success is vital, it is important that we must not allow complacency to set in.





### Driving Sustainable Growth Through ESG Initiatives

Validating the importance of sustainability practices in today's times, ESAF Bank has instituted the Green Salute Awards for Sustainability Champions within the departments. These awards serve to acknowledge and reward the employees who demonstrate exceptional commitment and contribution towards sustainability initiatives. Furthermore, the Bank has published its Sustainability Report themed "Green. Glow. Grow.", which highlights its key achievements in various sustainability initiatives across the Bank.

In line with its commitment to sustainability, the Bank has also embraced digital alternatives to reduce the consumption of paper at the bank branches. This also includes digitising internal notes submitted to the Bank's officials. Furthermore, the Bank has also initiated the processing of micro business loans through e-signatures.

As of 31<sup>st</sup> March 2023, the Bank has processed 527,423 such micro

business loans, resulting in saving of 2 tonnes of paper, preservation of 20,000 trees, and conservation of 5,400 litres of water. At the Bank, we also recognise the importance of supporting farming and agricultural practices for India's agrarian economy. The Bank is leveraging digitisation in a big way to help farmers access vital information and resources more efficiently, thereby improving their productivity and farming practices.

There are several other ways in which we support farmers. We provide various kinds of loans to farmers to offer them handholding support. Besides, we also counsel them on financial prudence and its significance to ensure their well-being and to help them make informed financial decisions, considering the prevalence of the system of landlords and exploitative money lenders in rural areas.

In addition, the Bank also recognises the significance of Farmer Producer Organisations (FPOs) in empowering small farmers and improving their livelihoods. This enables them to have

better bargaining power, benefit from economies of scale in transportation and warehousing, and enhance farm mechanisation. The Bank's FPO Finance solution ensures that they have sufficient capital for their operations and growth.

We are committed to driving sustainable growth. To take this growth further, we have adopted an ESG Roadmap for the years 2023-27, through which we aim to make a significant impact on the lives of 10 million direct customers by aligning with various Sustainable Development Goals (SDGs) of the United Nations. Additionally, the Bank also strives to foster local sustainable economic growth by supporting 1 million Joint Liability Groups (JLGs), promoting food security through 1 million Farmer Interest Groups (FIGs), ensuring energy security through the installation of 200,000 renewable energy systems (1 GW capacity), and implementing energy conservation measures and reliance on renewable energy sources in its operations, in line with the Government's Net Zero commitment.

## Moving Forward with Expanded Reach and Empowerment Initiatives

As we continue to advance, we have taken significant strides in expanding our loan portfolio by introducing new products and solutions. This led to the growth of our customer base, and we take pride in offering our unwavering support to our customers throughout several credit cycles. Our commitment to financial empowerment has strengthened, and we are also enhancing our customers' financial awareness and literacy through dedicated campaigns on a priority basis.

Today, ESAF SFB has emerged as a trailblazer in underwriting small loans for self-employed individuals, who often lack sufficient credit history for conventional creditworthiness assessment. We are privileged to serve a substantial customer base of 6.8 million individuals across 21 states and two union territories. Furthermore, we have also extended our reach geographically, bringing our total count to 700 bank branches.

In addition, we serve our customers through other channels such as Business Correspondents, Digital Channels and Direct Channels, and have developed innovative touchpoints such as Customer Service Centres (CSCs), Banking Outlets (supported by BC staff), and Banking Correspondents Owned Banking Outlets (BCOBO). Moving ahead, we have ambitious plans to inaugurate 50 more branches and introduce 300 additional CSCs in the financial year 2023-24.

## Embracing the Future

As we forge ahead, ESAF stands poised to capitalise on the expanding opportunities within the banking industry. We understand that the next financial year will present its own array of challenges and geopolitical tensions. However, by leveraging our existing resources, sustaining strengths and innovation capabilities, we are confident of propelling further and fortifying our accomplishments to achieve sustainable growth in the future.

Our path of fostering innovation and upholding social responsibility is challenging, yet the steadfast support and trust of our esteemed customers, dedicated employees, regulators, and stakeholders have helped us in executing our duties successfully. Together, we continue to set new benchmarks and maintain our position as India's "go-to" small finance bank.

## Conclusion

I am delighted to share that I have been honoured with the esteemed Inclusive Finance India Award 2022. In receiving this distinguished accolade, what I am humbled about most is the recognition of our efforts in promoting inclusive finance in India. It serves as a testament to the tireless efforts put in by our team and signifies our commitment to financial inclusion. The award motivates us to continue pushing new boundaries and creating innovative solutions that bridge the credit gap and ensure financial access to the underserved. We are proud to participate in a transformative movement, driving positive change in a growing economy.

On behalf of our Board of Directors, I would like to express my gratitude to our dedicated team for their unwavering commitment and contribution to achieving our vision and objectives. Their commitment has been most instrumental in our achievements over the past six years.

We are also profoundly appreciative of our customers, shareholders, channel partners, regulators, advisors, vendors and all other stakeholders for their immense trust in the Bank. Their unflinching support serves as an inspiration to us as we strive for even greater excellence.

Thanking You.

Warm Regards,

**K. Paul Thomas**  
Managing Director and CEO

We are privileged to serve a substantial customer base of 6.8 million individuals across 21 states and two union territories. Furthermore, we have also extended our reach geographically, bringing our total count to 700 bank branches.

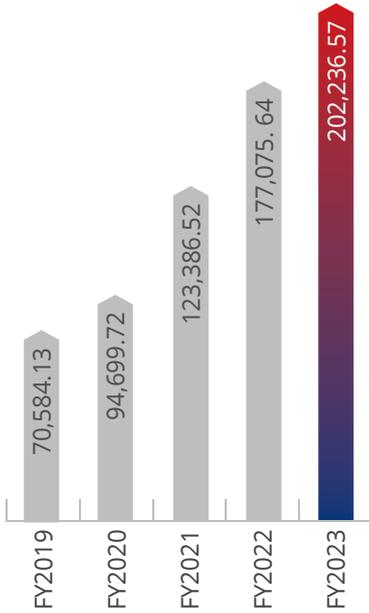


# OUR REPORT CARD

SUSTAINING. INNOVATING. GROWING.

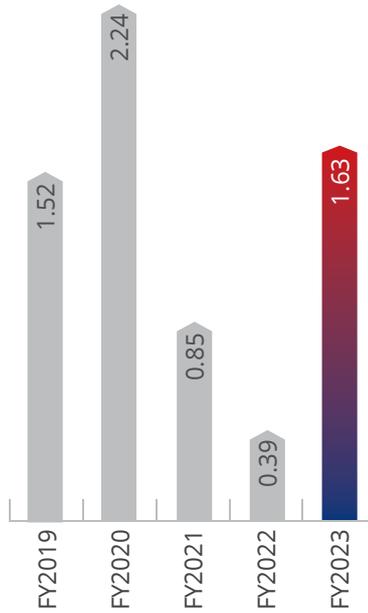
## Total Assets

(Rs. Million)



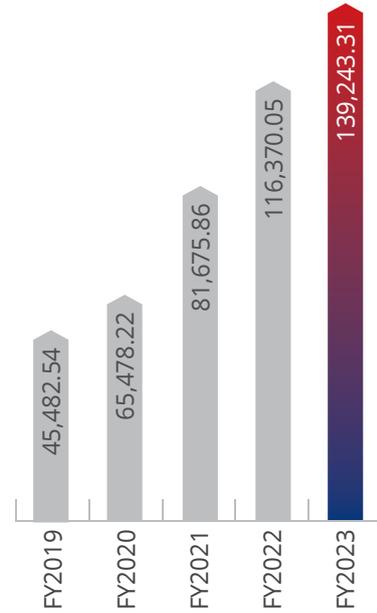
## Return on Assets

(%)



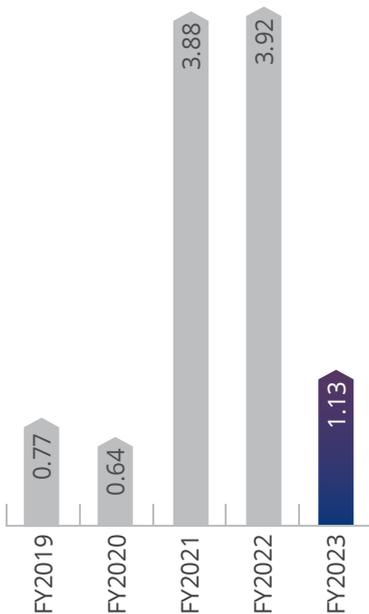
## Net Advances

(Rs. Million)



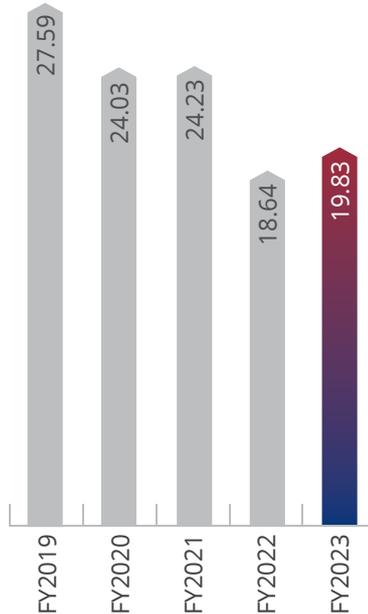
## Net NPA

(%)



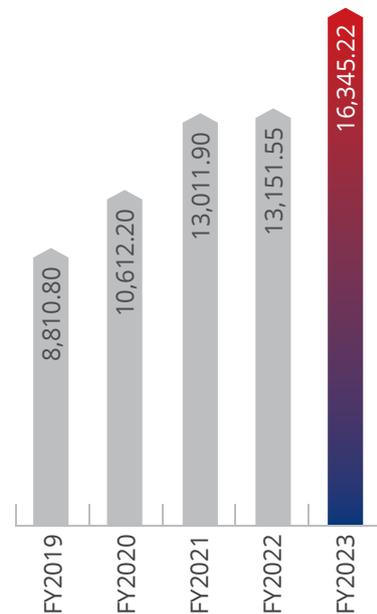
## Capital Adequacy

(%)



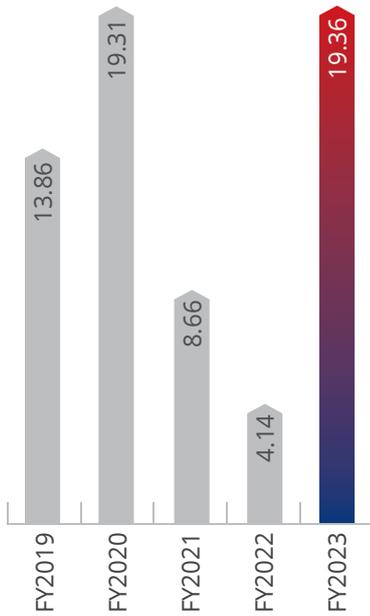
## Net Worth

(Rs. Million)



## Return on Equity

(%)



## SOME MORE HIGHLIGHTS

Rs. **133,230.03** million  
Retail Deposits

Rs. **31,662.32** million  
Deposits from NRIs

Rs. **6,878** million  
AUM of Agricultural  
Advances

**743**  
Customer Service  
Centres

Rs. **122,549** million  
AUM of Micro Loans

Rs. **20,537** million  
Retail Advances in  
Gold Loans

**545**  
No. of branch banking outlets offering Gold Loans  
(78% of total banking outlets)

**200** Branches  
Offering mortgage  
business

# OUR EVOLUTION IN THE PAST SIX YEARS



- ESAF Microfinance receives licence to commence banking operations from the RBI



- Government of India picks ESAF Small Finance Bank for Atal Pension Yojana



- ESAF Small Finance Bank opens 100 new Retail Banking Outlets in a year



MEMBER  
Global Alliance for Banking on Values

- ESAF Small Finance Bank becomes a member of the Global Alliance for Banking on Values (GABV)



- ESAF Small Finance Bank receives Scheduled Bank status



- ESAF Small Finance Bank receives RBI approval for NRI operations



- ESAF Small Finance Bank among the finalists to receive the prestigious European Microfinance Award



- ESAF Small Finance Bank wins PFRDA Award

2016

2017

2018

2019



- ESAF Small Finance Bank commences banking operations, becoming the first bank from Kerala since Independence



- ESAF Small Finance Bank opens 222 new Retail Banking Outlets in a year



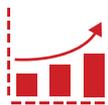
- ESAF Small Finance Bank becomes the first runner-up of the ASSOCHAM Award 2019



- ESAF Small Finance Bank receives SKOCH Award of Banking Gold for access and affordable banking services for financially underserved areas



- ESAF Small Finance Bank bags the Economic Times Best BFSI Brand 2019 Award



- ESAF Small Finance Bank's business crosses 100,000 million



- ESAF Small Finance Bank wins Energy & Environment Foundation Global Sustainability Award 2020



- ESAF Small Finance Bank crosses 500 Retail Banking Outlets



- ESAF Small Finance Bank receives the Prestigious Rising Brand of Asia Award



- ESAF Small Finance Bank bags the Synnex-Small Finance Bank of the Year Award



- ESAF Small Finance Bank wins the Inclusive Finance India Award 2022

2020

2021

2022

2023



- ESAF Small Finance Bank receives Great Place to Work certification



- ESAF Small Finance Bank bags the Excellence in Customer Service and Product Distribution Award



# OUR UNIQUE AND EXCELLENT CUSTOMER SERVICE

At the Bank, customer service is the act of taking care of our customers' needs by providing and delivering professional, helpful and high-quality service and assistance. As a socially committed, customer-centric and transparent organisation, the Bank's Customer Service Quality (CSQ) Department emphasises joyful customer experience through its unique and excellent customer service.

## Promptness

Delivery of products must be on time as promised. Delays in services and iterative visits of customers for same requests should be avoided.

## Politeness

Politeness is almost a lost art. Saying 'hello,' 'good afternoon,' 'sorry,' and 'thank you very much' are a part of good customer service. For any business, using good manners is appropriate.

## Professionalism

All customers should be treated professionally, which means the use of competence or skills expected of the employee/representative/agent to show the customer that they are cared for.

## Personalisation

Using the customer's name is effective in producing loyalty. Customers appreciate the idea that the Bank they do business with knows them on a personal level.



We have a well-established Customer Grievance Redressal mechanism, where we receive customer complaints through channels like banking outlets, emails, contact centres and written letters. The Customer Care functions are coordinated by Head-Customer Service Quality and an associated team. Our branch employees are trained and equipped to handle customer queries/complaints. The CSQ

department centrally monitors the Bank's complaints redressal mechanism with the help of customer relationship management.

Our 24x7 dedicated Contact Centre attends to the queries of the customer on an immediate basis. All calls are recorded and monitored to ensure that quality service is delivered to customers. Constant training is provided to those who handle queries

efficiently. The department also has a dedicated team at Central Office to check and reply to all the emails received at [customercare@esafbank.com](mailto:customercare@esafbank.com). The CSQ department reviews TAT and the quality of the grievance redressal happening through various channels and provides necessary support and guidance for faster resolution. The department's Contact Centre operates with both an Outbound and an Inbound Call Centre.

## OUR THREE-TIER CUSTOMER GRIEVANCE REDRESSAL MECHANISM:

### Branch Level Customer Service Committee:

We have a well-established Customer Grievance Redressal mechanism, where we receive customer complaints through channels like banking outlets, emails, contact centres and written letters. The Customer Care functions are coordinated by Head-Customer Service Quality and an associated team. Our branch employees are trained and equipped to handle customer queries/complaints.

### Standing Committee on Customer Service:

Our Standing Committee on Customer Service has MD & CEO, Executive Vice Presidents as members of the Committee with a nodal officer as the Convener, at the Head Office level. The Committee meets on a bi-monthly basis to review the implementation of customer service initiatives. It includes people of various professions, academics, and good standing and will be members of the committee. The Committee evaluates reports from the branch-level at banking outlets. Every complaint is recorded with an acknowledgement and is redressed within 30 days of receipt. If that doesn't happen, the Standing Committee examines the reason and ensures that the same will be redressed in the next 15 days.

### Customer Service Committee of the Board:

We have a Customer Service Committee at the Board level with four directors as members of the Committee including two Independent Directors. The Committee invites the senior executives to the meeting and meets at least once in every quarter to assess and review the overall implementation of customer service policies and initiatives. The Committee reviews customer service issues and difficulties faced to gather feedback on ways to improve customer service.



## INITIATIVES OF CUSTOMER SERVICE QUALITY DEPARTMENT

Our Customer Service Quality Department drives various initiatives to improve and standardise its services across various touch points and ensure quality service. It collaborates and coordinates with different functions and takes up activities like customer service excellence awards, customer exit survey, ATM downtime analysis, certification and awards, bell of joy, sales through service, and Virtual Relationship Management (VRM).

### ISO 9001:2015 Certification

The Customer Service Quality Department works on enhancing quality of functioning and raising standards to international quality. It has revamped many of the processes to meet ISO 9001 standards. As a result, it received ISO 9001:2015 certification for its scope of operations.

- Customer Service Quality Initiatives
- Regulatory and Statutory Reporting of Customer Service Quality Department
- Customer Grievance Redressal Mechanism
- Customer Service Call Centre Monitoring

### Customer Service Excellence Awards

To foster a spirit of competitiveness among branches and enhance the customer experience, the Bank introduced the Customer Service Excellence Award. This initiative aims to motivate branches to proactively excel in customer service, strengthen customer relationships, promote digital transactions, ensure timely task completion, and reduce the number of complaints.

### Nil Penalty by Banking Ombudsman

In FY 2022-23, we received only 51 complaints from the Banking Ombudsman, one of the lowest in India. These complaints were resolved amicably within stipulated timelines. Today, the Bank owes nil penalty to the Banking Ombudsman since inception.

### Uninterrupted Functioning of 24x7 Contact Centre

The Bank ensured uninterrupted Contact Centre services to customers, even amidst constraints during the COVID-19 lockdown. We promptly implemented a work-from-home solution for the Centre, conducted agent training, and earned the trust of our customers.

### Telephonic Surveys

The Customer Service Quality Department conducted various surveys which included Annual Customer Satisfaction Survey, Digital Products Satisfaction Survey, and Micro Loans Customer Satisfaction Survey. These helped the Bank identify the gap and take necessary action to improve customer experience.

### Online Training and Learning Series

The Department made continuous efforts to keep branch staff updated and guided in the area of customer service and relevant procedures. A series of e-mailers on "Excel and Elevate", "SWAGAT", and "CRM-best practices" were shared with all bank branches on a periodic basis.

### Testimonies of Business

Customer Service Quality department has periodically published the testimonies of business through excellent customer service. This involved motivation for building strong relationships, understanding customer needs, and delivering

exceptional experiences to increase sales and customer loyalty.

### Bell of Joy

An innovative method has been introduced to take customer feedback from those visiting the branches. If the customer is happy, he is encouraged to ring a bell kept in the lobby, which gives freedom to the customer to express his/her happiness instantly on the services received. When the customer rings the bell, the staff acknowledges gratitude and this process attracts everyone's attention inside the branch. Receiving feedback on customer experience multiplies confidence of customers and employees. The Bell of Joy has been implemented in top 100 branches to help customers experience the impact of our promise - Joy of banking.

### Process Enhancements and Reduction in TAT

Using Customer Relationship Management, the department generated numerous reports for analysing processes of various customer requests. This helps the Bank understand areas and scope for improvement, to reduce turnaround time. Process changes have resulted in simplifying and automating requests to increase staff productivity and improve customer experience.

### India Banking Summit and Awards 2022

India Banking Summit and Awards 2022 was organised by Synnex Group, with participants from several key banks. Shri. Swaminathan K. and Shri. Abiesh Jose represented ESAF Small Finance Bank in various panel discussions. Shri. K. Paul Thomas, MD & CEO, ESAF Small Finance Bank, participated in the award function held in Mumbai. At the summit, Shri. K. Paul Thomas received the CEO of the Year Award and the Bank was also honoured with the Small Finance Bank of the Year Award.

## CUSTOMER SPEAKS

““

With great pleasure, I would like to inform that I'm extremely happy with the services that ESAF Bank has so far rendered. I take this opportunity to express my appreciation to the staff who opened my account in this growing bank.

- *Dinok Cherian Mathew, Ranni*

””

““

I am happy to share my banking experience with ESAF Bank. I started my relationship with ESAF Bank a year ago, and its quality of service and guidance are exemplary. I wish you all the very best to keep up the good work forever.

- *Bhuneshwar Patel, Pithora*

””

““

I have been a customer of ESAF Bank since 2018. I would like to acknowledge and appreciate its outstanding service, particularly its dedication and diligence in efficiently addressing issues related to NRI banking needs. I strongly believe that the Bank will set great milestones in the years ahead. The Joy of Banking that ESAF Bank delivers inspires every customer to dream big.

- *Shajin Pattali, Edamuttam*

””

# PROPELLING FINANCIAL PHILOSOPHY WITH OUR PRODUCT PORTFOLIO

**Rendering financial upliftment for underserved and unbanked communities from the lower strata of society is a part of the Bank's DNA. With a vision to become India's leading social bank, we design and differentiate our products in a way that they evolve to be social banking products.**

We aim to be India's leading social bank offering equal opportunities through universal access and financial deepening, thus promoting financial inclusion, livelihood and economic development. We term our products and services

as our key tools to steer financial inclusion, bridge the gap between the served and unserved and bring in equity among society's lower segments.

Based on the founder's vision, products and services were chosen

as tools for social transformation. Inspired by the same spirit, the Bank's products and services are crafted to drive social change, delivering a Triple Bottom Line output that generates social, environmental, and financial capital for a sustainable future.



## Gender Inclusion

Gender inclusion and gender equity are the pivot at which the sustainability agenda is performed. Realising this, ESAF has given prime importance to SDG 5 as a synergising factor for financial inclusion. Even in rural India, despite social and familial exclusion, women are achieving new milestones every single day and asserting their right to financial independence, building from scratch and inspiring people around them. The Bank serves nearly 5.6 million women customers,

accords them the right significance and helps create credit history to become bankable.

## Inclusion through Joint Liability Groups Peer Dynamics

A Joint Liability Group (JLG) is an informal group comprising of up to 10 individuals coming together to avail of a bank loan on an individual basis or through a group mechanism against a mutual guarantee. JLG has proven the positive impact of peer dynamics for inclusion. FIG (Farmer Interest Group)

loans provided by us are a classic example of the JLG model, in addition to regular micro loans. The small and marginal farmer segment is the category the (Farmer Interest Group) loan is intended for. They represent a highly vulnerable section of society where farmer suicides are regrettably more common. We understand that by standing together, they can thrive despite the odds in life. Additionally, the Joint Liability Group (JLG) model targets the segments covered under financial inclusion.

### Inclusion through Continual Upskilling

We offer several financial education programmes, catering to different segments of society. Curriculums are prepared based on specific needs, and training methods are deployed accordingly. Individuals from rural segments begin the journey with their first-ever bank account and gain proficiency in financial planning. The Bank understands the importance of handholding people and taking them on a journey of continual learning and upskilling.

### Inclusion to Ensure Last-mile Digitisation

The Bank is earnestly working towards reaching last-mile geographies through its products and services. One such project was the deployment of Micro ATMs. This was done by joining hands with the National Bank of Agriculture and Rural Development (NABARD) under the Financial Inclusion Fund (FIF). We have been associated with these platforms in the states of Kerala and Tamil Nadu to initiate social inclusion projects and benefit society's needy segments.

As on 31<sup>st</sup> March 2023, nearly 2,000 Micro ATMs have been deployed to strengthen last-mile digitisation.

### Inclusion by Adopting an Ecosystem Approach

As an organisation that began its journey as an NGO, ESAF has always stood beside its customers. Besides granting them access to finance, we also engage with them for the long-term and transform many lives. By providing forward and backward support, we are propelling them to succeed. The Bank creates employment opportunities by supporting micro-entrepreneurs and also aids the formation of collective enterprising initiatives.

### Building Synergies with Sustainable Development Goals and CSR

Local Self Governments in India have an amazing vision for the governance system of India. While National Government and the State Government make macro-economic development plans, the elected local self-government at the grassroots makes plans

for local economic development. They make elaborate plans for the development of panchayats and local areas, with a deep understanding of the grassroots realities, challenges and resourcefulness. Strengthening Local Self-Government is a key priority for ESAF and it aligns well with the objectives of National and State Governments.

For the past three decades, ESAF Foundation is involved in micro-entrepreneurship development in a significant way. Synergising with NABARD's vision of fostering rural prosperity, the Local Sustainable Economic Development Project (LSEDP) was conceived as a unique approach designed and implemented jointly by NABARD and ESAF Bank. This project is aimed at equipping LSG leaders to impart financial discipline to the unreached people. This project is an eminent example of financial literacy through "Train the Trainer" method and is a game-changer among conventional methods. The LSGs of Kerala support the novel idea of creating social enterprises wholeheartedly.

## NO. OF BENEFICIARIES OF OUR FINANCIAL INCLUSION-RELATED PROJECTS (TILL DATE)

**94,053**

ESAF Dhanasree

**24,527**

ESAF Bank Vayojyoti

**36,880**

ESAF Bank Balajyothi

**680**

ESAF Bank Udyog Jyothi

**776**

Score-Up Credit Score

**10,456**

Regular FL Programmes at Branches

**12,637**

RBI FLW

**866,713**

JLG Formation Orientation

**4,172**

Financial Inclusion through CSR Interventions

**1,050,894**

Total Customers Benefitted

# MANAGING ENVIRONMENTAL IMPACT THROUGH OUR SUSTAINABILITY FRAMEWORK

The idea of sustainability has been an integral part of ESAF Bank. This is also in line with the organisation’s commitment to build a perpetual entity and to keep the organisation on the right track to deliver value to all the stakeholders.

Responsible banking is a fundamental value at ESAF Small Finance Bank. We acknowledge the importance of serving the community and making a positive contribution to the environment through our banking initiatives. Our mindset is rooted in environmental philosophy, and we actively support projects that have minimal or no adverse environmental impact.

## SUSTAINING AND INNOVATING ENVIRONMENTAL STEWARDSHIP

By advocating green business practices and improving our internal operations, we emphasise the significance of adopting a dedicated approach to reduce the impact of human interference on the environment. Through our environmentally responsible products and services, we have successfully established a safety net to safeguard the environment and contribute to the achievement of the Sustainable Development Goals (SDGs).

### Eco-Power on ‘Green Wheels’

In 2021, we introduced ‘ESAF Go Green’, a collection of electric vehicle loan schemes. These loans align with our Bank’s social business strategy, focussing on the Triple Bottom Line impact of People, Planet and

Prosperity. We offer “Go Green” products with low interest rates, ensuring that our customers can easily opt for eco-friendly electric vehicles. The “Green Wheels” initiative has experienced consistent growth during the year.

### Empowering Green Energy Solutions

In its commitment towards a sustainable future, the Bank introduced innovative clean energy products such as the Clean Energy Product Loan. This is designed to facilitate the purchase of solar-based power generators, biomass-based power generators, and other non-conventional energy solutions for public utilities.



## GREEN BANKING PRACTICES

### Digital Banking

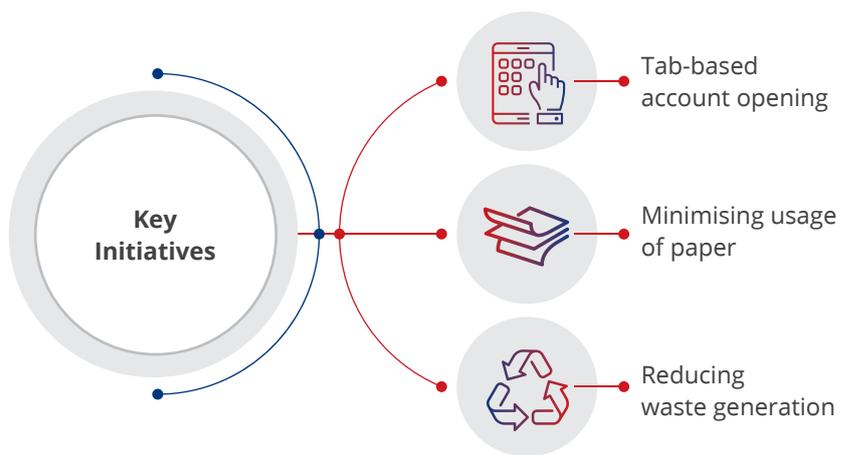
The Bank strives to make a positive impact on the environment through its Green Banking practices. Among its several initiatives, the key focus is on the promotion of digital banking services. By embracing digital solutions and implementing E-Signature technology, the Bank is actively working towards a sustainable and eco-friendly future.

Today, 85% of the Bank's savings accounts are opened through a user-friendly digital platform. We also prioritise tab-based account opening, minimising the use of paper and reducing waste generation. Further, we also encourage customers to utilise Android-based mobile banking, WhatsApp Banking, and Net Banking and further reduce reliance on traditional paper-based banking methods.



**85%**

of savings accounts opened digitally



### Adoption of E-Signature for Loan Processing

To foster an environmentally-conscious culture at the Bank, we have embraced E-Signatures for loan processing. This step was welcomed across the board, and represented a key milestone in the Bank's ongoing digital journey. In FY 2022-23, we took the significant step of adopting the E-Signature technology for disbursing micro-loans too. Since this was started in December 2022, the Bank has successfully disbursed over 0.5 + million loans digitally.

### Conservation of Natural Resources

By adopting the E-Signature technology, the Bank has significantly contributed towards the conservation of natural resources. With the adoption of E-Signatures for microloan processing, we are saving more than 50% of the paper used. It is estimated that approximately 10,000 trees are needed to produce one tonne of paper. As on 31<sup>st</sup> March 2023, the Bank had disbursed 527,423 loans using E-Signature, resulting in saving of four sheets of paper per loan. This equates to a remarkable 2 tonnes of paper saved, preventing the need to cut down approximately 20,000 trees.



**527,423**

Micro-Loans disbursed using E-Signature technology



**~2 TONNES**

Paper saved, preventing the need to cut down 20,000 trees

### Conservation of Water

Reducing paper usage not only helps in preventing deforestation but also contributes to water conservation. According to studies, 2,700 litres of water is required to produce one tonne of paper. By transitioning to E-signatures, we effectively saved 5,400 litres of water, reiterating our commitment to responsible resource management.

### Green Procurement

The Bank prioritises green procurement practices across its purchasing activities. We remain committed to minimising our environmental footprint by adopting energy-efficient electrical appliances across our nationwide offices.

- Our air-conditioners and fans installed at the offices are “Energy Star” appliances, designed to minimise electricity consumption.
- Our lighting fixtures are energy-efficient with LED lights, contributing to significant energy savings.
- We have installed dual-flush options in our toilets across all our offices to further water conservation. These dual flush buttons allow users to control the volume of water used for flushing, promoting water efficiency and reducing unnecessary water consumption.

### Green Partnerships

The Bank understands well that green initiatives cannot be achieved in isolation. Hence, to make a significant impact towards green banking, we are forging green partnerships with like-minded individuals and organisations. To give an example, in February 2023, the Bank signed an MoU with V-Guard Industries,

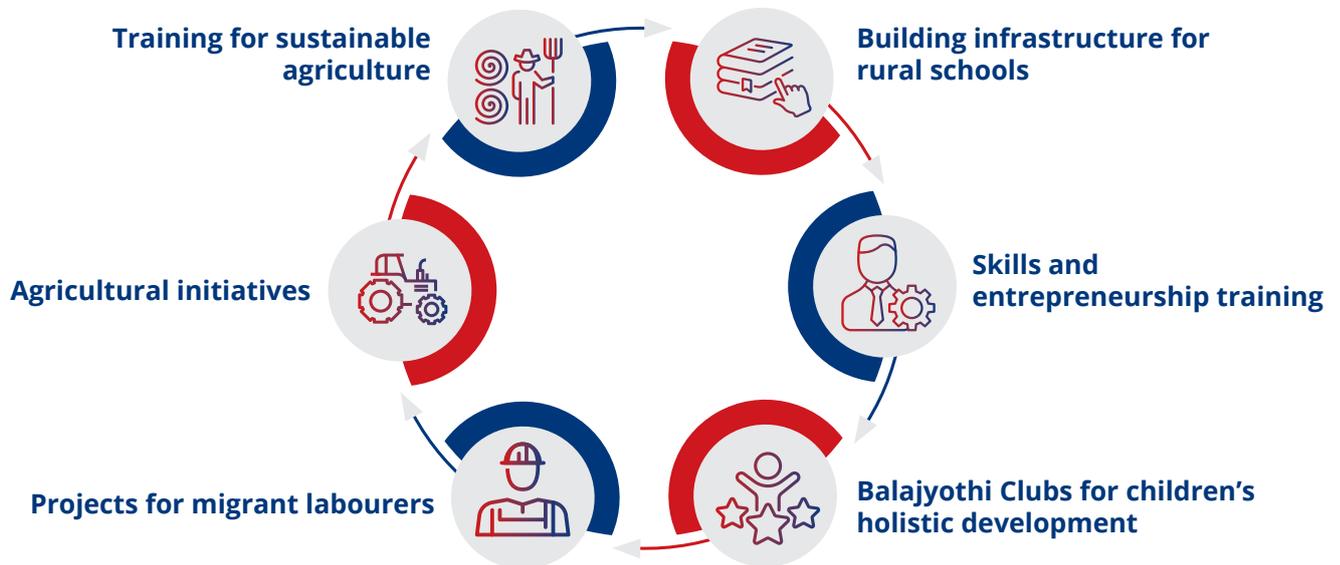
aiming to provide financing options to customers wanting to install V-Guard’s solar rooftop power system. Under this agreement, the Bank offers financing options, including loans and attractive instalment payment plans, to support the adoption of renewable energy through solar rooftop installations.



# STEERING INCLUSIVE SOCIAL TRANSFORMATION BY CREATING SUSTAINABLE LIVELIHOODS

At ESAF Bank, we aspire for an inclusive social transformation of rural communities. Our mission is to nurture these communities and work towards rejuvenating their ecosystems, and in the process, create opportunities for sustainable livelihoods.

The Bank's vision is to promote financial inclusion and economic development for the underserved and unserved. To deliver this, a wide range of social and CSR initiatives have been developed along with our implementation partners, ESAF Foundation and Prachodhan Development Services Limited. Today, the Bank goes beyond the mandated allocation based on MCA's CSR guidelines. Over the last three years, we have allocated 5% of the average net profit for CSR initiatives, exceeding the mandatory 2%. We contribute towards building a sustainable society through a variety of flagship projects.



Rs. **5.09** million  
Balajyothi

Rs. **1.99** million  
Capacity building and market linkages for entrepreneurship collectives

Rs. **2.79** million  
Emergency relief and community intervention

Rs. **2.51** million  
Entrepreneurship acceleration programme

Rs. **0.61** million  
Garshom

Rs. **1.57** million  
Health infrastructure and development support

Rs. **1.66** million  
Rural school infrastructure development and support

Rs. **1.35** million  
Santhwana

Rs. **1.09** million  
Centre for excellence in collective entrepreneurship

Rs. **3.26** million  
Village-level entrepreneurship development programmes

Rs. **55,000**  
Community intervention through branches

Rs. **21.90** million  
Total CSR outlay

## KEY CSR PROJECTS

### A. ESAF Balajyothi

ESAF Balajyothi creates social value by transforming children by way of holistic education, fostering academic excellence and life skills, and advocating for child rights. It empowers disadvantaged children, enhances creativity, promotes collaboration, and nurtures leadership qualities, thereby benefitting children, facilitators, siblings, parents, and the community.

#### Project Objectives

- To transform neighbourhoods with happy, healthy, academically bright, and socially responsible children and informed parents
- To develop academic and non-academic skills of children
- To prepare children to be active contributors to society's development and progress
- To empower children and stakeholders to advocate for basic child rights
- To provide opportunities for creative skills and talent development
- To enhance creative thinking through life skill education
- To promote collaboration between Balajyothi and local ESAF SFB branches through employee volunteerism

#### Targeted Beneficiaries

**Direct:** Children and facilitators  
**Indirect:** Siblings, parents and communities

#### SDG Linkage



### B. ESAF Entrepreneurship Acceleration Programme

The programme creates social value by empowering rural individuals, especially women and micro-entrepreneurs, through tailored training and mentorship. It enhances livelihood skills, reduces unemployment, improves rural livelihoods, fosters entrepreneurship and enables participants to market their unique products profitably.

#### Project Objectives

- To develop and enhance the livelihood skills of women, youth and micro entrepreneurs
- To improve livelihoods of micro entrepreneurs

#### Targeted Beneficiaries

**Direct:** Women, artisans, rural youth, micro enterprises  
**Indirect:** Families, rural community

#### SDG Linkage



### C. ESAF Village Entrepreneurship Programme

The programme creates social value by promoting holistic development of individuals by providing training and opportunities for entrepreneurship in renewable energy and healthcare sectors. It empowers rural youth, women, and artisans by enhancing their skills, knowledge, and employment prospects. It creates environmental value by installing

solar panels, reducing carbon footprint, contributing to sustainability and mitigating climate change.

#### SDG Linkage



### ESAF Urjabandhu

The Urjabandhu network installed 2MW solar panels in Kerala, reducing the carbon footprint by 2,875 tonnes of CO<sub>2</sub> annually.

### ESAF Arogyamitra

ESAF Arogyamitra promotes women's holistic development by training them as community health workers and helping them raise awareness on healthy habits and disease prevention. Arogyamitras visit households to check sugar and blood pressure levels and address issues related to personal hygiene, nutrition for pregnant women, infants, children, and malnutrition in women and children.

### ESAF Pashumitra

The Pashumitra programme offers services like artificial insemination, vaccination, milk collection, and procurement. The rural youth are trained in livestock care, including dairy entrepreneurship and artificial insemination. It provides self-employment opportunities to the youth to improve health, nutrition of cows, and quality of cow breeds to increase milk production.

### ESAF Krushakmitra

The programme empowers unemployed rural youth to become agri-entrepreneurs and service

providers. They act as the link between farmers, extension personnel and authorities, facilitating the adoption of agricultural technologies.

#### D. ESAF Capacity Building and Market Linkages for Entrepreneurship Collectives

This project aims to improve the socioeconomic conditions of poor farmers in remote areas by way of infrastructure support, market linkages and capacity building for farmers and farmer collectives.

##### Project Objectives

- Enhance the socioeconomic conditions of poor farmers in remote areas by providing capacity building for farmers in collectives and facilitating their access to modern retailers.

##### Targeted Beneficiaries

**Direct:** Farmers, Farmer Collectives, FPOs and Farmer Institutions

**Indirect:** Rural Agricultural Community

##### SDG Linkage



#### E. ESAF Emergency Relief & Community Interventions

The project aims to improve socioeconomic conditions of poor farmers by providing capacity building and facilitating access to modern retailers. It also focusses on disaster preparedness through awareness campaigns and volunteer training.

Medical camps, nebulisation, medications and follow-up plans for health conditions are provided to individuals in the affected communities. Distribution of food kits to transgender individuals, flood relief efforts, blanket distribution, and support for educational institutions also contribute to the well-being and support of the vulnerable population.

##### SDG Linkage



#### F. ESAF Garshom

The social value created by ESAF Garshom is significant. The project serves as a resource hub for migrant labourers, providing social, health, and legal aid. It also enhances the skills of migrant labourers through training, improving their employability. The Bandhu helpline assists workers with distress calls and provides crucial information on preventive mechanisms, food sources, housing, transportation, and medical treatment. The project's initiatives, such as financial literacy meetings and children's camps, promote empowerment, community engagement, and inclusion among migrant communities, fostering a sense of support and belonging.

##### Project Objectives

- To serve as a resource hub for migrant labourers
- To provide social, health and legal aid to migrants

- To enhance migrant labourers' skills through training for better employability
- To act as a drop-in facility for migrant labourers

##### Targeted Beneficiaries

**Direct:** Migrant Labourers

**Indirect:** Families, Health Department, Community

##### SDG Linkage



#### G. ESAF Rural School Infrastructure Development & Support

By providing infrastructure support to 10 schools in rural areas, the project ensures safe and hygienic classrooms and toilet facilities, essential for the health of students. It also aims at enhancing their academic performance through modern tech-based learning and by improving the teaching experience for faculty members. The project directly benefits the schools and ~1,500 students, while indirectly benefitting the parents and the communities.

##### Project Objectives

- To provide quality classroom infrastructure for students
- To enhance students' academic performance through modern tech-based learning
- To improve the teaching experience for faculty members

### Targeted Beneficiaries

**Direct:** Schools and 1,500 Students

**Indirect:** Parents and Community

### SDG Linkage



### H. ESAF Santhwana

The Mental Health Outreach activities carried out by ESAF Foundation reached out to 2,496 individuals, creating awareness about mental health and addressing topics like stress management and dementia. Life skill training and career guidance sessions benefitted 1,605 students, while events like Memory Walk and Senior Citizens Day Programmes promoted awareness and support for senior citizens suffering from Alzheimer’s. World Mental Health Day sessions and Content Development workshops also prioritised mental health and developed effective awareness modules.

### SDG Linkage



## IMPACT STORIES

### Pioneering Neighbourhood Businesswoman with a Smile

**Kranti Parihar, Chhindwara, Madhya Pradesh**

Kranti Parihar of Prakirthi Sangam, has been associated with ESAF JLG for 13 years. She encouraged women in her neighbourhood to form a new JLG. With her first loan of Rs. 5,000, she opened a grocery store, and expanded it over time. By responsibly repaying her loans, she qualified for further loans and utilised this assistance effectively to scale up her business. Today, she is a respected small business owner and a true inspiration to all. She receives adequate support from her husband and children in prospering her business. The Bank’s services helped her run the enterprise with a monthly profit of Rs. 15,000, make loan repayments, save money, and contribute to the family’s expenses.

### Spice Business Adds Flavour to Life

**Saraswathi, Kasargod, Kerala**

Saraswathi is a resident of Koliyadukka in Kasargod, Kerala. She lives with her carpenter husband, two sons and a daughter. She established her masala business and supplied freshly prepared masala powders including turmeric, coriander and spices to nearby stores. With support from her family, she achieved success in her venture. Given her business acumen, she also sought an FSSAI certification and established her franchise’s legitimacy. Today, her daughter also runs a cake-baking unit supplying homemade cakes; and also engages in flex board designing. During the challenging times of COVID-19, the Bank’s Covid Care Loan was a life-changer for her as it helped her overcome the pandemic woes. She also obtained another loan of Rs. 0.10 million to nurture her business requirements. Today, she expresses her immense gratitude to the Bank for its timely support, acknowledging that the loan emerged as a true blessing and helped her recover from the miseries of the pandemic.

# CORPORATE INFORMATION

## Chief Financial Officer

Gireesh C. P.

## Company Secretary

Ranjith Raj P.

## Statutory Auditors

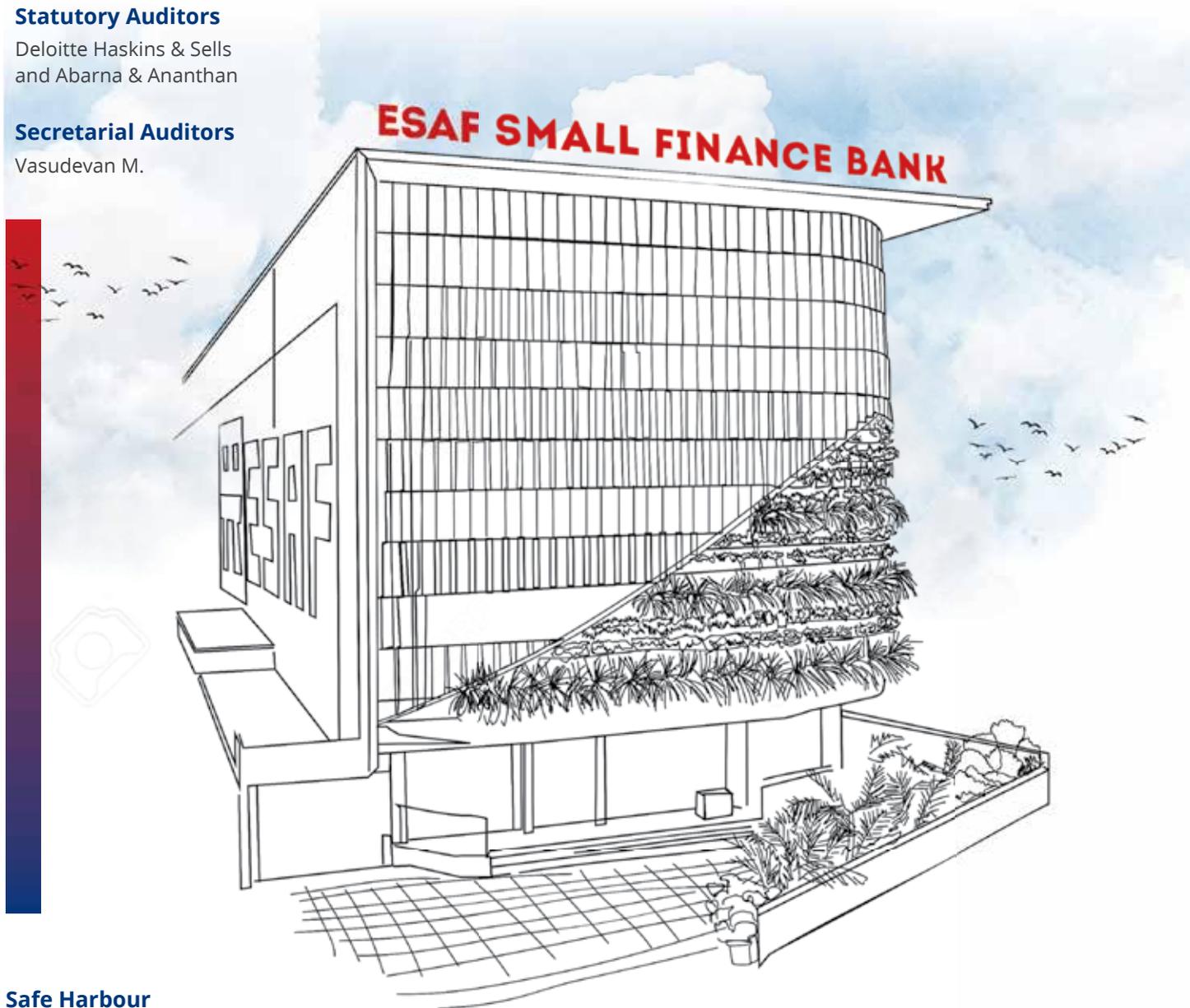
Deloitte Haskins & Sells  
and Abarna & Ananthan

## Secretarial Auditors

Vasudevan M.

## Registered & Corporate Office

Building No. VII/83/8, ESAF Bhavan,  
Thrissur-Palakkad National Highway  
Mannuthy, Thrissur, Kerala, 680651  
CIN: U65990KL2016PLC045669  
RBI Registration Number: MUM 124



## Safe Harbour

Certain statements in this Report relating to our business operations and prospects may be forward-looking statements. These are dependent on assumptions, data or methods that may be incorrect or imprecise and hence may be incapable of being realised. Such statements are not guaranteed of future operating, financial and other results, but constitute our current expectations based on reasonable assumptions. The Bank's actual results could materially differ from those projected in any forward-looking statements due to various future events, risks and uncertainties, some of which are beyond our control. We do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Unless stated otherwise, all numbers are as on 31<sup>st</sup> March 2023.

# OUR LEADERSHIP TEAM

## BOARD OF DIRECTORS



**P. R. Ravi Mohan**

Part-Time Chairman  
& Non-Executive  
Independent Director



**Kadambelil Paul  
Thomas**

Managing Director & CEO



**Dr. V. A. Joseph**

Non-Executive  
Independent Director



**Thomas Jacob  
Kalappila**

Non-Executive  
Independent Director



**Vinod Vijayalekshmi  
Vasudevan**

Non-Executive  
Independent Director



**Ravi Venkatraman**

Non-Executive  
Independent Director



**K. C. Ranjani**

Non-Executive  
Independent Director



**M. G. Ajayan**

Non-Executive  
Nominee Director



**John Samuel**

Non-Executive  
Nominee Director

## LEADERSHIP TEAM



**George K. John**  
Executive  
Vice President



**George Thomas**  
Executive  
Vice President



**Hari Velloor**  
Executive  
Vice President



**Hemant Kumar Tamta**  
Executive Vice  
President



**Bosco Joseph**  
Administration,  
Infrastructure &  
Procurement



**Gireesh C. P.**  
Chief Financial  
Officer



**Rabindra Kumar Dash**  
Treasury



**Wilson Cyriac**  
Chief Risk Officer



**Sudev Kumar V.**  
Chief Compliance  
Officer



**Sivakumar P.**  
MD Secretariat



**Shubhankar Sengupta**  
Retail Assets



**Dr. A. V. Jose**  
Learning &  
Development



**Swaminathan K.**  
Strategy & Planning  
and TPP



**Mathews Markose**  
Retail Liabilities



**Sunny K.**  
Collections



**P. K. Antoo**  
Internal Audit



**Siby K. A.**  
Business Correspondent  
Channel



**Soney Jose**  
MSME and  
Corporate Business



**E. A. Jacob**  
Chief of  
Internal Vigilance



**Ali Mohammad Saquib**  
Chief Technology Officer



**Dinesh Kallarackal**  
Legal



**Radhakrishnan D.**  
Agri Business



**Sony V. Mathew**  
Branding  
and Communications



**Manojkumar Subhashchandra**  
Credit Sanctions



**Peter M. P.**  
Operations



**Sanjay Kachru**  
Digital Banking



**Rajish Kalapurayil**  
Branch Banking  
Network 1



**Paul Joy Palocaren**  
Retail Assets-  
Mortgages



**George Paul**  
Internal Audit -  
Treasury



**Sathianathan K. M.**  
Priority Sector  
Lending and Lead Bank



**Bobby Abraham Mathew**  
Human Resources



**Reji Koshy Daniel**  
Sustainable Banking



**K. George Oommen**  
Retail Assets- Auto Loans



**Prabhakar G. S.**  
Management  
Information System



**Abiesh Jose**  
Customer  
Service Quality



**Vinod G. Thampi**  
Credit Monitoring  
and Recovery



**Sreekanth C. K.**  
Marketing



**Anitha Sekhar**  
Micro Banking



**Ranjith Raj P.**  
Company Secretary

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

Our Promoters have a history of more than 27 years of primarily serving the unserved and underserved, with a focus on financial inclusion. As a small finance bank, we are required to extend at least 75.00% of our adjusted net bank credit to the priority sectors. Our business model focusses on the principles of responsible banking, providing customer-centric products and services through the innovative application of technology.

Our main focus is on providing loans to customers in rural and semi-urban areas. As at 31<sup>st</sup> March 2023, our Gross Advances to our customers in rural and semi-urban areas (combined) accounted for 62.84% and 71.71% of our banking outlets were located in rural and semi-urban areas (combined).

We follow a social business strategy that seeks a Triple Bottom Line impact: People, Planet and Prosperity. We believe that the social, environmental, and economic outcomes of our business create synergies that have an amplified impact on our stakeholders. The legacy of a mission, fighting the partiality of prosperity (i.e., the drive for inclusion of marginalised sections of society and the equity of opportunities) led to the formation of our Bank. Our vision is to be India’s leading social bank that offers equal opportunities through universal financial access and inclusion, thus promoting livelihood and economic development. We have adopted various policies to implement our Triple Bottom Line approach, including an Environmental, Social and Governance (“ESG”) policy. Pursuant to the ESG policy, we are committed to (i) protecting the environment and ensuring sustainable development, (ii) promoting financial inclusion and gender equality through specialised financial services; and (iii) establishing a governance framework to ensure accountability, transparency and compliance with internal and external ESG standards. In 2020, we won the “Global Sustainability Award 2020” for outstanding achievements in sustainability management by the Energy and Environment Foundation. Our ESG Grading scores from CARE Advisory Research & Training Limited in its report titled “ESG Grading Report of ESAF Small Finance Bank”

published in June 2023 were: (i) 62% for the Environmental pillar, with remarks including our commitment to green finance and environment conscious operations; (ii) 68% for the Social pillar, with remarks including that we have demonstrated healthy labour management practices, including the implementation of various policies that embody international and national human rights standards; and (iii) 76% for the Governance pillar, with remarks including that we have aligned with leading governance practices, such as adequate independence of our Board (66% independent members on the Board) and committee levels. We received a rating of CareEdge ESG 3 (good), with an overall score of 71 compared with the industry average overall score of 59.8. CARE Advisory Research & Training Limited’s ESG specialist team undertook the ESG Grading of our Bank in May 2023.

We can trace our roots back to 1992, when Shri. Kadambelil Paul Thomas, our Managing Director and Chief Executive Officer, along with others, founded ESAF Foundation, a foundation focussed on the development of microenterprises, community development, and community health development. ESAF Foundation started its micro loan activities in 1995. In 2006, Shri. Kadambelil Paul Thomas along with others acquired our Corporate Promoter. Thereafter, ESAF Foundation transferred its micro loan business undertaking to our Corporate Promoter in 2008 pursuant to a business transfer agreement dated 31<sup>st</sup> March 2008. Our Corporate Promoter was awarded NBFC-MFI status in 2014. Our Corporate Promoter transferred its business undertaking, comprising its lending and financing business, to our Bank on 10<sup>th</sup> March 2017, pursuant to a business transfer agreement dated 22<sup>nd</sup> February 2017. We commenced our business as a small finance bank on 10<sup>th</sup> March 2017.

Our asset products comprise: (a) Micro Loans, which comprise Microfinance Loans and Other Micro Loans; (b) Retail Loans, which include Gold Loans, Mortgages, Personal Loans and Vehicle Loans; (c) MSME Loans; (d) Loans to financial institutions; and (e) Agricultural Loans. The table below sets forth our AUM by product type and as a percentage of AUM as at the dates indicated.

AUM	As at 31 <sup>st</sup> March 2023		As at 31 <sup>st</sup> March 2022	
	Amount (Rs. in million)	% of AUM	Amount (Rs. in million)	% of AUM
Micro Loans	122,548.83	75.04	100,159.62	81.16
Retail Loans	26,147.54	16.01	14,649.74	11.87
MSME Loans	1,600.61	0.98	1,233.15	1.00
Loans to Financial Institutions	6,137.43	3.76	4,096.30	3.32
Agricultural Loans	6,878.24	4.21	3,268.10	2.65
<b>Total AUM</b>	<b>163,312.65</b>	<b>100.00</b>	<b>123,406.91</b>	<b>100.00</b>

Our liability products comprise Current Accounts, Savings Accounts, Term Deposits and Recurring Deposits. As at 31<sup>st</sup> March 2023, we had 6.48 million Deposit Accounts. Our total deposits were Rs. 146,656.25 million and Rs. 128,150.72 million as at 31<sup>st</sup> March 2023 and 2022, respectively. We believe that our focus on growing this business has helped us to quickly build a significant base of deposits, particularly Retail Deposits, which comprised 90.85% of our total deposits as at 31<sup>st</sup> March 2023.

We have an extensive network of 700 banking outlets (including 59 business correspondent-operated banking outlets), 743 customer service centres (which are operated by our business correspondents), 20 business correspondents, 2,023 banking agents, 481 business facilitators and 528 ATMs spread across 21 states and two union territories, serving 6.8 million customers as at 31<sup>st</sup> March 2023. We use business correspondent entities to source and service customers for Micro Loans. Our business correspondents also source customers for Mortgage Loans, Vehicle Loans, MSME Loans, Agricultural Loans and select deposit products.

We have a strong focus on leveraging technology to deliver products and services and we continuously work towards improving our customers' experience through the use of technology. We have crossed a technology milestone with the successful adoption of e-signatures for Micro Loan disbursements. As at 31<sup>st</sup> March 2023, we have disbursed over 0.53 million loans using e-signatures, which showcases our commitment to digital advancement. We offer our customers various digital platforms, including an Internet

Banking portal, a Mobile Banking platform, SMS alerts, bill payments and RuPay branded ATM cum debit cards. Our customers are also able to register for our Savings Accounts on Unified Payment Interface based mobile applications. Our account opening and loan underwriting processes have been digitalised by using tablets. We have a digitalised central credit-processing unit for our Micro Loans. Our customer onboarding process has been predominantly digitalised for our Micro Loans. We leverage technology for underwriting and credit sanctioning for our loan products, based on inputs from credit bureaus and/or our customer data analytics. We have implemented technology solutions that enable us to ensure cashless disbursement of loans and implemented electronic signing for Micro Loans, both of which have reduced paperwork. Our collections mechanism has also been digitalised through the use of mobile applications and a payment gateway through which our borrowers can repay their loans. We have also implemented a customer relationship management solution to better handle customer requests.

We are led by Shri. Kadambelil Paul Thomas, our Managing Director and Chief Executive Officer, who has over 27 years of experience in the banking/microfinance industry in India. Our Board comprises individuals having diverse experience across industries and our Independent Directors provide strategic guidance to help improve and grow our operations. Our senior management team has significant experience in the banking and financial services industry. We had 5,034 employees as at 31<sup>st</sup> March 2023.

## Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows

Our financial condition, results of operations and cash flows have been, and are expected to be influenced by numerous factors. The following factors are of particular importance:

### Expansion of our Business

The table below sets forth our AUM, deposits and certain details of our business as at the dates indicated.

Particulars	As at 31 <sup>st</sup> March 2023		As at 31 <sup>st</sup> March 2022	
	Amount	% increase	Amount	% increase
AUM (Rs. in million)	163,312.65	32.34	123,406.91	46.46
Deposits (Rs. in million)	146,656.25	14.44	128,150.72	42.40
States and union territories combined where our products are offered (number)	23	-	23	9.52
Banking outlets (number)	700	21.74	575	4.55
Business correspondents (number)	20	42.86	14	16.67
Customer service centres (number)	743	52.57	487	62.33
Banking agents (number)	2,023	249.40	579	1,106.25
Business facilitators (number)	481	53.67	313	103.27
ATMs (number)	528	36.79	386	21.38

## Net Interest Income

Our results of operations are substantially dependent on the amount of our Net Interest Income, which we define as interest earned less interest expended ("**Net Interest Income**"). Our Net Interest Income increased by 60.08% from Rs. 11,471.39 million for Fiscal 2022 to Rs. 18,363.40 million for Fiscal 2023. Set forth below is a table showing our Net Interest Income for the Fiscals indicated.

Particulars	Fiscal 2023	Fiscal 2022
	(Rs. in million)	
Interest earned [A]	28,536.59	19,399.25
Interest expended [B]	10,173.19	7,927.86
<b>Net Interest Income [C] = [A] - [B]</b>	<b>18,363.40</b>	<b>11,471.39</b>

Our interest income earned is dependent on:

- Our average interest-earning advances and the yield thereon
- Our average interest-earning investments and the yield thereon
- Our average interest-earning balance with the RBI and other inter-bank funds and the yield thereon

Our interest expended is dependent on:

- Our average total deposits and the cost thereon
- Our average borrowings and the cost thereon

## Average Interest-Earning Advances and Yield on Average Interest-Earning Advances

The table below presents our average balances of advances (net of provisions) for (a) Micro Loans (comprising Microfinance Loans and Other Micro Loans), (b) Retail Loans, MSME Loans, Loans to financial institutions and Agricultural Loans combined (collectively, "**Other Loans**") and (c) Total Advances, together with the related interest earned, resulting in the presentation of the yield for fiscal years presented.

Advances (net of provisions)	Year ended 31 <sup>st</sup> March					
	2023			2022		
	Average Balance <sup>(1)</sup> [A]	Interest Earned [B]	Yield (%) [C=B/A]	Average Balance <sup>(1)</sup> [A]	Interest Earned [B]	Yield (%) [C=B/A]
(Rs. in million, except percentages)						
Micro Loans <sup>(2)(3)</sup>	91,048.36	21,386.82	23.49	78,456.47	15,619.03	19.91
Other Loans <sup>(4)</sup>	30,286.97	3,933.63	12.99	15,079.00	1,648.09	10.93
<b>Total Advances</b>	<b>121,335.33</b>	<b>25,320.45</b>	<b>20.87</b>	<b>93,535.47</b>	<b>17,267.12</b>	<b>18.46</b>

### Notes:

- Average balances are calculated as the average of the opening balance at the start of the relevant fiscal year and the closing balance as at the quarter end for all quarters in the relevant fiscal year.
- Our Micro Loans comprise Microfinance Loans and Other Micro Loans. Our Microfinance Loans and Other Micro Loans are provided to individuals without being secured by collateral. In order to be given a loan, an individual must be part of a sub-group, which usually comprises two to 10 people. One to five sub-groups combine to form a "Sangam". The Sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with Sangam members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans. Effective 17<sup>th</sup> October 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans.
- Average Micro Loans are gross Micro Loans net of provisions for NPAs for Micro Loans calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at the quarter end for all quarters in the relevant fiscal year ("Average Interest-Earning Micro Loans").
- Average Other Loans (comprising (a) Retail Loans, (b) MSME Loans, (c) Loans to financial institutions and (d) Agricultural Loans) are gross Other Loans net of provisions for NPAs for Other Loans calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at the quarter end for all quarters in the relevant fiscal year ("Average Interest-Earning Other Loans").

Our Average Interest-Earning Advances increased by 29.72% from Rs. 93,535.47 million for Fiscal 2022 to Rs. 121,335.33 million for Fiscal 2023. Our Average Interest-Earning Micro Loans increased by 16.05% from Rs. 78,456.47 million for Fiscal 2022 to Rs. 91,048.36 million for Fiscal 2023. Our Average Interest-Earning Other Loans increased by 100.86% from Rs. 15,079.00 million for Fiscal 2022 to Rs. 30,286.97 million for Fiscal 2023.

Our Yield on Average Interest-Earning Advances was 20.87% and 18.46% for Fiscals 2023 and 2022, respectively. Our Yield on Average Interest-Earning Micro Loans was 23.49% and 19.91% for Fiscals 2023 and 2022, respectively. Our Yield on Average Interest-Earning Other Loans was 12.99% and 10.93% for Fiscals 2023 and 2022 respectively.

#### Average Interest-Earning Investments and Yield on Average Interest-Earning Investments

Our Average Interest-Earning Investments increased by 59.05% from Rs. 30,264.71 million for Fiscal 2022 to Rs. 48,137.45 million for Fiscal 2023.

The Yield on Average Interest-Earning Investments was 6.48% and 6.22% for Fiscals 2023 and 2022, respectively.

#### Average Interest-Earning Balances with the Reserve Bank of India and other Inter-Bank Funds, and the Yield on Average Interest-Earning Balances with the Reserve Bank of India and other Inter-Bank Funds

Our Average Interest-Earning Balances with the Reserve Bank of India and other Inter-Bank Funds decreased by 70.87% from Rs. 8,994.48 million for Fiscal 2022 to Rs. 2,620.25 million for Fiscal 2023.

The Yield on Average Interest-Earning Balances with the Reserve Bank of India and other Inter-Bank Funds was 3.65% and 2.77% for Fiscals 2023 and 2022 respectively.

#### Average Deposits and Cost of Average Deposits and Average Borrowings and Cost of Average Borrowings

Our interest-bearing liabilities are our savings bank deposits, term deposits and our borrowings. We do not pay interest on Demand Deposits (Current Accounts). The cost of our interest-bearing liabilities depends on many external factors, including competitive factors and developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the inter-bank markets. Internal factors that can affect our Cost of Funds include changes in our credit ratings, available credit limits and our ability to mobilise low-cost deposits, particularly from retail customers, and no-cost deposits in the form of Current Accounts.

Our primary source of funding is our relatively low-cost deposit base, which is primarily derived from retail depositors in India. We currently enjoy a relatively low-cost deposit base achieved through targeted branch network expansion and customised product offerings. Our target depositor base consists of individuals, including women, senior citizens, NRIs, HNIs, trust associations, societies and clubs, children above 10 years, our staff, salaried employees of corporates, farmers and MSMEs. Our distribution network, which includes our branch network, business correspondent-owned banking outlets, customer services centres (which are operated by business correspondents), business correspondents and alternative delivery channels, provides us with access to these depositors, which in turn allows us to maintain low-cost funding through customer deposits.

The table below presents our average balances for deposits together with the related interest expended by category of deposits, resulting in the presentation of the cost for each fiscal year. Average balance is calculated as the average of the opening balance at the start of the relevant year and the closing balance as at the quarter end for all quarters in the relevant year.

PARTICULARS	Year ended 31 <sup>st</sup> March					
	2023			2022		
	Average Balance <sup>(1)</sup> [A]	Interest Expended [B]	Cost (%) [C=B/A]	Average Balance <sup>(1)</sup> [A]	Interest Expended [B]	Cost (%) [C=B/A]
	(Rs. in million, except percentages)					
Demand Deposits [A]	2,082.64	-	-	1,496.80	-	-
Savings Bank Deposits [B]	28,712.97	1,499.88	5.22	21,060.66	1,113.14	5.29
CASA [C = A + B]	30,795.61	1,499.88	4.87	22,557.46	1,113.14	4.93
Term Deposits	104,944.42	6,877.30	6.55	84,532.27	5,675.32	6.71
<b>Total Deposits</b>	<b>135,740.03</b>	<b>8,377.18</b>	<b>6.17</b>	<b>107,089.73</b>	<b>6,788.46</b>	<b>6.34</b>

#### Note:

(1) Average balances are calculated as the average of the opening balance at the start of the relevant fiscal year and the closing balance as at the quarter end for all quarters in the relevant fiscal year.

Our Average Total Deposits increased by 26.75% from Rs. 107,089.73 million for Fiscal 2022 to Rs. 135,740.03 million for Fiscal 2023. Our Average Demand Deposits increased by 39.14% from Rs. 1,496.80 million for Fiscal 2022 to Rs. 2,082.64 million for Fiscal 2023. Our Average Savings Deposits increased by 36.33% from Rs. 21,060.66 million for Fiscal 2022 to Rs. 28,712.97 million for Fiscal 2023. Our Average CASA increased by 36.52% from Rs. 22,557.46 million for Fiscal 2022 to Rs. 30,795.61 million for Fiscal 2023. Our Average Term Deposits increased by 24.15% from Rs. 84,532.27 million for Fiscal 2022 to Rs. 104,994.42 million for Fiscal 2023.

The Cost of Average Total Deposits was 6.17% and 6.34% for Fiscals 2023 and 2022, respectively. We do not pay interest on Demand Deposits (Current Accounts). The Cost of Average Savings Bank Deposits was 5.22% and 5.29% for Fiscals 2023 and 2022 respectively. Our Cost of Average Term Deposits was 6.55% and 6.71% for Fiscals 2023 and 2022 respectively. The Cost of Average CASA was 4.87% and 4.93% for Fiscals 2023 and 2022 respectively. While the Cost of Average Total Deposits has largely been driven by interest rate movements, the Cost of Average Total Deposits is lower than it otherwise would have been but for the increasing percentage of our Average CASA in relation to our Average Total Deposits. The table below sets forth the ratio of our Average CASA to Average Total Deposits for the years indicated.

Particulars	Fiscal 2023	Fiscal 2022
	(Rs. in million, except percentages)	
Average CASA [A]	30,795.61	22,557.46
Average Total Deposits [B]	135,740.03	107,089.73
<b>Average CASA to Average Total Deposits [C=A/B] (%)</b>	<b>22.69</b>	<b>21.06</b>

To continue to source low-cost funding through CASA, we must provide customers with convenient banking services that compensate them for nil returns in the case of Demand Deposits and lower returns in the case of Savings Bank Deposits. However, the increasing sophistication of customers, competition for funding, increases in interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates we have to pay on our Savings Bank Deposits.

Our borrowings comprised borrowings from the Reserve Bank of India, institutional agencies, subordinated debt, borrowings from other banks, and perpetual debt

instruments. The Cost of Average Borrowings was 6.27% and 6.06% for Fiscals 2023 and 2022 respectively. The Cost of Average Borrowings has largely been driven by interest rate movements.

### Non-Performing Advances and Provisioning Policies

Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. In addition to requiring us to make a provision on standard assets, the RBI requires us to classify and, depending on the duration of non-payment, make a provision on loans that become NPAs, which are further sub-classified as sub-standard, doubtful and loss assets.

As the number of our loans that become NPAs increases, the credit quality of our loan portfolio decreases.

We have put in place well-documented procedures regarding credit approval and loan disbursement, and have instituted ongoing monitoring mechanisms in order to strengthen our credit quality. We have also implemented advanced analytics and automated credit scoring solutions for credit evaluation.

Our Micro Loans and some of our Retail Loans are unsecured and, as such, are at a higher credit risk than secured loans because they are not supported by collateral. Since these advances are unsecured, in the event of defaults by such customers, our ability to realise the amounts due to us would be restricted to initiating legal proceedings for recovery.

### The Macroeconomic Environment in India

Our financial condition and results of operations, in the past, have been, and will continue to be, significantly affected by factors influencing the Indian economy, which would include any downturn in the global economy. Any slowdown in economic growth in India could adversely affect our ability to grow our asset portfolio, the quality of our assets and our ability to implement our strategies. The Government's monetary policy is heavily influenced by the condition of the Indian economy, and changes in the monetary policy affect the interest rates of our advances and borrowings. The RBI responds to fluctuating levels of economic growth, liquidity concerns and inflationary pressures in the economy by adjusting monetary policy.

In particular, the COVID-19 pandemic had an adverse effect on the macroeconomic environment in India, our business financial condition, results of operations and cash flows.

## Results of Operations

### Fiscal 2023 Compared to Fiscal 2022

The following table sets forth a summary of our Restated Profit and Loss Account for Fiscals 2023 and 2022:

Particulars	Fiscal 2023		Fiscal 2022	
	Amount (Rs. in million)	% of Total Income	Amount (Rs. in million)	% of Total Income
<b>Income:</b>				
Interest Earned	28,536.59	90.84	19,399.25	90.33
Other Income	2,879.13	9.16	2,075.83	9.67
<b>Total Income</b>	<b>31,415.72</b>	<b>100.00</b>	<b>21,475.08</b>	<b>100.00</b>
<b>Expenditure:</b>				
Interest Expended	10,173.19	32.38	7,927.86	36.92
Operating Expenses	12,305.41	39.17	8,628.71	40.18
Provisions and Contingencies	5,913.79	18.82	4,371.19	20.35
<b>Total Expenditure</b>	<b>28,392.39</b>	<b>90.37</b>	<b>20,927.76</b>	<b>97.45</b>
<b>Net Profit for the Year</b>	<b>3,023.33</b>	<b>9.63</b>	<b>547.32</b>	<b>2.55</b>

### Total Income

Our total income increased by Rs. 9,940.64 million or 46.29%, to Rs. 31,415.72 million for Fiscal 2023 from Rs. 21,475.08 million for Fiscal 2022 as a result of (i) Rs. 9,137.34 million or 47.10%, increase in interest earned to Rs. 28,536.59 million for Fiscal 2023 from Rs. 19,399.25 million for Fiscal 2022; and (ii) Rs. 803.30 million or 38.70%, increase in other income to Rs. 2,879.13 million for Fiscal 2023 from Rs. 2,075.83 million for Fiscal 2022.

### Interest Earned

The table set forth below shows details in relation to our interest earned for Fiscals 2023 and 2022.

Particulars	Fiscal 2023	Fiscal 2022	Percentage increase / (decrease) (%)
	(Rs. in million)		
Interest/discount on advances/bills	25,320.45	17,267.12	46.64
Income on investments	3,120.44	1,883.08	65.71
Interest on balances with the Reserve Bank of India and other inter-bank funds	95.70	249.05	(61.57)
<b>Total</b>	<b>28,536.59</b>	<b>19,399.25</b>	<b>47.10</b>

Our interest earned increased by Rs. 9,137.34 million or 47.10%, to Rs. 28,536.59 million for Fiscal 2023 from Rs. 19,399.25 million for Fiscal 2022. The primary reasons for this increase are discussed below:

- Interest/discount on advances/bills increased by Rs. 8,053.33 million, or 46.64%, to Rs. 25,320.45 million for Fiscal 2023 from Rs. 17,267.12 million for Fiscal 2022. The increase in interest/discount on advances/bills was primarily due to:
  - o A Rs. 27,799.86 million or 29.72%, increase in Average Interest-Earning Advances to Rs. 121,335.33 million for Fiscal 2023 from Rs. 93,535.47 million for Fiscal 2022, which increase was primarily due to a Rs. 12,591.88 million or 16.05% increase in Average Interest-Earning Micro Loans to Rs. 91,048.37 million for Fiscal 2023 from Rs. 78,456.47 million for Fiscal 2022 and a Rs. 15,207.97 million or 100.86%, increase in Average Interest-Earning Other Loans to Rs. 30,286.97 million for Fiscal 2023 from Rs. 15,079.00 million for Fiscal 2022.
  - o An increase in the Yield on Average Interest-Earning Advances to 20.87% for Fiscal 2023 from 18.46% for Fiscal 2022. The Yield on Average Interest-Earning Advances increased primarily due to the decrease in gross NPAs to Rs. 3,516.90 million as at 31<sup>st</sup> March 2023 from Rs. 9,495.94 million as at 31<sup>st</sup> March 2022 (we do not book interest/discount on advances/bills that are NPAs) and due to an increase in interest rates during the year as a result of the increase in repo rates. One of our strategies is to continue to grow our Micro Loans while increasing our other categories of advances both in absolute terms and as a percentage of total advances. The Yield on Average Interest-Earning Micro Loans increased to 23.49% for Fiscal 2023 from 19.91% for Fiscal 2022 and the Yield on Average Interest-Earning Other Loans increased to 12.99% for Fiscal 2023 from 10.93% for Fiscal 2022 due to the rising interest rate environment.

- Income on investments increased by Rs. 1,237.36 million or 65.71%, to Rs. 3,120.44 million for Fiscal 2023 from Rs. 1,883.08 million for Fiscal 2022. This increase was primarily due to the increase in our Average Interest-Earning Investments by Rs. 17,872.74 million or 59.05%, to Rs. 48,137.45 million for Fiscal 2023 from Rs. 30,264.71 million for Fiscal 2022, and an increase in the Yield on Average Interest-Earning Investments to 6.48% for Fiscal 2023 from 6.22% for Fiscal 2022 in line with the rise in interest rates during the year.
- Interest on balances with the RBI and other inter-bank funds decreased by 61.57% to Rs. 95.70 million for Fiscal 2023 from Rs. 249.05 million for Fiscal 2022. This decrease was primarily due to a decrease in our Average Interest-Earning Balances, by Rs. 6,374.23 million or 70.87%, with the RBI and other Inter-Bank Funds to Rs. 2,620.25 million for Fiscal 2023 from Rs. 8,994.48 million for Fiscal 2022, which was partially offset by increase in the Yield on Average Interest-Earning Balances with the RBI and other Inter-Bank Funds to 3.65% for Fiscal 2023 from 2.77% for Fiscal 2022 in line with the increase in reverse repo rates during the year.

### Other Income

The table set forth below shows details in relation to our other income for Fiscals 2023 and 2022.

Particulars	Fiscal 2023	Fiscal 2022	Percentage increase /(decrease) (%)
	(Rs. in million)		
Commission, exchange and brokerage	1,994.83	1,507.23	32.35
Profit on sale of investments (Net)	156.35	435.14	(64.07)
Profit/(loss) on revaluation of investments (Net)	(913.88)	(233.06)	(292.12)
Profit/(loss) on sale of land, buildings and other assets (Net)	(3.38)	0.06	(5,733.33)
Profit on foreign exchange transactions (Net)	11.12	9.24	20.35
Income earned by way of dividends etc. from companies	2.04	1.56	30.77
Miscellaneous income	1,632.05	355.66	358.88
<b>Total</b>	<b>2,879.13</b>	<b>2,075.83</b>	<b>38.70</b>

Our other income increased by Rs. 803.30 million or 38.70%, to Rs. 2,879.13 million for Fiscal 2023 from Rs. 2,075.83 million for Fiscal 2022. The primary reasons for this increase are as follows:

- The increase in miscellaneous income by Rs. 1,276.39 million or 358.88% to Rs. 1,632.05 million for Fiscal 2023 from Rs. 356.66 million for Fiscal 2022, which was primarily due to (i) Rs. 612.11 million or 766.48% increase in recovery from written off accounts to Rs. 691.97 million for Fiscal 2023 from Rs. 79.85 million for Fiscal 2022, (ii) Rs. 380.90 million cash received on the sale of technical write off of portfolio for Fiscal 2023 from nil for Fiscal 2022, and (iii) by Rs. 86.42 million or 50.46% increase in fees received on the sale of priority sector lending certificates to Rs. 257.70 million for Fiscal 2023 from Rs. 171.28 million for Fiscal 2022.
- The increase in commission, exchange and brokerage by Rs. 487.60 million or 32.35%, to Rs. 1,994.83 million for Fiscal 2023 from Rs. 1,507.23 million for Fiscal 2022, which was primarily due to a Rs. 336.89 million or 31.07%, increase in the processing fees on our loans to Rs. 1,421.19 million for Fiscal 2023 from Rs. 1,083.10 million for Fiscal 2022.
- The increase in our service charges collected from deposit customers by Rs. 67.87 million or 55.21%, to Rs. 190.81 million for Fiscal 2023 from Rs. 122.93 million for Fiscal 2022.
- The increase in our income on ATM transactions by Rs. 35.95 million or 23.78%, to Rs. 187.17 million for Fiscal 2023 from Rs. 151.22 million for Fiscal 2022, which was due to a 36.79% increase in the number of our ATMs to 528 as at 31<sup>st</sup> March 2023 from 386 as at 31<sup>st</sup> March 2022.

The above increases were partially offset by a Rs. 680.82 million decrease in our income resulting from a mark to market loss of Rs. 913.88 million in our investment portfolio for Fiscal 2023 compared to our mark to market gain of Rs. 233.06 million for Fiscal 2022, which was mainly on account of the (i) increases in yields on Government securities, which led to the corresponding depreciation of such securities; and (ii) 100.00% provision of Rs. 714.60 million that was made for security receipts due to the sale of Rs. 10,479.53 million of NPAs to an asset reconstruction company.

### Total Expenditure

Our total expenditure increased by Rs. 7,464.63 million or 35.67%, to Rs. 28,392.39 million for Fiscal 2023 from Rs. 20,927.76 million for Fiscal 2022. The primary reasons for this increase are discussed below:

### Interest Expended

Our interest expended increased by Rs. 2,245.33 million or 28.32%, to Rs. 10,173.19 million for Fiscal 2023 from Rs. 7,927.86 million for Fiscal 2022. The primary reasons for this increase are discussed below.

- Interest on deposits increased by Rs. 1,588.72 million or 23.40%, to Rs. 8,377.18 million for Fiscal 2023 from Rs. 6,788.46 million for Fiscal 2022, which was due to a 26.75% increase in Average Deposits to Rs. 135,740.03 million for Fiscal 2023 from Rs. 107,089.73 million for Fiscal 2022, which was partially offset by a decrease in the Cost of Average Deposits to 6.17% for Fiscal 2023 from 6.34% for Fiscal 2022.
- Interest on the Reserve Bank of India/inter-bank borrowings and others increased by Rs. 656.61 million or 57.63%, to Rs. 1,796.01 million for Fiscal 2023 from Rs. 1,139.40 million for Fiscal 2022. This increase was due to a Rs. 9,842.98 million or 52.36%, increase in Average Borrowings to Rs. 28,640.15 million for Fiscal 2023 from Rs. 18,797.17 million for Fiscal 2022 and an increase in the Cost of Average Borrowings to 6.27% for Fiscal 2023 from 6.06% for Fiscal 2022.

## Operating Expenses

The table below sets forth details in relation to our operating expenses for Fiscal 2023 and Fiscal 2022.

Particulars	Fiscal 2023	Fiscal 2022	Percentage increase /(decrease) (%)
	(Rs. in million)		
Payments to and provisions for employees	2,779.98	2,321.37	19.76
Rent, taxes and lighting	748.01	600.21	24.62
Printing and stationery	73.80	67.42	9.46
Advertisement and publicity	154.68	58.97	162.30
Depreciation on Bank's Property	417.89	327.74	27.51
Director's fees, allowances and expenses	16.28	14.80	10.00
Auditor's fees and expenses	14.21	7.49	89.72
Law charges	10.41	4.33	140.42
Postage, Telegrams, Telephones etc.	189.50	109.42	73.19
Repairs and maintenance	46.98	17.62	166.63
Insurance	150.90	127.33	18.51
Other expenditure <sup>(1)</sup>	7,702.77	4,972.01	54.92
<b>Total</b>	<b>12,305.41</b>	<b>8,628.71</b>	<b>42.61</b>

Notes:

(1) Includes business correspondent expense of Rs. 5,442.36 million and Rs. 3,486.58 million for Fiscals 2023 and 2022, respectively.

Our operating expenses increased by Rs. 3,676.70 million or 42.61%, to Rs. 12,305.41 million for Fiscal 2023 from Rs. 8,628.71 million for Fiscal 2022. The primary reasons for this increase are discussed below:

- Other expenditure increased by Rs. 2,730.76 million or 54.92% to Rs. 7,702.77 million for Fiscal 2023 from Rs. 4,972.01 million for Fiscal 2022, which was primarily due to a Rs. 1,955.78 million or 56.09% increase in our business correspondent expense to Rs. 5,442.36 million for Fiscal 2023 from Rs. 3,486.58 million for Fiscal 2022, which was primarily due to an increase in the amount collected on loans sourced through business correspondents by Rs. 63,036.25 million or 210.86%, to Rs. 92,931.12 million for Fiscal 2023 from Rs. 29,894.87 million for Fiscal 2022.
- Payments to and provisions for employees increased by Rs. 458.61 million or 19.76%, to Rs. 2,779.98 million for Fiscal 2023 from Rs. 2,321.37 million for Fiscal 2022, which was primarily due to a 21.56% increase in our number of employees to 5,034 as at 31<sup>st</sup> March 2023 from 4,141 as at 31<sup>st</sup> March 2022 and salary increments given to employees.
- Rent, taxes and lighting increased by Rs. 147.80 million or 24.62%, to Rs. 748.01 million for Fiscal 2023 from Rs. 600.21 million for Fiscal 2022, which was primarily due to a 12.85% increase in our number of Branches to 641 as at 31<sup>st</sup> March 2023 from 573 as at 31<sup>st</sup> March 2022 and also on account of additional space being leased for existing Branches to facilitate building renovations as well as increases in rents for certain existing Branches.

## Provisions and Contingencies

The table set forth below shows details in relation to our provisions and contingencies for Fiscal 2023 and Fiscal 2022.

Particulars	Fiscal 2023	Fiscal 2022	Percentage increase /(decrease) (%)
	(Rs. in million)		
Provision towards NPA/Write offs [A]	6,108.13	3,208.42	90.38
Provision towards/(write-back of provision towards) Standard Assets [B]	(1,281.08)(1)	936.22(2)	N.C.
Provision made towards income tax:			
Current tax expense(2) [C]	771.17	485.00(3)	59.00
Deferred tax charge (credit) [D]	265.94	(293.82)	190.51
Total provision made towards income tax [E] = [C] + [D]	1,037.12	191.18	442.48
Other Provision and Contingencies [F]	49.63	35.37	40.31
<b>Total Provisions and Contingencies [G] = [A] + [B] + [E] + [F]</b>	<b>5,913.79</b>	<b>4,371.19</b>	<b>35.29</b>

Notes:

- (1) Includes provision of Rs. 153.30 million for Fiscal 2023 regarding additional contingency provisions for SMA-2 advances.
- (2) Includes provision of Rs. 256.60 million for Fiscal 2022 regarding additional contingency provisions for the potential impact of COVID-19, respectively.
- (3) Net write-back of provision for earlier years less Rs. 20.00 million for Fiscal 2022.

Our provisions and contingencies increased by Rs. 1,542.60 million or 35.29%, to Rs. 5,913.79 million for Fiscal 2023 from Rs. 4,371.19 million for Fiscal 2022. The primary reasons for this increase are discussed below:

- Provision towards NPA/write offs increased by Rs. 2,899.71 million or 90.38%, to Rs. 6,108.13 million for Fiscal 2023 from Rs. 3,208.42 million for Fiscal 2022. The primary reason for the increase in the provision towards NPA/write-offs was a Rs. 3,540.65 million or 92.80% increase in additions to provisions towards NPAs to Rs. 7,355.97 million for Fiscal 2023 from Rs. 3,815.32 million for Fiscal 2022, which was due to gross NPAs (before sale of NPAs to an asset reconstruction company and write-offs (including technical write-offs) increasing to Rs. 14,347.12 million as at 31<sup>st</sup> March 2023 from Rs. 9,495.94 million as at 31<sup>st</sup> March 2022, which increase was primarily due to loans disbursed to borrowers during the COVID-19 pandemic. The sale of NPAs to an asset reconstruction company was Rs. 5,882.76 million in Fiscal 2023 compared to nil in Fiscal 2022. Write-offs (including technical write-offs) were Rs. 4,965.95 million in Fiscal 2023 compared to Rs. 744.55 million in Fiscal 2022.
- Current tax expense increased by Rs. 286.17 million or 59.00%, to Rs. 771.17 million for Fiscal 2023 from Rs. 485.00 million for Fiscal 2022. The primary reasons for this increase was a 449.82% increase in our Net Profit Before Tax (net profit for the year plus provisions made towards income tax) to Rs. 4,060.45 million for Fiscal 2023 from Rs. 738.50 million for Fiscal 2022. We had a deferred tax charge of Rs. 265.94 million for Fiscal 2023 compared to a deferred tax credit of Rs. 293.82 million for Fiscal

2022. Our deferred tax charge for Fiscal 2023 was primarily due to the write-back of provisions for Standard Assets due to contingency for SMA-2 advances and the write-back of provisions for restructured advances on account of recovery or the downgrading of advances to NPAs. Our deferred tax credit in Fiscal 2022 was primarily due to provisions towards standard advances. As a result of the foregoing, our total provision made towards income tax increased by Rs. 845.94 million or 442.48%, to Rs. 1,037.12 million for Fiscal 2023 from Rs. 191.18 million for Fiscal 2022. Our total provisions made towards income tax as a percentage of Net Profit Before Tax were 25.54% and 25.89% for Fiscals 2023 and 2022, respectively, compared to the applicable corporate income tax of 25.17% (including applicable surcharges and cess) for both Fiscals 2023 and 2022.

The above increases were partially offset by the fact that we had a write-back of provision towards Standard Assets of Rs. 1,281.08 million for Fiscal 2023 compared to a provision towards Standard Assets of Rs. 936.22 million for Fiscal 2022. The write-back of provision towards Standard Assets of Rs. 1,281.08 million for Fiscal 2023 was primarily due to the write-back of provisions for Standard Assets of Rs. 528.40 million made in response to the COVID-19 contingency, which subsequently abated, and the write-back of provisions for restructured advances on account of recovery or the downgrading of advances to NPAs of Rs. 722.20 million in Fiscal 2023.

### Net Profit for the Year

As a result of the above, our net profit for the year increased by Rs. 2,476.01 million or 452.39%, to Rs. 3,023.33 million for Fiscal 2023 from Rs. 547.32 million for Fiscal 2022.

## Financial Condition

### Statement of Assets and Liabilities

Our assets as at the period/year end are set out below:

Particulars	As at 31 <sup>st</sup> March	
	2023	2022
	(Rs. in million)	
Cash and Balances with the Reserve Bank of India	7,395.48	13,006.68
Balance with Banks and Money at Call and Short Notice	275.01	2,112.36
Investments	48,885.28	40,702.98
Advances	139,243.31	116,370.05
Fixed Assets	1,879.27	1,594.75
Other Assets	4,558.22	3,288.82
<b>Total Assets</b>	<b>202,236.57</b>	<b>177,075.64</b>

#### Cash and Balances with the Reserve Bank of India

Cash and balances with the RBI decreased to Rs. 7,395.48 million as at 31<sup>st</sup> March 2023 from Rs. 13,006.68 million as at 31<sup>st</sup> March 2022 primarily due to a decrease in balances with the RBI in other accounts from Rs. 6,340.00 million as at 31<sup>st</sup> March 2022 to nil as at 31<sup>st</sup> March 2023 which was primarily due to higher excess liquidity parked with the RBI in reverse repo transactions during Fiscal 2022. This decrease was partially offset by an increase in cash in hand, from Rs. 1,466.22 million as at 31<sup>st</sup> March 2022 to Rs. 1,544.46 million as at 31<sup>st</sup> March 2023.

#### Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice decreased to Rs. 275.01 million as at 31<sup>st</sup> March 2023 from Rs. 2,112.36 million as at 31<sup>st</sup> March 2022 primarily due to a decrease in money at call and short notice to nil as at 31<sup>st</sup> March 2023 from Rs. 1,750.00 million as at 31<sup>st</sup> March 2022 and the decrease in balances with banks in current accounts from Rs. 356.11 million as at 31<sup>st</sup> March 2022 to Rs. 268.76 million as at 31<sup>st</sup> March 2023.

#### Investments

Our investments further increased to Rs. 48,885.28 million as at 31<sup>st</sup> March 2023 from Rs. 40,702.98 million as at 31<sup>st</sup> March 2022 primarily due to an increase in Government securities to Rs. 47,421.02 million as at 31<sup>st</sup> March 2023 from Rs. 39,940.96 million as at 31<sup>st</sup> March 2022, and an increase in others from Rs. 608.09 million as at 31<sup>st</sup> March 2022 to Rs. 1,347.64 million as at 31<sup>st</sup> March 2023.

#### Advances

The table below sets forth our advances (net of provisions) by (i) Micro Loans (comprising our Microfinance Loans and Other Micro Loans) and (ii) Other Loans (comprising (a) Retail Loans, (b) MSME Loans, (c) Loans to financial institutions and (d) Agricultural Loans (collectively "Other Loans")) as at the dates indicated.

Advances (net of provisions)	As at 31 <sup>st</sup> March 2023 (Rs. in million)	% increase / (decrease) from 31 <sup>st</sup> March 2022	As at 31 <sup>st</sup> March 2022 (Rs. in million)
Micro Loans (1)	98,751.17	5.70	93,429.52
Other Loans	40,492.14	76.50	22,940.53
<b>Total</b>	<b>139,243.31</b>	<b>19.66</b>	<b>116,370.05</b>

Note:

- (1) Our Micro Loans comprise our Microfinance Loans and Other Micro Loans. Microfinance Loans and Other Micro Loans are provided to individuals without being secured by collateral. In order to be given a loan, an individual must be part of a sub-group, which usually comprises two to 10 people. One to five sub-groups combine to form a "Sangam". The Sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with Sangam members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans. Effective 17<sup>th</sup> October 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans.

Our advances (net of provisions) increased from Rs. 116,370.05 million as at 31<sup>st</sup> March 2022 to Rs. 139,243.31 million as at 31<sup>st</sup> March 2023, which was due to a Rs. 17,551.61 million or 76.50%, increase in Other Loans and a Rs. 5,321.64 million or 5.70%, increase in Micro Loans.

### Fixed Assets

Our fixed assets, which primarily comprise office equipment, computers, furniture & fixtures, motor vehicles and servers, increased from Rs. 1,594.75 million as at 31<sup>st</sup> March 2022 to Rs. 1,879.27 million as at 31<sup>st</sup> March 2023. These increases were primarily due to the purchase of office equipment, computers, furniture & fixtures for new banking outlets and purchase of IT assets/software and other constructions at our corporate office.

### Other Assets

Our other assets primarily comprise: (1) interest accrued, (2) tax paid in advance / tax deducted at source (net of provision), (3) deferred tax asset (net), and (4) others (e.g., GST input credit, security deposits, NEFT/RTGS settlement receivable and prepaid expenses).

Our other assets increased to Rs. 4,558.22 million as at 31<sup>st</sup> March 2023 from Rs. 3,288.82 million as at 31<sup>st</sup> March 2022 due to an increase in (i) interest accrued from Rs. 1,091.55 million as at 31<sup>st</sup> March 2022 to Rs. 2,140.80 million as at 31<sup>st</sup> March 2023 on account of the increase on interest accrued but not due on advances from Rs. 408.30 million for Fiscal 2022 to Rs. 1,368.59 million for Fiscal 2023; and (ii) others from Rs. 1,270.91 million as at 31<sup>st</sup> March 2022 to Rs. 1,915.21 million as at 31<sup>st</sup> March 2023 due to input credit under goods and service tax law of Rs. 960.67 million as at 31<sup>st</sup> March 2023 as compared to Rs. 715.94 million as at 31<sup>st</sup> March 2022 and receivables of amount collected by business correspondents of Rs. 293.67 million as at 31<sup>st</sup> March 2023 as compared to Rs. 0.66 million as at 31<sup>st</sup> March 2022.

### Capital and Liabilities

The table below sets forth our capital and liabilities as at the dates indicated:

Particulars	As at 31 <sup>st</sup> March	
	2023	2022
	(Rs. in million)	
Capital	4,494.74	4,494.74
Employee Stock Options Outstanding	58.75	48.06
Reserves and Surplus	12,596.55	9,573.22
Deposits	146,656.25	128,150.72
Borrowings	33,541.95	29,528.33
Other Liabilities and Provisions	4,888.33	5,280.57
<b>Total</b>	<b>202,236.57</b>	<b>177,075.64</b>

### Reserves and Surplus

Our reserves and surplus are influenced by changes in our share premium due to the issuances or cancellation of Equity Shares and changes in our balance in profit and loss account due to the net profit or loss recorded for the applicable fiscal year.

Our reserves and surplus increased further to Rs. 12,596.55 million as at 31<sup>st</sup> March 2023 from Rs. 9,573.22 million as at 31<sup>st</sup> March 2022, which was due to an increase in our balance in profit and loss account from Rs. 3,214.96 million as at 31<sup>st</sup> March 2022 to Rs. 5,420.22 million as at 31<sup>st</sup> March 2023.

### Deposits

We have been able to leverage the strength of the "ESAF" brand, which has been built over a period of more than 25 years, to rapidly grow our deposit portfolio since we commenced operations. As an NBFC-MFI, our Corporate Promoter was unable to accept deposits as per applicable laws in India. After acquiring the business of our Corporate Promoter on 10<sup>th</sup> March 2017, we have placed a strong emphasis on increasing our Retail Deposits, as they have lower rates of interest compared to Bulk Deposits. Our Retail Deposits have increased to Rs. 133,230.03 million as at 31<sup>st</sup> March 2023 from Rs. 120,088.44 million as at 31<sup>st</sup> March 2022, representing an increase of 10.94%. As at 31<sup>st</sup> March 2023, our Retail Deposits accounted for 90.85% of our total deposits. CASA tends to provide a stable and low-cost source of deposits compared to term deposits. Our CASA increased to Rs. 31,374.47 million as at 31<sup>st</sup> March 2023 from Rs. 29,273.98 million as at 31<sup>st</sup> March 2022, representing an increase of 7.17%.

### Borrowings

The following table sets forth details of our borrowings as at dates indicated.

Particulars	As at 31 <sup>st</sup> March	
	2023	2022
	(Rs. in million)	
<b>Borrowings in India:</b>		
Reserve Bank of India	6,740.00	6,960.00
Other banks	-	-
Other institutions and agencies	24,871.95	20,488.33
Subordinated debt	1,450.00	1,600.00
Perpetual debt instrument	480.00	480.00
Borrowings outside India	-	-
<b>Total</b>	<b>33,541.95</b>	<b>29,528.33</b>

Our borrowings increased from Rs. 29,528.33 million as at 31<sup>st</sup> March 2022 to Rs. 33,541.95 million as at 31<sup>st</sup> March 2023 on account of an increase in borrowings in India from other institutions and agencies, from Rs. 20,488.33 million as at 31<sup>st</sup> March 2022 to Rs. 24,640.15 million as at 31<sup>st</sup> March 2023, which was partially offset by the decrease in borrowings in India from the Reserve Bank of India, from Rs. 6,960.00 million as at 31<sup>st</sup> March 2022 to Rs. 6,740.00 million as at 31<sup>st</sup> March 2023.

## Other Liabilities and Provisions

The table below sets forth details of our other liabilities and provisions as at the dates indicated.

Particulars	As at 31 <sup>st</sup> March	
	2023	2022
	(Rs. in million)	
Bills payable	49.67	36.48
Inter office adjustments (net)	-	-
Interest accrued	556.44	407.92
Provision for Standard Assets	896.57	2,177.65
Others (including provisions)	3,385.65	2,658.52
<b>Total</b>	<b>4,888.33</b>	<b>5,280.57</b>

Other liabilities and provisions decreased from Rs. 5,280.57 million as at 31<sup>st</sup> March 2022 to Rs. 4,888.33 million as at 31<sup>st</sup> March 2023, which was primarily due to a 58.83% decrease in provision for standard assets from Rs. 2,177.65 million as at 31<sup>st</sup> March 2022 to Rs. 896.57 million as at 31<sup>st</sup> March 2023, which was primarily due to the write-back of provisions for Standard Assets on account of the COVID-19 pandemic and the write-back of provisions for restructured advances on account of recovery or the downgrading of advances to NPA. This decrease was partially offset by, among other things, a 27.35% increase in others (including provisions) from Rs. 2,658.52 million as at 31<sup>st</sup> March 2022 to Rs. 3,385.65 million as at 31<sup>st</sup> March 2023, which was primarily due to the increase in recognition of accounts payable to an asset reconstruction company of Rs. 422.29 million as at 31<sup>st</sup> March 2023 from nil as at 31<sup>st</sup> March 2022, which was a result of our Bank selling certain NPAs/ advances to an asset reconstruction company and acting as a collection agent for the same.

## Our Business Segments

We have identified our business segments, segregating them into Treasury, Wholesale Banking, Retail Banking

and Other Banking Segments after considering the internal business reporting system and guidelines issued by the RBI through its notification DBOD.No.BP. BC.81/21.01.018/2006-07 dated 18<sup>th</sup> April 2007 and Accounting Standard 17 (AS 17) – ‘Segment Reporting’. We operate in the following business segments:

- **Treasury:** The Treasury segment primarily consists of interest earnings on our investments portfolio, gains or losses on investment operations and earnings from our foreign exchange business. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses. The segment also includes the allocation of deposits received from customers.
- **Wholesale Banking:** The Wholesale Banking segment provides loans to the corporate segment identified based on the RBI guidelines. Revenues from this segment consist of interest earned on loans made to corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses.
- **Retail Banking:** The Retail Banking segment provides loans to non-corporate customers identified based on the RBI guidelines and also includes deposits from customers. Revenues of this segment consist of interest earned on loans made to non-corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses.
- **Other Banking Operations:** The Other Banking Operations segment includes income from para banking activities, such as debit cards, third-party product distribution and associated costs.

Our segment results and segment revenue for each of our business segments are set forth in the table below for the year end indicated:

Particulars	Treasury		Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	Segment Revenue	Segment Results	Segment Revenue	Segment Results	Segment Revenue	Segment Results	Segment Revenue	Segment Results	Segment Revenue	Segment Results
	(Rs. in million)									
Fiscal 2023	2,471.94	(276.48)	576.71	283.10	27,870.56	3,591.59	496.51	462.24	31,415.72	4,060.45
Fiscal 2022	2,342.22	(61.32)	344.11	150.81	18,427.24	302.81	361.51	346.20	21,475.08	738.50

## Treasury

### Fiscal 2023 Compared to Fiscal 2022

The Treasury segment results decreased by Rs. 215.16 million or 350.88%, to Rs. (276.48) million for Fiscal 2023 from Rs. (61.32) million for Fiscal 2022, which was primarily (i) on account of provision made for mark to market losses on Government securities as per the RBI guidelines, which resulted in an expense of Rs. 913.88 million being recognised during Fiscal 2023 as compared to a write-back of provisions of Rs. 233.06 million during Fiscal 2022; and (ii) due to a decrease in the Average Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds of Rs. 6,374.23 million or 70.87%, to Rs. 2,620.05 million for Fiscal 2023 from Rs. 8,994.48 million for Fiscal 2022, which is partially offset by an increase in the Yield on Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds to 3.65% for Fiscal 2023 from 2.77% for Fiscal 2022.

## Wholesale Banking Operations

### Fiscal 2023 Compared to Fiscal 2022

The Wholesale segment results increased by Rs. 132.29 million or 87.65%, to Rs. 283.10 million for Fiscal 2023 from Rs. 150.81 million for Fiscal 2022. This increase was primarily due to a Rs. 232.60 million or 67.59%, increase in segment revenue to Rs. 576.71 million for Fiscal 2023 from Rs. 344.11 million for Fiscal 2022.

## Retail Banking

### Fiscal 2023 Compared to Fiscal 2022

The Retail Banking segment results increased by Rs. 3,387.78 million or 1,662.22%, to Rs. 3,591.59 million for Fiscal 2023 from Rs. 302.81 million for Fiscal 2022, which was primarily due to a Rs. 9,443.32 million or 51.25%, increase in segment revenue to Rs. 27,870.56 million for Fiscal 2023 from Rs. 18,427.24 million for Fiscal 2022, which was primarily due to a 28.11% increase in Average Interest-Earning Advances of the Retail Banking segment to Rs. 121,161.91 million for Fiscal 2023 from Rs. 94,573.77 million for Fiscal 2022 and also on account of increase in interest rates in Fiscal 2023. The increase in revenue was partially offset by a Rs. 6,154.54 million or 33.96%, increase in segment expenditure to Rs. 24,278.97 million for Fiscal 2023 from Rs. 18,124.43 million for Fiscal 2022, which was primarily due to a Rs. 692.35 million or 16.59% increase in provision on Standard Assets and provision on NPA/write-off (combined) of the Retail Banking segment to Rs. 4,866.48 million for Fiscal 2023 from Rs. 4,174.13 million for Fiscal 2022.

## Other Banking Operations

### Fiscal 2023 Compared to Fiscal 2022

The Other Banking Operations segment results increased by Rs. 116.04 million or 33.52%, to Rs. 462.24 million for Fiscal 2023 from Rs. 346.20 million for Fiscal 2022. This increase was primarily due to a Rs. 135.00 million or 37.34%, increase in segment revenue to Rs. 496.51 million for Fiscal 2023 from Rs. 361.51 million for Fiscal 2022.

## Liquidity and Capital Resources

In the past, we have funded our liquidity and capital requirements primarily through shareholder capital and funds generated from deposits, borrowings from other institutions, subordinated debt, borrowings from other banks and perpetual debt instruments.

## Cash Flows

The following table summarises our statements of cash flows for the period and years presented:

Particulars	Year ended 31 <sup>st</sup> March	
	2023	2022
	(Rs. in million)	
Net cash flow from / (used in) Operating Activities	(5,730.00)	(5,845.02)
Net cash flow from / (used in) Investing Activities	(5,732.17)	(9,818.47)
Net cash flow from / (used in) Financing Activities	4,013.62	12,588.33
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(7,448.55)</b>	<b>(3,075.16)</b>

## Operating Activities

For Fiscal 2023, our operating profit before working capital changes was Rs. 10,243.99 million and our net cash used in operating activities was Rs. 5,730.00 million. The difference was due to an increase in advances of Rs. 29,031.17 million, an increase in investments (other than HTM investments) of Rs. 3,976.14 million, an increase in other assets of Rs. 1,693.47 million and direct taxes paid of Rs. 613.04 million, which was partially offset by an increase in deposits of Rs. 18,505.51 million and an increase in other liabilities and provisions of Rs. 834.32 million.

For Fiscal 2022, our operating profit before working capital changes was Rs. 5,169.58 million and our net cash used in operating activities was Rs. 5,845.02 million. The difference was due to an increase in advances of Rs. 37,900.94 million, an increase in investments (other than HTM investments) of Rs. 11,979.40 million, an increase in other assets of Rs. 497.39 million and direct taxes paid of Rs. 169.02 million, which was partially offset by an increase in deposits of Rs. 38,156.46 million and an increase in other liabilities and provisions of Rs. 1,378.63 million.

## Investing Activities

Net cash used in investing activities was Rs. 5,732.17 million for Fiscal 2023, which was primarily due to an increase in held to maturity investments of Rs. 5,026.38 million and Rs. 716.51 million used for the purchase of fixed assets.

Net cash used in investing activities was Rs. 9,818.47 million for Fiscal 2022, which was primarily due to an increase in held to maturity investments of Rs. 9,281.16 million and Rs. 540.14 million used for the purchase of fixed assets.

## Financing Activities

Net cash used in financing activities was Rs. 4,013.62 million for Fiscal 2023, which was due to an increase in borrowings of Rs. 4,013.62 million.

Net cash from financing activities was Rs. 12,588.33 million for Fiscal 2022, which was due to an increase in borrowings of Rs. 12,588.33 million.

## Financial Instruments and Off-Balance Sheet Arrangements

### Inter-Bank Participation Certificates

A bank missing its priority sector lending target is able to reach the target by buying inter-bank participation certificates ("IBPCs") issued by other banks that have already exceeded their regulatory targets for priority sector advances. In accordance with the applicable RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by our Bank is reduced from our advances. However, we include the amount of these advances in our AUM. IBPCs with risk sharing can be issued for 91-180 days and only in respect of advances classified as standard. During the term of an IBPC, we recognise interest spread (i.e. difference between interest earned on such advances less the interest payable to the Bank that we transferred the IBPC to. At the end of the term of an IBPC, the advances we transferred via the IBPC are recognised in our accounting records. The table below sets forth the outstanding amount of IBPCs as at the dates indicated.

Particulars	As at and for the year ended 31 <sup>st</sup> March	
	2023	2022
	(Rs. in million)	
Outstanding amount of IBPCs	12,000	2,000

### Sale of NPAs to Asset Reconstruction Companies

We have sold NPAs to asset reconstruction companies ("ARCs"). Advances sold to ARCs are reduced from our advances. However, as we are paid fees by the ARCs to act as the collection agent for these advances, we include the amount of advances that we are acting as a collection agent for in our AUM. The table below sets forth the amount of advances outstanding as at the date of the sale of advances to ARC for which our Bank acts as a collection agent for advances outstanding as on date with respect to transfer of portfolio to ARC for which the Bank is acting as a collection agent.

Particulars	As at and for the year ended 31 <sup>st</sup> March	
	2023	2022
	(Rs. in million)	
Amount of NPAs sold to ARCs outstanding	10,086.21	-

## Direct Assignments

Our Bank has undertaken direct assignment transactions in the past and acts as collection agent for the same. Such direct assignment transactions are included in our AUM. The table below sets forth the outstanding amount of direct assignment as at the dates indicated.

Particulars	As at and for the year ended 31 <sup>st</sup> March	
	2023	2022
	(Rs. in million)	
Outstanding Amount of Direct Assignments	45.17	100.48

## Securitised Advances

Our securitised advances were nil and nil as at 31<sup>st</sup> March 2023 and 2022 respectively.

## Contingent Liabilities

The components of our contingent liabilities as per AS 29 – 'Provisions, Contingent Liabilities and Contingent Assets' as at the year end / period end indicated are set forth below:

Particulars	As at 31 <sup>st</sup> March	
	2023	2022
	(Rs. in million)	
Claims against the Bank not acknowledged as debts	-	-
Liability on account of outstanding forward exchange contracts	-	-
Guarantees given on behalf of constituents – in India	13.98	15.52
Acceptances, endorsements and other obligations	-	-
Other items for which the Bank is contingently liable	5.00	5.00
<b>Contingent Liabilities</b>	<b>18.98</b>	<b>20.52</b>

## Capital Expenditures

Our capital expenditures are principally for fixed assets including furniture and fixtures. We incurred capital expenditures (additions to fixed assets including furniture and fixtures) of Rs. 714.86 million and Rs. 598.46 million in the Fiscals 2023 and 2022, respectively.

# DIRECTORS' REPORT

To,  
 The Members of  
**ESAF Small Finance Bank Limited**

On behalf of the Board of Directors (the "Board") of ESAF Small Finance Bank Limited (the "Bank"), it is our immense pleasure to present the Seventh Annual Report of the Bank along with the Audited Financial Statements and Auditor's Report thereon for the Financial Year 2022-23.

## 1. Financial Highlights and State of the Bank's Affairs

(Rs. in million)

Particulars	For the Year ended 31 <sup>st</sup> March 2023	For the Year ended 31 <sup>st</sup> March 2022
Deposits	1,46,656	1,28,151
Advances	1,39,243	1,16,370
Total Income	31,416	21,475
Total Expenditures excluding Tax	27,355	20,737
Profit Before Tax	4,060	738
Provision for Tax	1,037	191
Net Profit	3,023	547
Profit brought forward	3,215	3,062
Total Profit available for appropriation	6,238	3,610
Appropriation		
Transfer to Statutory Reserve	756	137
Transfer to Capital Reserve	3	37
Transfer to Investment Fluctuation Reserve	59	221
Balance carried to Balance Sheet	5,420	3,215
Earnings per Share –		
Basic (Rs.)	6.73	1.22
Diluted (Rs.)	6.71	1.22

On a Standalone basis, Profit After Tax of the Bank was Rs. 3,023 million in Financial Year 2022-23 compared to Rs. 547 million in Financial Year 2021-22. Interest Income of the Bank for Financial Year 2022-23 was Rs. 28,536.59 million as against Rs. 19,399.25 million in Financial Year 2021-22 marking a growth of around 47.10%. Further, the Bank had Capital and Reserves of Rs. 17,091.29 million as on 31<sup>st</sup> March 2023 (Rs. 14,067.96 million as on 31<sup>st</sup> March 2022). The book value per Equity Share was at Rs. 38.03 as on 31<sup>st</sup> March 2023 (Rs. 31.30 as on 31<sup>st</sup> March 2022). Further details on the financial performance of your Bank are available in the Management Discussion and Analysis Report, which forms an integral part of the Annual Report.

## 2. Transfer to Reserves

As per the requirement of the RBI Regulations, the Bank has transferred the following amount to various reserves during the Financial Year 2022-23:

Amount Transferred to	Rs. In million
Statutory Reserve	756
Capital Reserve	3
Investment Fluctuation Reserve	59

## 3. Dividend

Considering the need to preserve capital, your directors have decided to retain the profits earned to serve the working capital requirements of the Bank. Hence, no dividend is proposed to be declared.

## 4. Change in the Nature of Business

There was no change in the nature of business of the Bank during the Financial Year 2022-23.

## 5. Capital and Debt Structure

### a. Change in Capital Structure

There were no changes in the Authorised Capital of the Bank during the Financial Year 2022-23. As on 31<sup>st</sup> March 2023, Authorised Capital of the Bank was Rs. 600,00,00,000 (Rupees Six Hundred Crore) divided into 60,00,00,000 (Sixty Crore) Equity Shares of Rs. 10 (Rupees Ten) each.

There were no changes in the issued, subscribed and paid-up share capital of the Bank during the Financial Year 2022-23. As on 31<sup>st</sup> March 2023, the issued, subscribed and paid-up share capital of the Bank stands at Rs. 449,47,37,980 (Rupees Four Hundred and Forty-Nine Crore Forty-Seven Lakhs Thirty-Seven Thousand Nine Hundred and Eighty only) divided into 44,94,73,798 (Forty-Four Crore Ninety-Four Lakh Seventy-Three Thousand Seven Hundred and Ninety-Eight) Equity Shares of Rs. 10 (Rupees Ten) each.

The total number of shareholders of the Bank as on 31<sup>st</sup> March 2023 was 87.

### b. Debt Capital

There were no changes to the Debt Capital of the Bank during the Financial Year 2022-23. As on 31<sup>st</sup> March 2023, the total outstanding debt capital, both listed and unlisted was Rs. 1,930 million.

## 6. Capital Adequacy

Your Bank is subject to the Basel II Capital Adequacy guidelines stipulated by the RBI. The Capital Adequacy Ratio of the Bank is calculated as per the standardised approach for credit risk. The Capital Adequacy ratio of the Bank as on 31<sup>st</sup> March 2023 is 19.83%, as against the minimum requirement of 15.00% stipulated by the Reserve Bank of India.

## 7. Our Business Segments

The Bank has identified our business segments, segregating them into Treasury, Wholesale Banking, Retail Banking and Other Banking Segments after considering the internal business reporting system and guidelines issued by the RBI through its notification DBOD.No.BP.BC.81/ 21.01.018/ 2006-07 dated April 18, 2007 and Accounting Standard 17 (AS 17) - 'Segment Reporting'.

## 8. Employee Stock Option Scheme

The Shareholders of the Bank, in the meeting held on 3<sup>rd</sup> January 2020, had approved the ESAF Small Finance Bank Employee Stock Option Plan 2019, by way of a special resolution that also authorised the Nomination Remuneration and Compensation Committee to grant up to Rs. 2,25,15,552 (Two Crore Twenty-Five Lakh Fifteen Thousand Five Hundred and Fifty-Two) Employee Stock Options to the Employees, in one or more tranches, from time to time. The objective of the said scheme is to recognise the contribution of the employees in the formation of the Bank and to create a feeling of inclusiveness and enable the employees to get a share in the value that they help to create for the organisation over a period of time. The Bank strongly believes that an equity component in the compensation goes a long way in aligning the objectives of an individual with those of the Bank. The objectives of ESOP 2019 are, among others, to attract and retain employees with Employee Stock Options as a compensation tool. Through ESOP 2019, the Bank intends to offer an opportunity to share the value created with those employees who have contributed or are expected to contribute to the growth and development of the Bank.

Through the scheme, the Bank intends to grant equity-based compensation to the employees in two categories namely:

- 1) Loyalty Grant to reward eligible employees for their contributions in the past, tenure and continued employment in the Bank, which is a one-time grant.
- 2) Performance Grant on the basis of employee's annual appraisals for their future performance and continuity of services.

The Nomination and Remuneration Committee has been entrusted with the responsibility of administering the ESOP 2019 Scheme. As of 31<sup>st</sup> March 2023, the Nomination Remuneration and Compensation Committee of the Board granted 11,25,590 options as the first instalment of loyalty grant under the ESOP 2019 Scheme, to the employees identified under the implementation guidelines for ESAF ESOP 2019 as per the terms of granting. However, no ESOP was granted or exercised during the Financial Year 2022-23.

## 9. Credit Rating

Credit ratings assigned to various debt instruments of the Bank during the Financial Year ended 31<sup>st</sup> March 2023 are as follows:

Sl. No.	Instrument Name	Name of the Credit Rating Agency	Amount (Rs. in million)	Rating
1.	Non-Convertible Debentures	CARE Ratings	1,000 million	CARE A; Negative (Single A ; Outlook: Negative)

## 10. Selection, Appointment and Remuneration of Directors

In compliance with the provisions of the Banking Regulation Act, 1949, the guidelines issued by the Reserve Bank of India and Section 178 of the Companies Act, 2013, the Bank has formulated and adopted a Nomination Policy for selection and appointment/ re-appointment/ removal of Directors, which is disclosed on our website ([www.esafbank.com](http://www.esafbank.com)). Through the said policy, the Bank has formulated criteria for the appointment of directors, and based on the said criteria, Nomination Remuneration and Compensation Committee of the Board (NRCCB) shall conduct a due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director of the Bank, based on the range of skills, experience, expertise, qualifications, specialised knowledge etc. of the candidate, and recommend his/her appointment to the Board. The Nomination Remuneration and Compensation Committee identifies potential candidates from diverse backgrounds including but, not limited to Accountancy, Agriculture and Rural Economy, Banking, Co-operation, Finance, Law, Small Scale Industry, Economics, Human Resources, Payment and Settlement Systems, Business Management, Risk Management and Information Technology, thus providing the Board with members who have diverse knowledge, practical experience and skills to serve the business interests of the Bank. Every such person shall meet the 'fit and proper' criteria the Reserve Bank of India may stipulate from time to time, and accordingly, any appointment or re-appointment of a Director shall be subject to prior approval by the NRCCB of the Bank.

The key objectives of the Nomination Policy shall inter alia include the following:

- To guide the Board in relation to the appointment, re-appointment or removal of directors and lay down a selection criterion for appointment of directors.
- To ensure compliance with applicable laws, rules and regulations including compliance to the 'Fit and Proper criteria' of Directors at the time of their appointment and on a continuous basis.
- To devise a policy on the size and composition of the Board taking into account the available

and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors.

During appointment/ re-appointment/ removal of Directors of the Bank, your Bank has always ensured that, the provisions of the Companies Act, 2013, Banking Regulation Act/ RBI Guidelines and directives and guidelines of SEBI to the extent applicable are adhered to. In all respects, your Bank has also kept high standards and met the diversity, structure and size compositions of the Board and its Committees as prescribed in various statutes.

The NRCCB is responsible to the Board for leading the succession planning process in respect of appointments/ re-appointments in respect of Directors, employees in the grade of Senior Management and Key Managerial Personnel of the Bank.

The Bank has accordingly obtained prescribed declarations/ undertakings from the Directors as per the guidelines of the Reserve Bank of India and the same are placed before the Board of Directors for its review and noting. An assessment on whether the Directors fulfill the prescribed criteria is carried out by the Nomination Remuneration and Compensation Committee of the Board on an annual basis and also at the time of their appointment or re-appointment.

Wherever necessary, the Nomination Remuneration and Compensation Committee is authorised to engage the services of an External Consultant(s)/ expert in the field of succession planning, to identify and assess the suitability of candidates for the post of a Director of the Bank.

The RBI, vide its circular no. DOR. Appt.BC.No.23/29. 67.001/2019-20 dated 04<sup>th</sup> November 2019, has issued the Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff of Private Sector Banks on Compensation Policy. In accordance with the aforesaid the RBI Circular, the Board of the Bank has adopted a revised Compensation Policy for its Whole-time Directors, Chief Executive Officer of the Bank and other employees. The salient feature of the Compensation Policy is as follows:

- To provide a fair and transparent structure that helps the Bank to acquire and retain the talent pool critical to building competitive advantage and brand equity as a social bank focussed on social transformation and community development.

## 11. Board of Directors

The composition of the Board of Directors of the Bank is governed by the Companies Act 2013, the Banking Regulation Act, 1949 and SEBI Listing Regulations and is in conformity with the same. As of 31<sup>st</sup> March 2023, the Board of Directors comprised a combination of nine Directors out of which there were six Independent Directors including a Woman Independent Director, two Non-Executive Nominee Directors and one Executive Director. The size of the Board is commensurate with the size and business of the Bank. The Board mix provides a combination of professionalism, knowledge and experience required in the banking industry and also meets the criteria prescribed under the Nomination Policy adopted by the Board.

### Change in Directors during the Financial Year 2022-23

- **Withdrawal of Nomination of Shri. Saneesh Singh (DIN: 02254868) and Shri. Chandanathil Pappachan Mohan (DIN: 02661757) as Nominee Directors by M/s. ESAF Financial Holdings Private Limited, the Corporate Promoter of the Bank**
  - The Board of Directors vide Circular Resolution dated 03<sup>rd</sup> August 2022, accepted the withdrawal of nomination of Shri. Saneesh Singh (DIN: 02254868) from the Board of Directors of the Bank by M/s. ESAF Financial Holdings Private Limited, the Corporate Promoter of the Bank, with effect from 26<sup>th</sup> July 2022.
  - The Board of Directors vide Circular Resolution dated 01<sup>st</sup> November 2022, accepted the withdrawal of nomination of Shri. Chandanathil Pappachan Mohan (DIN: 02661757) from the Board of Directors of the Bank by M/s. ESAF Financial Holdings Private Limited, the Corporate Promoter of the Bank, with effect from 31<sup>st</sup> October 2022.
- **Retirement of Shri. Alex Parackal George and Smt. Asha Morley as the Non-Executive Independent Directors of the Bank**

Shri. Alex Parackal George (DIN: 07491420) and Smt. Asha Morley (DIN: 02012799), Non-Executive Independent Directors of the Bank, retired from their directorship on completion of their two terms as Independent Directors on 12<sup>th</sup> December 2022. The Board of Directors of the Bank placed on record their appreciation for the valuable contributions by Shri. Alex Parackal George and Smt. Asha Morley during their tenure as Directors of the Bank.
- **Re-appointment of Shri. Ravimohan Periyakavil Ramakrishnan as Non-Executive Independent Director of the Bank and Part Time Chairman of the Board**

Based on the recommendation of Nomination Remuneration and Compensation Committee of the Board and the Board of Directors, the Shareholders in the 06<sup>th</sup> Annual General Meeting of the Bank held on 13<sup>th</sup> December 2022, approved the re-appointment of Shri. Ravimohan Periyakavil Ramakrishnan (DIN: 08534931) as Non-Executive Independent Director of the Bank for a period of three consecutive years with effect from 21<sup>st</sup> December 2022 up to 20<sup>th</sup> December 2025. The Board of Directors had re-appointed Shri. Ravimohan Periyakavil Ramakrishnan as the Part-Time Chairman of the Board for a period of three consecutive years with effect from 21<sup>st</sup> December 2022 up to 20<sup>th</sup> December 2025.
- **Appointment of Dr. Vinod Vijayalekshmi Vasudevan as Independent Director of the Bank**

The Board of Directors in their meeting held on 22<sup>nd</sup> December 2021 had appointed Dr. Vinod Vijayalekshmi Vasudevan (DIN: 02503201) as Additional Director (Independent Director) of the Bank in terms of Section 149 and 161 of the Companies Act, 2013, with effect from 22<sup>nd</sup> December 2021, considering his vast knowledge and experience in the field of Information Technology and Business Management.

The Shareholders in the 06<sup>th</sup> Annual General Meeting of the Bank held on 13<sup>th</sup> December 2022 approved the appointment of Dr. Vinod Vijayalekshmi Vasudevan as the Non-Executive Independent Director of the Bank, who was appointed as an Additional Director (Independent Director) with effect from 22<sup>nd</sup> December 2021, for a period of three consecutive years with effect from 22<sup>nd</sup> December 2021 up to 21<sup>st</sup> December 2024.
- **Appointment of Smt. Kolasseril Chandramohan Ranjani and Shri. Ravi Venkatraman as Non-Executive Independent Directors of the Bank**

Based on the recommendation of Nomination Remuneration and Compensation Committee of the Board and the Board of Directors, the Shareholders in the 06<sup>th</sup> Annual General Meeting of the Bank held on 13<sup>th</sup> December 2022, approved the appointment

of Smt. Kolasseril Chandramohan Ranjani (DIN: 01735529) and Shri. Ravi Venkatraman (DIN: 00307328) as Non-Executive Independent Directors of the Bank for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.

- **Appointment of Shri. John Samuel as Non-Executive Nominee Director of the Bank, on the basis of the nomination of Shri. Kadambelil Paul Thomas, Individual Promoter of the Bank**

Based on the recommendations of the Nomination Remuneration and Compensation Committee of the Board, the Board of Directors in the meeting held on 03<sup>rd</sup> December 2022 approved the appointment of Shri. John Samuel (DIN: 07725212) as a Non-Executive Nominee Director on the Board of the Bank for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.

Shri. John Samuel, who retires by rotation as Director, at the conclusion of the ensuing Annual General Meeting of the Bank is proposed to be re-appointed and has offered himself for re-appointment.

- **Appointment of Shri. Ajayan Mangalath Gopalakrishnan Nair as Non-Executive Nominee Director of the Bank, on the basis of the nomination of ESAF Financial Holdings Private Limited, Corporate Promoter of the Bank**

Based on the recommendations of the Nomination Remuneration and Compensation Committee of the Board, the Board of Directors in the meeting held on 03<sup>rd</sup> December 2022 approved the appointment of Shri. Ajayan Mangalath Gopalakrishnan Nair (DIN: 09782416) as a Non-Executive Nominee Director on the Board of the Bank for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.

As on the date of this report, the Bank has Nine Directors out of which there are Six Independent Directors including a Woman Independent Director. The brief profiles of the Directors are available on the website of the Bank on [www.esafbank.com](http://www.esafbank.com).

### Familiarisation Programme

Complying with SEBI Listing Regulations, provisions of the Companies Act, 2013 and the RBI guidelines, Familiarisation Programmes were conducted during the Financial Year 2022-23 to give an overview and introduction to the Independent Directors about the Bank's business and operations.

Under this programme, newly appointed directors are appraised with the organisation structure, operational overview, financial overview, board matters and procedures, key risk issues and its mitigation strategy, among others.

Further, all the newly appointed Board Members undergo a face to face induction schedule where the Bank's Management Team provides insights about the affairs of their function and of the Bank as a whole. The details of the familiarisation programme imparted to Independent Directors are available on the website of the Bank at [www.esafbank.com](http://www.esafbank.com).

## 12. Evaluation of Performance of the Board of Directors

The Board has formulated a Performance Evaluation Policy including a questionnaire for performance evaluation of the Individual Directors, Committees of the Board, Chairman, Managing Director and CEO and the Board as a whole. The questionnaire designed for the performance evaluation covering various aspects of performance, including structure of the board, meetings of the board, functions of the board, role and responsibilities of the board, governance and compliance, evaluation of risks, grievance redressal for investors, conflict of interest, stakeholder value and responsibility, relationship among directors, director competency, board procedures, processes, functioning and effectiveness, was circulated to all the directors of the Bank for the annual performance evaluation. The appraisal of each of the Directors of the Bank is done based on the evaluation conducted with a set of pre-determined evaluation factors:

- The performance evaluation of the Board as a whole shall be carried out by all the Directors.
- The performance evaluation of the Board Committee(s) shall be carried out by the members of each of the Committees.
- The performance evaluation of Managing Director and CEO/ Executive Director shall be done by all the directors except the Managing Director and CEO.
- The performance evaluation of Chairman of the Bank is done by all the Directors except the person being evaluated.
- The performance evaluation of Independent Directors is done by all the Directors except the person being evaluated.
- The performance evaluation of the Non-Executive Director is done by all the Directors except the person being evaluated.

The performance evaluation of the Board of Directors, Committees of the Board and individual Directors was conducted during the Financial Year.

The Board and the Nomination Remuneration and Compensation Committee of the Board reviewed the performance of the Individual Directors and noted that the results of the performance evaluation indicated a high degree of satisfaction among directors.

### 13. Declaration from Independent Directors

The Board has received declarations from the Independent Directors as required under Section 149(7) of the Companies Act, 2013, and the Board is satisfied that the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI Listing Regulations and that they have complied with the code of conduct for independent directors as prescribed under Schedule IV of the Companies Act, 2013.

In the opinion of the Board, all the Independent Directors meet the criteria with regards to integrity, expertise and experience as required under applicable laws.

All Independent Directors of the Bank have registered themselves in the data bank as specified under Section 150 of the Companies Act, 2013, read with Rule 6 of Companies (Appointment and Qualifications of Directors) Rules, 2014 and have qualified the prescribed proficiency test. The Independent Directors (not exempted under the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2020 as notified on 18<sup>th</sup> December 2020) have qualified the online proficiency self-assessment as required under aforesaid rule within the prescribed timeline.

The terms and conditions of appointment of Independent Directors are available on the website of the Bank.

### 14. Directors and Officers Liability Insurance Policy

The Bank has a Directors and Officers Liability Insurance Policy which protects Directors and Officers of the Bank from any breach of fiduciary duty.

### 15. Corporate Governance

The Bank is committed to achieving and adhering to the highest standards of Corporate Governance and it consistently benchmarks itself with the best practices in this regard. A report on Corporate Governance for the Financial Year 2022-23 has been annexed to the Annual Report.

### 16. Meetings of the Board

The Board of Directors met Fourteen (14) times during the Financial Year 2022-23.

The meetings of the Board of Directors were convened in accordance with applicable laws and standards and the intervening gap between the said meetings was not exceeding 120 days. The details of Board Meetings are available in the Corporate Governance Report which forms part of the Annual Report of the Bank for the Financial Year 2022-23.

During the year, Dr. Vinod Vijayalekshmi Vasudevan had sought leave of absence from three (3) meetings of the Board and Dr. V. A. Joseph had sought leave of absence from one (1) meeting of the Board of Directors.

As on 31<sup>st</sup> March 2023, the Bank had (11) Board Committees:

Sl. No.	Name of the Committee
1.	Audit Committee of the Board
2.	Risk Management Committee of the Board
3.	Nomination, Remuneration and Compensation Committee of the Board
4.	IT Strategy Committee of the Board
5.	Customer Service Committee of the Board
6.	Corporate Social Responsibility and Sustainability Committee of the Board
7.	Customer Service Committee of the Board
8.	High Value Fraud Monitoring Committee of the Board
9.	Stakeholders Relationship Committee of the Board
10.	Human Resource Committee of the Board
11.	IPO Steering Committee of the Board

The details of composition, number of meetings held and date thereof and terms of reference of the above Committees are available in the Corporate Governance Report which forms part of the Annual Report of the Bank for the Financial Year 2022-23.

### 17. Key Managerial Personnel

The following officials of the Bank are the "Key Managerial Personnel" pursuant to the provisions of Section 203 of the Companies Act, 2013:

Sl. No.	Name of the Key Managerial Person	Designation
1.	Shri. Kadambelil Paul Thomas	Managing Director and CEO
2.	Shri. Gireesh C. P.	Chief Financial Officer
3.	Shri. Ranjith Raj P.	Company Secretary

In addition to the above, the Board of the Bank has designated the following senior officials of the Bank as Key Managerial Personnel in terms of Section 2 (51) of the Companies Act, 2013:

Sl. No.	Name of the Key Managerial Person	Designation
1.	Shri. George K. John	Executive Vice President
2.	Shri. George Thomas	Executive Vice President
3.	Shri. Hari Velloor	Executive Vice President
4.	Shri. Hemant Kumar Tamta	Executive Vice President
5.	Shri. Wilson Cyriac	Chief Risk Officer
6.	Shri. E. A. Jacob	Chief of Internal Vigilance
7.	Shri. Antoo P. K.	Head – Internal Audit
8.	Shri. Sudev Kumar V.	Chief Compliance Officer

Following changes took place in the list of Key Managerial Personnel during the Financial Year 2022-23:

Sl. No.	Name of Key Managerial Personnel	Nature of Change
1.	Shri. Hari Velloor	Shri. Hari Velloor was appointed as the Executive Vice President of the Bank in the meeting of the Board of Directors held on 10 <sup>th</sup> May 2022 for a period of one year with effect from 01 <sup>st</sup> June 2022 and was designated as the Key Managerial Personnel of the Bank pursuant to Section 2(51) and other applicable provisions of the Companies Act, 2013 with effect from 20 <sup>th</sup> September 2022.
2.	Shri. Hemant Kumar Tamta	Shri. Hemant Kumar Tamta was appointed as the Executive Vice President of the Bank in the meeting of the Board of Directors held on 10 <sup>th</sup> May 2022 for a period of one year with effect from 01 <sup>st</sup> August 2022 and was designated as the Key Managerial Personnel of the Bank pursuant to Section 2(51) and other applicable provisions of the Companies Act, 2013 with effect from 20 <sup>th</sup> September 2022.
3.	Shri. Antoo P. K.	Shri. Antoo P. K. Head – Internal Audit of the Bank, ceased to be the Key Managerial Personnel of the Bank with effect from the close of business hours on 31 <sup>st</sup> March 2023, due to completion of his employment contract. The Board placed on record its appreciation for the invaluable contribution rendered by him during his tenure as Head of Internal Audit.
4.	Shri. Sivakumar P.	Shri. P. Sivakumar was appointed as the Head – Internal Audit of the Bank with effect from 01 <sup>st</sup> April 2023 for a period of three years and was designated as a Key Managerial Personnel of the Bank pursuant to Section 2(51) and other applicable provisions of the Companies Act, 2013.
5.	Shri. Ajayan M. G.	Shri. Ajayan M. G. ceased to be the Executive Vice President – IT and Credit with effect 30 <sup>th</sup> November 2022 upon completion of his tenure.

The brief profiles of the Key Managerial Personnel are available on the website of the Bank at [www.esafbank.com](http://www.esafbank.com).

## 18. Internal Financial Controls

The Board of Directors confirms that your Bank has laid down a set of standards, processes and structures which enable it to implement Internal Financial controls across the organisation with reference to Financial Statements and that such controls are adequate and are operating effectively. The Internal Financial Control framework of the Bank ensures that:

- Internal Financial Controls are established for critical and material processes handled by the Bank.

- Draw up recommendations based on good practices to develop or strengthen the internal control systems.
- Ensure that the IFCs are adequate and operating effectively, by periodic review and testing.
- Periodic reporting of the status to the Audit Committee of the Board.
- The existence and adequacy of IFCs is demonstrated to various internal and external stakeholders.

The Internal Audit Department of the Bank has tested each of the controls and during the year under review, there are no material or serious observations of inefficiency or inadequacy of such controls.

## 19. Implementation of Ind AS

The Ministry of Finance, Government of India ("GOI"), had vide its press release dated 18<sup>th</sup> January 2016 outlined the roadmap for implementation of International Financial Reporting Standards ("IFRS") converged Indian Accounting Standards ("Ind AS") for Scheduled Commercial Bank (excluding RRBs), NBFC and Insurance companies. The RBI vide its circular dated 22<sup>nd</sup> March 2019, deferred the implementation of Ind AS for Scheduled Commercial Banks ("SCB") till further notice, pending the consideration of some recommended legislative amendments by GOI. The RBI has not issued any further notification on implementation of Ind AS for SCBs.

The Bank submits its Proforma Ind-AS financials on half yearly basis to the RBI based on the GAP assessment carried out by the Bank. The Bank is currently handling the impact analysis and reporting offline by using excel based models. However, the Bank is in the process of implementing system solutions (Ind AS 109 and 116) and hiring skilled resources to implement Ind-AS accounting.

## 20. Directors' Responsibility Statement

Pursuant to Section 134(3) of the Companies Act, 2013, the Board of Directors hereby declare and confirm to the best of their knowledge and belief that:

- i) In the preparation of the annual accounts for the year ended 31<sup>st</sup> March 2023, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- ii) Such accounting policies as specified in Schedule III to the Financial Statements have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at 31<sup>st</sup> March 2023 and of the profit of the Bank for the year ended on that date;
- iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities;
- iv) Annual accounts have been prepared on a going concern basis;
- v) Internal financial controls to be followed by the Bank were in place and that the same were adequate and were operating effectively;
- vi) Proper system to ensure compliance with the provisions of all applicable laws was in place and the same was adequate and operating effectively.

## 21. Environment Social and Governance Practices and Corporate Social Responsibility

In accordance with Section 135 of the Companies Act, 2013, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as modified from time to time, the Bank has established the Corporate Social Responsibility and Sustainability ("CSRSCB") Committee of the Board.

### Environment Social and Governance Practices

In the financial and banking industry, ESG has become a critical area of focus and the Bank endeavours to continually improve its ESG performance. There is a robust ESG policy framework which articulates ESG focus areas and provides guidance for ESG practices such as corporate governance, environmental and employee related initiatives, policy revisions and other ESG related projects undertaken. There is a Sustainability Council comprising representatives from relevant functions for the implementation of the framework. This council plays a critical role in providing data on various ESG parameters which is subsequently collated, analysed and reported to the Head of Sustainable Banking. The progress is also reported to the CSRSCB and the Board periodically.

The Bank follows a social business strategy seeking a Triple Bottom Line impact: people; planet; and prosperity and believe that the social, environmental, and economic outcomes of our business create synergies that have an amplified impact on our stakeholders. The legacy of a mission, fighting the partiality of prosperity (i.e., the drive for inclusion of marginalised sections of society and the equity of opportunities) led to the formation of our Bank. The Bank's vision is to be India's leading social bank that offers equal opportunities through universal financial access and inclusion and livelihood and economic development. The Bank has adopted various policies to implement our triple bottom line approach, including an Environmental, Social and Governance ("ESG") policy. Pursuant to the ESG policy, we are committed to (i) the protection of the environment and ensuring sustainable development, (ii) promoting financial inclusion and gender equality through specialised financial services; and (iii) establishing a governance framework to ensure accountability, transparency and compliance with internal and external ESG standards. In 2020, the Bank won the "Global Sustainability Award 2020" for outstanding achievements in sustainability management by the Energy and Environment Foundation. Our ESG Grading scores from CARE Advisory Research & Training Limited in its report titled "ESG Grading Report of ESAF Small Finance Bank" published in June, 2023 were: (i) 62% for the Environmental pillar, with remarks including our commitment to green finance and environment

conscious operations; (ii) 68% for the Social pillar, with remarks including that we have demonstrated healthy labour management practices, including the implementation of various policies that embody international and national human rights standards; and (iii) 76% for the Governance pillar, with remarks including that we have aligned with leading governance practices, such as adequate independence of our Board (66% independent members on the Board) and committee levels. We received a rating of CareEdge ESG 3 (good), with an overall score of 71 compared with the industry average overall score of 59.8. CARE Advisory Research & Training Limited's ESG specialist team undertook the ESG Grading of our Bank during May, 2023.

### Corporate Social Responsibility

The Bank has adopted a Board-approved CSR policy in compliance with the requirements of the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014. The Bank's CSR focus areas are education, healthcare, sanitation and livelihood development. The Bank has entered into a memorandum of understanding dated 20<sup>th</sup> December 2021 with ESAF Foundation (formerly known as Evangelical Social Action Forum), pursuant to which the ESAF Foundation provides services to the Bank for the execution of CSR projects, including providing project proposals, timelines and budgetary estimates for CSR projects within the focus areas. The memorandum of understanding is valid for a term of four years. The Bank has also entered into an agreement with Prachodhan Development Services dated 29<sup>th</sup> August 2022, pursuant to which it provides services to us for the execution of certain CSR projects. The agreement is valid for a term of four years.

The CSRSCB is in charge of reviewing and recommending to the Board the Bank's numerous CSR activities, including the status of the Bank's CSR Projects. The Board has examined and approved the CSR Policy, Projects, Project Expenditure, and associated topics based on the CSRSCB's recommendations. Following that, the Bank implemented the CSR Projects with Board approval. The CSR Policy of the Bank is available on the Bank's website: [www.esafbank.com](http://www.esafbank.com)

The Bank's CSR Projects and CSR Project Expenditure for Fiscal Year 2022-23 are in accordance with the CSR mandate as specified in Sections 134 and 135 of the Act read with Schedule VII to the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time, and in accordance with notifications issued by the Government of India from time to time.

Every year, the Bank allocates 5% of its average net profits, computed in accordance with the manner as prescribed in the Section 135 of the Companies

Act, 2013 as against the requirement of 2%. During the Financial Year 2022-23, the Bank has allocated Rs. 8,26,00,000 towards CSR expenditures, as against the allocation of Rs. 8,76,00,000 for the Financial Year 2021-22.

The CSR projects and programmes were implemented directly and/or through implementing partner organisations with a proven track record of implementing cost and process efficient CSR projects and/or programmes that were scalable, sustainable, outcome driven, and committed to making a positive societal impact in Fiscal Year 2022-23. Based on the CSRSCB's review and recommendation, the Board reviewed and approved all CSR Projects, CSR Project Expenditure Payments, and CSR Administration Overhead Expenses, including the Unspent CSR Project Expenditure Funds of Financial Year 2022-23, which were transferred to the Unspent CSR Account Financial Year 2022-23 on 31<sup>st</sup> March 2023. The Annual Report on CSR Activities, which is annexed to this report, contains a brief summary of the CSR Policy, including an overview of the programmes implemented, the makeup of the CSR Committee, and CSR expenditure for the fiscal year under review.

## 22. Business Responsibility and Sustainability Report

In May 2021, the SEBI made an amendment to Regulation 34(2)(f) of the SEBI Listing Regulations, by introducing enhanced disclosure requirements regarding ESG parameters through a revised format called the Business Responsibility and Sustainability Report ("BRSR"). The Business Responsibility Report has been replaced by BRSR, which is a more comprehensive disclosure that can showcase ESG performance with enhanced transparency, shifting the focus to quantifiable metrics by providing essential and voluntary indicators rather than qualitative and subjective metrics. The Bank has published a BRSR for Financial Year 2022-23, even though SEBI mandated only top 1,000 listed organisations to do so from Financial Year 2022-23 onwards, endeavouring to be at the forefront of sustainability reporting by being an early adopter of BRSR.

BRSR for Financial Year 2022-23 is part of the Annual Report of the Bank and is also available on the Bank's website viz., URL: <https://www.esafbank.com/report/esaf-small-finance-bank-annual-reports/>

## 23. Human Resources Initiatives

As on 31<sup>st</sup> March 2023, the total number of employees of the Bank was 5034. The Bank believes its employees are one of the most important assets and that a content and happy workforce will deliver the joy of banking to our customers and drive our performance.

Internal promotions are conducted every year based on a well-defined process, published in advance to make the process fully transparent. Promoted employees are given special training on leadership and team building. The Bank recognises the importance of continuous learning and has adopted a comprehensive learning and development policy.

Each employee onboarded has to mandatorily undergo a minimum of two weeks' training, which includes on-the-job training in Microfinance at the banking outlets. After the on-the-job training at the banking outlets, they are given one week's residential induction training and also another week's training on core banking solution software.

The Bank has facilitated a culture of self-learning for its employees by establishing an online learning portal, ESAF Small Finance Bank Online Academy. The Bank conducts various topic-based training sessions for our employees and also has tie-ups with coaching institutes in multiple locations for approved certification courses at concessional fees for employees and gives incentives to those employees who pass those courses. The Bank also regularly nominates senior staff to attend programmes arranged by certain financial educational institutes.

#### 24. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank continues with the belief of zero tolerance towards sexual harassment in workplace and continues to uphold and maintain itself as a safe and non-discriminatory organisation. To achieve the same, the Bank reinforces the understanding and awareness of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH"). The Bank has in place, a policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 and an Internal Complaints Committee has been set up for redressal of complaints. Any complaint pertaining to sexual harassment is diligently reviewed and investigated, and treated with great sensitivity. The Internal Committee members have been trained in handling and resolving complaints and have also designed an online e-learning POSH Awareness module, which covers the larger employee base.

During the Financial year 2022-23, no complaints were received under the Policy.

#### 25. Compliance Functions

The Bank has a dedicated independent Compliance Department headed by a Chief Compliance Officer, which operates as per a well-documented compliance policy for ensuring regulatory compliance, across all

businesses and operations. The key functions of the Compliance Department shall include ensuring core compliance areas such as statutory, regulatory, and other related mechanisms for the dissemination of regulatory prescriptions and guidelines amongst respective functions and monitoring compliance with regulatory guidelines, compliances, correspondence with the RBI, vetting the guidelines/ circulars issued, for compliance with regulatory guidelines and vetting of Bank's Policies, coordinating and monitoring submission of the RBI returns, coordinating collection of inputs from various departments for the RBI Inspection and for rectification of the RBI inspection irregularities etc. The Bank has a well defined and structured mechanism to assess the compliance risk and monitor its mitigation measures thereby ensuring the effectiveness of the compliance function in managing the compliance risk.

#### 26. Risk Management

The Bank identifies, assesses and manages all material risks associated with its various operations on a proactive basis. Risk Management governance in the Bank is overseen by the Board of Directors. The Board approves the Risk management policies which are reviewed, from time to time, with updated regulatory guidelines and internal instructions. The Risk Management Committee of the Board (RMCB) sets the processes and standards for risk management functions and periodically reviews the same. The Risk Management Department coordinates the bank-wide risk management and implements the policies and procedures approved by the Board and the RMCB. The Department has five divisions for managing the major risk streams, Credit risk, Operational risk, Market risk, Information and Cyber security risk and Transactional risks.

Executive-level risk management committees, namely, Credit Risk Management Committee, Operational Risk and Business Continuity Management Committee, Market Risk & Asset Liability Management Committee, Information Security Governance Committee and Outsourcing & Vendor Assessment Committee regularly assess the respective risks and initiate remedial actions wherever warranted. The executive-level committees periodically report the various risk events, levels and direction of major risks to the Risk Management Committee of the Board. Chief Risk Officer who reports directly to the Managing Director and CEO, co-ordinates the risk management functions. The Bank has a robust Internal Capital Adequacy Assessment Process by which all material risks the Bank is facing in its course of business are identified, assessed and monitored. Capital requirement commensurate with the risk profile of the Bank is assessed and capital planning for ensuring growth in future, as per the business strategy of the Bank, also is undertaken periodically. Stress testing is carried out periodically to ensure that the Bank can mitigate and manage the existing and emerging risks.

## 27. Information Security and Cyber Security Risk Management

The Information Security Policy and the Cyber Security Policy approved by the Board of Directors provide the base for information technology risk management and security administration. The Information Security Governance of the Bank is spearheaded by the Board of Directors, Information Technology Strategy Committee of the Board and the Executive Level Information Security Governance Committee.

The Bank has a dedicated Information Security Division which functions under the Risk Management Department. The Information Security Division is headed by the Chief Information Security Officer, who reports to the Chief Risk Officer.

The Bank adopts best practices to ensure the safety and security of customer transactions, data privacy and information security in all three modes of data at rest, data in use and data in transit. The Bank liaisons with various authorities like CSITE (Cyber Security Information Technology Examination) Cell, the RBI, CERT-In (Computer Emergency Response Team-India), IDRBT, etc. to keep abreast of the security incidents, measures and for regulatory compliance on an ongoing basis.

## 28. Business Continuity Management

The Bank relies on increasingly complex technology and business models to deliver our products. Technology-based products include interconnected ATM networks, tele-banking, core banking solutions, a mobile banking application and internet banking solutions.

The Bank has established a business continuity plan, which involves the creation and implementation of strategies that recognise threats and risks that the Bank may be subject to, with a focus on the protection of personnel and assets, while maintaining continued operations in the event of a disaster. The process defines potential risks, measures their impact, designs safeguards and procedures to mitigate those risks, tests those procedures to ensure that they work, and executes the implementation part. These plans and processes are periodically reviewed to ensure that they are effective and functional.

The Bank has an executive-level Crisis Management and Quick Response Team that is responsible for initiating immediate actions in the event of the occurrence of a crisis and to guide the business units on steps to be taken to protect the assets and to ensure continuity of business. The Crisis Management and Quick Response Team is responsible for initiating remedial actions in case of any breakdown or failure of critical systems, occurrence of natural disasters or accidents or any other events affecting business continuity.

## 29. IT Initiatives

### Technology driven model with an advanced digital technology platform

The Bank offers its customers various digital platforms, including an internet banking portal, a mobile banking platform, SMS alerts, bill payments and RuPay branded ATM cum debit cards. All banking and payment transactions, such as remittances and utility payments, can be completed through these platforms. The Bank's customers are also able to register to savings accounts on a unified payment interface based mobile applications.

The Bank's account opening and loan underwriting processes have been digitalised by using tablets, which enabled it to reduce the turnaround time and offer better service to customers. CASA accounts can be opened through tablets, which enables it to provide doorstep services to its customers. By leveraging technology solutions, the Bank provides customers with pre-generated kits immediately upon account opening, enabling them to use the ATM-cum-debit card provided with the pre-generated kits without having to wait for the ATM-cum-debit card to be activated across channels, thereby resulting in increased customer satisfaction. The Bank has crossed a milestone in technology with the successful adoption of e-signatures for Micro Loan disbursements. As at 31<sup>st</sup> March 2023, the Bank has disbursed over 0.53 million loans using e-signatures, which showcases its commitment to digital advancement. Through the adoption of e-signatures, the Bank has saved paper, which was earlier being utilised for the purpose of loan disbursement documentation, involving handwritten signatures. This will indirectly save water and reduce deforestation as per our commitment to reduce greenhouse gas emissions commitment set forth in the Bank's ESG policy.

The Bank has a digitalised central credit-processing unit for its micro loans. The customer onboarding process has been predominantly digitalised for its micro loans. The Bank leverages technology for underwriting and credit sanctioning for its loan products based on inputs from credit bureaus and/or the customer data analytics. It has implemented technology solutions that enable it to ensure cashless disbursement of loans and implemented electronic signing for micro loans, both of which have reduced paperwork. The Bank's collections mechanism has also been digitalised through the use of mobile applications and a payment gateway through which the borrowers can repay their loans.

The Bank is continuously working towards improving its customers' experience through the use of technology and has implemented a customer relationship management solution to better handle customer requests. The Bank believes that such initiatives have helped us improve our customer service and enable delivery of services in a more cost-effective manner.

### 30. Customer Service Quality

The Bank makes use of both interactive voice response systems and call centre agents to manage its customers' queries. The call centre facility is available to the customers 24 hours per day, seven days per week. The call centre agents are multi-lingual and can assist the customers in most languages spoken in areas where the Bank operates. All calls made to the call centre are recorded and these recordings are made available to the Bank for monitoring, quality control and reference purposes. Daily reports of all calls handled by the call centre are monitored by the Customer Service Quality department. The call centre facility is managed by FIS.

The customer service quality department also conducts fortnightly review calls to discuss areas of improvement to ensure the efficient resolution of customer complaints. The Department undertakes surveys from customers to obtain their feedback on the quality of the Bank's customer service.

### 31. Overall Remuneration

Details of remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

i)	Ratio of Remuneration of Each Director to Median Employee Remuneration.	The ratio of remuneration of each Director to median employee remuneration is as below:				
		<table border="1"> <thead> <tr> <th>MD &amp; CEO</th> <th>53 times</th> </tr> </thead> <tbody> <tr> <td>Other Directors</td> <td>Other directors are not paid any remuneration other than sitting fee for attending meetings of the Board and Committees</td> </tr> </tbody> </table>	MD & CEO	53 times	Other Directors	Other directors are not paid any remuneration other than sitting fee for attending meetings of the Board and Committees
MD & CEO	53 times					
Other Directors	Other directors are not paid any remuneration other than sitting fee for attending meetings of the Board and Committees					
iii)	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year;	<ul style="list-style-type: none"> <li>· Managing Director and CEO – 15%</li> <li>· Chief Financial Officer – 14.1%</li> <li>· Company Secretary – 29.2%</li> </ul>				
iv)	The percentage increase in the median remuneration of employees in the financial year;	5.83%				
v)	The number of permanent employees on the rolls of the Bank as on 31 <sup>st</sup> March 2023	4,967				
vi)	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average increase of 9.52% was made to the salaries of employees other than the managerial personnel and 15% increase was made in the managerial remuneration in the last financial year.				
vii)	Affirmation that the remuneration is as per the remuneration policy of the Company	The remuneration is as per the Compensation Policy of the Bank.				

#### Statement showing

i)	The name of every employee, who, if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than One crore and Two lakh rupees;	Shri. Kadambelil Paul Thomas, Managing Director and CEO of the Bank, was paid an aggregate remuneration of Rs. 2,88,00,000/- (including perquisites) during the year.
ii)	The name of every employee, who, if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;	NIL
iii)	The name of every employee, who, if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director or Whole Time Director or Manager and holds by himself or along with his spouse and dependent children, not less than two per cent of the equity shares of the Bank.	NIL

### 32. Whistle Blower Policy/ Vigil Mechanism

The Bank has implemented a Vigil mechanism through the adoption of a Whistle Blower and Protected Disclosure Policy in compliance with the relevant provisions of the Companies Act, 2013 and rules thereunder. The Bank provides an opportunity to raise concerns of employees, vendors and directors relating to fraud, malpractice or any other activity or event which is against the interest of the Bank or society as a whole. The details of Whistle Blower complaints received and subsequent action taken and the functioning of the Whistle Blower mechanism are reviewed periodically by the Audit Committee of the Board. During the Financial Year 2022-23, four complaints were received under the Whistle Blower Mechanism. The functioning of the Mechanism is reviewed by the Audit Committee from time to time. No employee of the Bank has been denied access to the Audit Committee for raising a whistle blower complaint.

The policies are available on the official website of the Bank. ([www.esafbank.com](http://www.esafbank.com))

### 33. Code Of Conduct To Regulate, Monitor And Report Insider Trading

The Bank has in place, a Policy for Monitoring Insider Trading which inter alia acts as the Code of Conduct to Regulate, Monitor and Report ("Code") insider trading in the securities of the Bank and the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information ("UPSI"). The Code, inter alia, prohibits dealing in securities by insiders while in possession of UPSI. The said Code has been amended, from time to time, to give effect to the various notifications/circulars of the Securities and Exchange Board of India ("SEBI") with respect to the SEBI (Prohibition of Insider Trading) Regulations, 2015.

The Policy for Monitoring of Insider Trading is available on the Bank's website viz., URL: <https://www.esafbank.com/policies/>.

### 34. Statutory Auditors

The Shareholders of the Bank in the Annual General Meeting held on 29<sup>th</sup> September 2021 had appointed M/s. Deloitte Haskins and Sells, Chartered Accountants with Firm Registration number 117365W, based on the approval of the Reserve Bank of India vide letter No. Ref DOS.ARG. No.AS-10/08.61.005/2019-20 dated 08<sup>th</sup> May 2020 as the Statutory Auditors of the Bank for a continuous period of two years, to hold office from the conclusion of the 05<sup>th</sup> Annual General Meeting till the conclusion of the 07<sup>th</sup> Annual General Meeting of the Bank, subject to the satisfaction of eligibility norms each year. They have been the Statutory Auditors of the Bank since the conclusion of the 04<sup>th</sup> Annual General Meeting of the Bank.

As per the RBI Circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27<sup>th</sup> April 2021, entities with asset size of Rs. 150,000 million and above as at the end of the previous year, shall conduct the statutory audit under the joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]. As the asset size of the Bank as on 31<sup>st</sup> March 2022 was Rs. 177,070 million, based on the recommendation of the Audit Committee of the Board and Board of Directors, the Shareholders of the Bank in the 06<sup>th</sup> Annual General Meeting held on 13<sup>th</sup> December 2022 had appointed M/s. Abarna and Ananthan, Chartered Accountants (Firm Registration Number: 000003S) as the Joint Auditor of Bank for a period of three financial years who will hold office from the conclusion of the 6<sup>th</sup> Annual General Meeting till the end of the 9<sup>th</sup> Annual General Meeting.

Considering the completion of tenure of M/s. Deloitte Haskins & Sells, Chartered Accountants, and based on the approval of Reserve Bank of India vide letter No. Ref CO.DOS.RPD.No. S2270/08-61-005/2023-24 dated 23<sup>rd</sup> June 2023 as the Statutory Auditors of the Bank for the Financial Year 2023-24, the Audit Committee and the Board of Directors have recommended the appointment of M/s. Kirtane and Pandit LLP, Chartered Accountants (Firm Registration No. 105215W/W100057) as the Joint Statutory Auditors of the Bank for the Financial Year 2023-24.

The Board of Directors in its meeting held on 08<sup>th</sup> February 2023 had approved an aggregate professional fee of Rs. 8.50 million plus GST and reimbursement of reasonable out of pocket expenses for the Financial Year 2022-23, to be allocated by the Bank between M/s. Deloitte Haskins and Sells and M/s. Abarna and Ananthan, Chartered Accountants, depending on roles and responsibilities and the scope of work undertaken by each of them during the course of audit.

### 35. Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Bank in the meeting held on 08<sup>th</sup> February 2023 has appointed Shri. M. Vasudevan, FCS, Practising Company Secretary (COP: 2437), Thrissur, holding Membership No. F 4177 for a third term to conduct a Secretarial Audit of the Bank for the Financial Year 2022-23 and to hold the office till the conclusion of Seventh Annual General Meeting of the Bank. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark and the report for the Financial Year 2022-23 is enclosed herewith as Annexure - III. The Bank has complied with the Secretarial Standards specified by the Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs under Section 118(10) of the Companies Act, 2013.

### 36. Pillar III Disclosures

The Pillar III Disclosures of the Bank as on 31<sup>st</sup> March 2023, are enclosed herewith as Annexure-IV.

### 37. Particulars of contracts or arrangements with Related Parties

All Related Party Transactions are entered into with the prior approval of the Audit Committee of the Board and an omnibus approval of the Audit Committee is obtained for the Related Party Transactions which are repetitive in nature. All the transactions with related parties are reviewed by the Audit Committee and the Board on a quarterly basis. The details of transactions to be reported under 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, in Form AOC-2 are enclosed herewith as Annexure-I.

### 38. Annual Return

Pursuant to the provisions of Section 134(3) (a) and Section 92(3) of the Act read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Bank is available on the Bank's website viz., URL: <https://www.esafbank.com/investor-relations-info/>.

### 39. Details in respect of frauds, if any, reported by Auditors:

There were no frauds reported by the Statutory Auditors for the Financial Year 2022-23.

### 40. Statutory Disclosures

None of the Directors of the Bank are disqualified as per provisions of Section 164(2) of the Companies Act, 2013. The Directors have made necessary disclosures, as required under various provisions of the Companies Act, 2013, Securities and Exchange Board of India Regulations and guidelines of the Reserve Bank of India.

### 41. Information as per Section 134 (3) (q) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014

- i) The Bank has no activity relating to the conservation of energy or technology absorption.
- ii) During the Financial Year 2022-23, the Bank had foreign currency expenditure of Rs. 86,52,450.94/- and there were no foreign currency earnings during the period.

### 42. Material changes and commitments affecting financial position of the Bank

There have been no material changes and commitments between the end of the Financial Year 2022-23 and the date of this report, affecting the financial position of the Bank.

### 43. Explanations or comments by the Board on every qualification, reservation, adverse remark or disclaimer made in the Statutory Auditor's Report or in the Secretarial Audit Report

There are no qualifications, reservations, adverse remarks or disclaimers in the Auditor's Report and the Secretarial Audit Report.

### 44. Information About the Financial Performance/ Financial Position of the Subsidiaries, Associates and Joint Venture Companies

The Bank does not have any subsidiaries, associates or joint venture companies.

### 45. Deposits

Being a Banking Company, the disclosures required as per Rule 8(5)(v) and (vi) of the Companies Accounts Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013, are not applicable to your Bank.

### 46. Loans / Guarantees / Investments

Being a Banking Company, the provisions of Section 186 of the Companies Act, 2013 is not applicable.

### 47. Cost Records

The Bank is not required to maintain cost records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013.

### 48. Significant and Material Orders

In accordance with Rule 8(5)(vii) of the Companies (Accounts) Rules, 2014, there have been no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the future operations of the Bank.

### 49. Despatch Of Annual Report

The MCA has issued General Circular No. 20/2020 dated 05<sup>th</sup> May 2020 read with other relevant circulars, including General Circular No. 10/2022 dated 28<sup>th</sup> December 2022 and applicable circulars/ notifications issued by SEBI relaxing the requirement of dispatching physical copies of the Annual Report and the Notice convening the AGM to Shareholders. Members who wish to have a physical copy may write to the Company Secretary of the Bank at [investor.relations@esafbank.com](mailto:investor.relations@esafbank.com) or submit a written request to the Registered Office of the Bank. In accordance with the aforesaid circulars, the web link of the Annual Report and the Notice convening the AGM of the Bank is being sent in electronic mode only to members whose e-mail address is registered with the Bank or the Depository Participant(s). Those members, whose email address is not registered

with the Bank or with their respective Depository Participant(s) and who wish to receive the Notice of the AGM and the Annual Report for the financial year ended 31<sup>st</sup> March 2023, can get their email address registered by following the steps as detailed in the Notice convening the AGM. The Annual Reports of your Bank are available on the Bank's website viz., URL: <https://www.esafbank.com/report/esaf-small-finance-bank-annual-reports/>.

## 50. Strictures and Penalties

Your Bank was not imposed any penalty or strictures imposed by the SEBI /or any other statutory authorities on matters relating to the capital market.

For and on behalf of the Board of Directors

Sd/-

**Ravimohan Periyakavil Ramakrishnan**

DIN: 08534931

Chairman

Date: 06<sup>th</sup> September 2023

Place: Thrissur

## Acknowledgement

The Directors are grateful to the Reserve Bank of India, other government and regulatory authorities, other banks and financial institutions for their support and guidance. The Directors gratefully acknowledge the excellent relationship with the Board of M/s. ESAF Financial Holdings Private Limited, Corporate Promoter of the Bank and their continued guidance and support for executing various activities of the Bank. The Directors also place on record their sincere thanks to the valued clients and customers for their patronage. The Board also expresses its deep sense of appreciation to all employees of the Bank for their commitment and contribution to the growth of the Bank.

Sd/-

**Kadambelil Paul Thomas**

DIN: 00199925

Managing Director & CEO

## Annexure - I

**Form No. AOC-2**

(Pursuant to Clause (h) of Sub-Section (3) of Section 134 of the Companies Act, 2013, and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/ arrangements entered into by the Bank with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

**1. Details of contracts, arrangements, or transactions on an arm's length basis:****a) Contracts with M/s. ESAF Foundation (Previously known as Evangelical Social Action Forum)**

Sl. No.	Particulars	Details
1.	Name(s) of the related party and nature of relationship	M/s. ESAF Foundation (Previously known as Evangelical Social Action Forum) (Entity in which Directors and relatives of Directors are Board members)
2.	Nature of contracts/ arrangements/ transactions	Rent Agreement
3.	Duration of the contracts/ arrangements/ transactions	10 years
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	A building owned by ESAF Foundation located at Marayur, Thrissur, admeasuring 800 Sq. Ft./ Rs. 20 per Sq. Ft. has been taken on lease by the Bank.  Value: Rs. 16,000 per month with effect from February 10, 2018 with 5% increment annually.
5.	Date(s) of approval by the Board	06.02.2018
6.	Amount paid as advances, if any	NIL
7.	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	Not required, since the value does not exceed the prescribed threshold.
Sl. No.	Particulars	Details
1.	Name(s) of the related party and nature of relationship	M/s. ESAF Foundation (Previously known as Evangelical Social Action Forum) (Entity in which Directors and relatives of Directors are Board members)
2.	Nature of contracts/ arrangements/ transactions	CSR implementing agency agreement
3.	Duration of the contracts/ arrangements/ transactions	Till December 19, 2025
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	The party acts as an Implementing agency for various CSR projects of the Bank.  Value: As decided by the Board on an annual basis, in accordance with the CSR Policy of the Bank.
5.	Date(s) of approval by the Board	26.05.2021
6.	Amount paid as advances, if any	NIL
7.	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	Not required, since the value does not exceed the prescribed threshold.

Sl. No.	Particulars	Details
1.	Name(s) of the related party and nature of relationship	M/s. ESAF Foundation (Previously known as Evangelical Social Action Forum) (Entity in which Directors and relatives of Directors are Board members)
2.	Nature of contracts/ arrangements/ transactions	Trademark License Agreement
3.	Duration of the contracts/ arrangements/ transactions	15 years
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	The Bank has entered into a Trademark License Agreement for an exclusive irrevocable license to use the trademark subject to the conditions as provided in the agreement dated 5 <sup>th</sup> January 2020, for consideration. The License fee of 0.3% of the total income or 2.5% of the Net Profit of the Bank, whichever is less (exclusive of applicable indirect taxes), as recorded in the audited financial statements of the respective Financial Year.
5.	Date(s) of approval by the Board	04.01.2020
6.	Amount paid as advances, if any	NIL
7.	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	Not required, since the value does not exceed the prescribed threshold.

**b) Contracts with M/s. Lahanti Homes and Infrastructure Private Limited**

Sl. No.	Particulars	Details
1.	Name(s) of the related party and nature of relationship	Lahanti Homes and Infrastructure Private Limited (previously known as ESAF Homes and Infrastructure Private Limited) (Company in which relatives of Directors are members and Directors)
2.	Nature of contracts/ arrangements/ transactions	Lease Agreement
3.	Duration of the contracts/ arrangements/ transactions	15 years
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	The Bank has taken on lease a property held by Lahanti Homes and Infrastructure Private Limited, for functioning as the Registered and Corporate Office of the Bank based on the valuation report obtained from an Independent Valuer.  Value: During the first two years, a monthly rent of Rs. 15,20,000/- (Rupees Fifteen Lakh and Twenty Thousand Only) and increment at the rate of 15% of the monthly rent paid on completion of every three years.
5.	Date(s) of approval by the Board	30.03.2017
6.	Amount paid as advances, if any.	NIL
7.	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	Not required, since the value does not exceed the prescribed threshold.

**c) Contracts with M/s. Prachodhan Development Services (PDS)**

Sl. No.	Particulars	Details
1.	Name(s) of the related party and nature of relationship	Prachodhan Development Services (PDS) (Company in which Director and Key Managerial Personnel are members and relatives of Directors are members and Directors)
2.	Nature of contracts/ arrangements/ transactions	CSR implementing agency agreement
3.	Duration of the contracts/ arrangements/ transactions	Till August 28, 2026
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	The party acts as an implementing agency for various CSR projects of the Bank.  Value: As decided by the Board on an annual basis, in accordance with the CSR Policy of the bank.
5.	Date(s) of approval by the Board	10.08.2022
6.	Amount paid as advances, if any:	NIL
7.	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	Not required, since the value does not exceed the prescribed threshold.

**d) Contracts with M/s. ESAF Swasraya Multi State Agro Co-operative Society Limited (ESMACO)**

Sl. No.	Particulars	Details
1.	Name(s) of the related party and nature of relationship	ESAF Swasraya Multi State Agro Co-operative Society Limited (Entity which is a Shareholder and in which relatives of Directors are members and were Directors)
2.	Nature of contracts/ arrangements/ transactions	The party is acting as Business Correspondent of the Bank.
3.	Duration of the contracts / arrangements/ transactions	10 years
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	The party will be paid commission/ fee/ charges based on the terms of the agreement executed with them by the Bank.
5.	Date(s) of approval by the Board	10.03.2017
6.	Amount paid as advances, if any.	NIL
7.	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	10.03.2017

Sl. No.	Particulars	Details
1.	Name(s) of the related party and nature of relationship	ESAF Swasraya Multi State Agro Co-operative Society Limited (Entity which is a Shareholder and in which relatives of Directors are members and were Directors)
2.	Nature of contracts/ arrangements/ transactions	Corporate Facility Management Services
3.	Duration of the contracts/ arrangements/ transactions	1 year (till May 31, 2024)
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	Provision of the Facility Management Services to the Bank based on the terms of the agreement executed with them by the Bank.
5.	Date(s) of approval by the Board	08.06.2023
6.	Amount paid as advances, if any.	NIL
7.	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	Not required, since the value does not exceed the prescribed threshold.

**e) Related party's appointment to any office or place of profit in the company**

Sl. No.	Particulars	Details
1.	Name(s) of the related party and nature of relationship	Ms. Miriam Ann Philip (Son's wife of Mr. Kadambelil Paul Thomas, Managing Director and CEO)
2.	Nature of contracts/ arrangements/ transactions	Employment of a relative of a Director
3.	Duration of the contracts/ arrangements/ transactions	Till retirement
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	Remuneration as fixed by the Bank from time to time.
5.	Date(s) of approval by the Board	10.08.2022
6.	Amount paid as advances, if any	NA
7.	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	Not required, since the value does not exceed the prescribed threshold.

**2. Details of contracts, arrangements, or transactions not on arm's length basis:**

NIL

## Annexure - II

**ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2022-23****1. Brief outline on CSR Policy of the Company**

ESAF Small Finance Bank is committed towards the transformation of lives and communities by:

- Addressing social, environmental and economic needs of the poor and the marginalised sections of the society.
- Adopting an approach that integrates the solutions to the critical problems of the society into the strategies of the Bank to benefit the communities at large with a Triple Bottom Line impact.
- Ensuring employee participation and networking with like-minded agencies in the projects for larger synergy and impact as an institution.
- Aligning the Corporate Social Responsibility strategies with the ESAF vision for a just and fair society, fighting the partiality of prosperity.

**2. Composition of CSR Committee**

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of Meetings of CSR Committee held during the year	Number of Meetings of CSR Committee attended during the year
1.	Shri. John Samuel	Chairman (Non-Executive Nominee Director)	2	1
2.	Shri. Kadambelil Paul Thomas	Member (Managing Director and CEO)	2	2
3.	Smt. K. C. Ranjani	Member (Non-Executive Independent Director)	2	1
4.	Smt. Thomas Jacob Kalappila	Member (Non-Executive Independent Director)	2	2

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

<https://www.esafbank.com/corporate-social-responsibility-policy/>

<https://www.esafbank.com/pdf/CSR%20Projects%20FY%202022-23.pdf>

**4. The details of Impact Assessment of CSR projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable.**

Not applicable, since none of the projects undertaken by the Bank in the past that has completed one year, has a project outlay of Rs. 10 million or more.

However, the Bank has undertaken an Impact Assessment through an Independent Agency for all the projects in the Financial Years 2019-20, 2020-21, 2021-22, voluntarily. Further, the Bank intends to undertake the same for the Financial Year 2022-23 also. Abstract of the Impact Assessment report is enclosed. The impact assessment report is accessible on the website of the Bank at [www.esafbank.com](http://www.esafbank.com).

**5. (a) Average Net Profit of the Company as per Section 135(5)**

Rs. 165,15,72,325/-

**(b) Two per cent of Average Net Profit of the Company as per Section 135(5)**

Rs. 3,30,31,446/-

**(c) Surplus arising out of the CSR Projects or programmes or activities of the previous Financial Years**

NIL

**(d) Amount required to be set off for the Financial Year, if any**

NIL

**(e) Total CSR obligation for the Financial Year**

As per the provisions of the Companies Act, 2013, the CSR obligation of the Bank is Rs. 3,30,31,446/-.

The Bank has decided to allocate 5% of the average net profits every financial year, as against the statutory obligation of 2%. In accordance with the same, the Bank has allocated Rs. 8,26,00,000/- towards CSR expenditures for the Financial Year 2022-23.

**6. (a) Amount spent on CSR Projects (both ongoing and other than ongoing projects)**

Rs. 6,93,00,813/-

**(b) Amount spent in Administrative Overheads**

Rs. 28,44,852/-

**(c) Amount spent on Impact Assessment, if applicable**

Company has not incurred any expenditure for Impact Assessment from the amount allocated for CSR expenditure.

**(d) Total amount spent for the Financial Year**

During the Financial Year 2022-23, a total amount of Rs. 6,93,00,813/- was spent on CSR projects as given below:

Particulars	Amount (in Rs.)
Amount spent on ongoing projects pertaining to Financial Year 2021-22	Rs. 4,73,41,108/-
Amount spent on ongoing projects pertaining to Financial Year 2022-23	Rs. 2,19,59,705/-
<b>Total</b>	<b>Rs. 6,93,00,813/-</b>

**(e) CSR amount spent or unspent for the Financial Year**

Total Amount Spent for the Financial Year	Amount Unspent				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of Transfer	Name of the Fund	Amount	Date of Transfer
Rs. 2,19,59,705	Rs. 5,80,45,000	31/03/2023	NIL	NIL	NA

**(f) Excess amount for set off, if any**

Sl. No.	Particulars	Amount (in Rs.)
(i)	Two per cent of Average Net Profit of the Company as per Section 135(5)	3,30,31,446
(ii)	Total amount spent for the Financial Year	6,93,00,813
(iii)	Excess amount spent for the Financial Year [(ii) – (i)]	3,62,69,367
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	0
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	3,62,69,367

**7. (a) Details of Unspent CSR amount for the preceding three Financial Years**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Balance Amount in Unspent CSR Account under subsection (6) of section 135 (in Rs.)	Amount Spent in the Financial Year (in Rs.)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to subsection (5) of section 135, if any	Amount remaining to be spent in succeeding Financial Years (in Rs.)	Deficiency, if any
1.	2019-20	-	-	-	-	-	-
2.	2020-21	-	-	-	-	-	-
3.	2021-22	3,43,64,000	0	4,73,41,108	-	-	-

**8. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the Financial Year (Asset wise details)**

YES

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR Amount Spent	Details of entity/ Authority/ beneficiary of the registered owner		
					CSR Registration Number, if applicable	Name	Registered Address
(1)	(2)	(3)	(4)	(5)	(6)		
1.	GVHSS, Kanhangad South	671531	FY 2022-23	Rs. 55,000/-	NA		
2.	ESAF Hospital & Research Center, Mannarkkad Road, Thachampara	678593	FY 2022-23	Rs. 15,10,742/-	CSR000020189	ESAF Foundation	Viswas Bhavan, Mannuthy
3.	CAHSS, Vadakkanchery-Padur Rd, Ayakkad	678683	FY 2022-23	Rs. 82,372/-	CSR00001633	PDS	Shanti Nagar, Mannuthy
4.	Lahanti Community School, Karatipar, Majuli, Assam	785104	FY 2022-23	Rs. 13,57,244/-	CSR00001633	PDS	Shanti Nagar, Mannuthy
5.	ESAF Hospital & Research Center, Mannarkkad Road, Thachampara	678593	FY 2021-22	Rs. 1,13,03,218/-	CSR000020189	ESAF Foundation	Viswas Bhavan, Mannuthy
6.	CAHSS, Vadakkanchery-Padur Rd, Ayakkad	678683	FY 2021-22	Rs. 1,33,33,333.33/-	CSR000020189	ESAF Foundation	Viswas Bhavan, Mannuthy
7.	Lahanti Public School, Paharudi, Dumka	814166	FY 2021-22	Rs. 34,28,571.43/-	CSR000020189	ESAF Foundation	Viswas Bhavan, Mannuthy
8.	Lahanti Community School, Karatipar, Majuli, Assam	785104	FY 2021-22	Rs. 13,33,333.33/-	CSR000020189	ESAF Foundation	Viswas Bhavan, Mannuthy

**9. Specify the reason(s), if the Company has failed to spend two per cent of the Average Net Profit as per Section 135(5)**

**No.** In terms of Section 135 (5) of the Companies Act, 2013, the spending on CSR activities for the Financial Year 2022-23 pertains to ongoing projects.

Sd/-  
**Kadambelil Paul Thomas**  
 DIN: 00199925  
 Managing Director and CEO

Sd/-  
**John Samuel**  
 DIN: 07725212  
 Chairman of the CSR and Sustainability Committee of the Board

Date: 11<sup>th</sup> August 2023  
 Place: Thrissur

## SUMMARY OF IMPACT ASSESSMENT STUDY

During the Financial Year 2021-22, ESAF Small Finance Bank Limited (the Bank), as per its Corporate Social Responsibility (CSR) Policy, has allocated 5% of its profits for the CSR Projects. The CSR projects are implemented by its two partner organisations – M/s. ESAF Foundation (previously known as Evangelical Social Action Forum) and M/s. Prachodhan Development Services (PDS).

A number of projects were carried out by these two implementation agencies which have been classified into the following themes:

1. Holistic development of children and youth
2. Social entrepreneurship and mentoring
3. Agriculture and farmer collectives
4. Emergency relief and community intervention
5. Rural Education
6. Rural Health

The impact assessment for all the projects was undertaken by Prime M2i Consulting Private Limited. The study has been carried out to assess the impact of these projects on the following dimensions:

- A. Relevance and Coherence
- B. Effectiveness
- C. Impact
- D. Efficiency
- E. Sustainability

**Following are the most important findings of the Impact Assessment Exercise:**

### Relevance and Coherence

- **Balajyothi project:** Highly relevant for holistic development of children and youth, with a focus on academic support, personality and leadership development, and sports coaching.
- **Social entrepreneurship and mentoring:** Highly relevant in underdeveloped areas, as they empower individuals to start their own enterprises, alleviate poverty, create job opportunities, and address social and environmental issues.
- **Agriculture and farmer collectives:** Highly relevant in rural areas where agriculture and allied activities are vital for the majority of the population. Projects leverage existing institutional infrastructure to improve farm income and productivity, particularly through farmer collectives.
- **Emergency relief and community intervention:** Highly relevant in areas prone to natural disasters and other emergencies, providing immediate relief

and support to affected communities to complement the government's efforts.

- **School infrastructure support:** Highly relevant in improving the education profile of underprivileged segments of society by enhancing school infrastructure, providing educational content, and encouraging student enrolment and attendance.
- **Rural Health:** Highly relevant in providing essential healthcare services to local communities, particularly in rural areas. Also, addresses mental health issues that are often overlooked in India.

### Effectiveness

During the year, the project reached out to over 99,000 direct beneficiaries in different parts of the country. During the year, the implementing partner has been able to achieve 106% of the beneficiary targets.

### Impact

The nature of the impact of different projects has been varied. The following are the most important impacts.

### Holistic development of children and youth

- The Balajyothi and study centre programmes aim to develop the academic and extracurricular skills of school children, and parents have expressed satisfaction with the resources provided.
- Interactions with parents indicate improved academic performance, manners, and discipline among children, and various competitions organised for children have been motivating.
- Financial literacy training was appreciated by parents, but some suggested providing computer exposure and refreshments for participants and enhancing study centre infrastructure.
- Children seemed more enthusiastic about extracurricular activities offered and are more confident about their academic performance.
- Some notable achievements have been made in local tournaments by students who received football coaching and support under the Social Entrepreneurship and Mentoring project.
- Approximately 3,000 women members of self-help groups were provided with skill development training across several sessions, focussing on various areas such as food processing, tailoring, beauty and wellness, and agriculture-related activities.
- The training programmes conducted by the implementation partners have proven to be beneficial in equipping the participants with the necessary skills and in many cases, have helped them to add

a new source of income and significantly increased their overall income.

- The Urjabandhu project has resulted in the installation of over 2 Mega Watts solar system installations.
- The Micro-entrepreneurship Development Programme aims to promote entrepreneurship in various domains by providing necessary mentoring and training support to Urjabandhus, Pashumitras, Arogyamitras and Krushakmitras.
- 88% of the interviewed beneficiaries of the training programme stated that their association with the programme helped them acquire new skills, and 51% of them reported that the programme helped them add an additional source of income.
- Majority of the participants expressed the need for more training programmes, as well as additional support such as handholding and access to loans to aid in setting up a business.

### Emergency relief and community intervention

- ESAF took proactive measures to support communities during the COVID-19 pandemic by organising health camps in vulnerable areas with low vaccination rates and providing mobile phones to students for remote learning.
- The flood-related emergency relief project in Majuli, Assam, provided relief support to those impacted by floods and helped to reduce soil erosion by providing support to rebuild homes and fields in a more resilient way. Additionally, relief was provided to people in extreme winters to help them deal with extreme cold. Food kits were also distributed to pregnant women in Odisha and Maharashtra.
- The stakeholders appreciated ESAF's efforts, and beneficiaries expressed high satisfaction with the benefits provided in these projects.
- Some beneficiaries suggested that the mobile phones provided to students should have been available even after school reopened, and a few participants noted that the quantity of items provided in the flood-related emergency relief programme could have been increased.
- ESAF Garshom facilitated access to healthcare services via a Mobile Medical Unit, specifically targeting migrant labourers in their workplaces. Additionally, ESAF Foundation organised three events aimed at fostering a sense of belonging among these beneficiaries. Some of the beneficiaries, however, complained of not getting adequate support from the project.

### Rural health

- ESAF's Rural Health programme has improved infrastructure in rural hospitals, providing better healthcare facilities and equipment.
- Hospital officials and government officials have recognised and appreciated ESAF's contributions to improving rural healthcare.
- The Manomitra project has received positive reviews from the stakeholders, with 85% of community counsellors for mental health reporting high satisfaction and suggesting a need for a focussed programme for adolescents.

### Rural education

- Infrastructure support provided to schools has enabled them to improve the quality of education and expand their reach.
- Teachers have reported an increase in enrolments and student attendance due to the improved learning environment facilitated by the infrastructure support.

### Efficiency

It can be observed that all the projects have completed their budget utilisation targets. It is to be noted that for a few projects the budgets were revised during the year. Overall intervention cost per beneficiary has been assessed to be Rs. 881. Also, the intervention cost per beneficiary has ranged between Rs. 146 (for agriculture and farmer collectives projects) and approximately Rs. 15,000 (for rural education projects). This is on account of the nature of interventions and the intensity of support provided.

### Sustainability

Following are the important observations with respect to sustainability.

- The sustainability of Balajyothi clubs and study centres varies, with some having the potential to become sustainable while others need continued support from implementing partners. Interviews with the parents indicate that they are willing to pay a nominal fee for services.
- The micro-entrepreneur training project is highly sustainable as the training costs are covered by grants and beneficiaries are expected to implement learnings in their businesses for long-term benefits.
- Agriculture and allied projects are evaluated as highly sustainable due to their focus on developing strong linkages and involvement from members of Farmer Producer Organisations and other institutions.
- Flood relief infrastructure and volunteer training programmes have been assessed to be

highly sustainable. COVID-19 relief projects are considered low on sustainability on account of their reliance on grants.

- Infrastructure support projects for rural schools are highly sustainable, with expected revenue models to meet costs and commitments to maintain the infrastructure created.
- Rural health projects solely funded by grants are considered low on sustainability.

### Learnings and recommendations

The following are the important learnings and recommendations from this project.

- ESAF Foundation has demonstrated expertise in the implementation of projects involving farmer collectives, micro-entrepreneurship development, disaster relief, healthcare, and infrastructure support to schools.
- The organisation tailors its projects to meet the specific needs of each community, which has helped it establish itself as a reliable and effective organisation.
- Most projects offer an entire ecosystem of support to the beneficiaries.
- Utilising existing institutional infrastructure has led to better implementation and sustainability of various projects, resulting in better project outcomes and increased sustainability.
- Some projects involve supporting local institutions, such as farmer collectives and Balajyothi Clubs, which have the potential to establish sustainable community-level institutions that can bring significant social and economic benefits to the community.
- Some projects have faced implementation challenges and need modifications to ensure desired outcomes are achieved.
- A formal system for project conceptualisation and needs assessment is needed for better efficiency and effectiveness.
- Establishing a Theory of Change for each project will lead to better monitoring and evaluation of outcomes and impacts.
- A protocol for collecting feedback from stakeholders is necessary to improve project implementation and make necessary improvements
- A more comprehensive monitoring process will help track progress and make informed decisions to improve outcomes for all stakeholders involved.
- Some projects require a long-term impact assessment framework to evaluate impact dimensions 2-5 years after the project activities have ended.
- A framework for data collection using electronic means needs to be established to streamline data collection processes and ensure data accessibility for analysis and reporting.
- For certain projects, dedicated Social Return on Investment (SROI) exercises can be carried out to measure and account for social and environmental values created by organisations.
- It is important to establish quality parameters and benchmarks for each unit in different project components and periodically monitor and track them.

Link to the impact assessment reports on the Bank's website: [www.esafbank.com](http://www.esafbank.com)

**Annexure - III****SECRETARIAL AUDIT REPORT**

For the Financial Year ended 31<sup>st</sup> March 2023

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,  
The Members,  
ESAF Small Finance Bank Limited

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

I have conducted online verification and examination of records, as facilitated by the company. Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorised representatives during the conduct of the secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March 2023 complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31<sup>st</sup> March 2023 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (Not applicable to the Company during the audit period)
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; (Not applicable to the Company during the audit period)
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the audit period)
  - h) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; (Not applicable to the Company during the audit period)
  - i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

vi. The other laws applicable specifically to the company are as follows:

- a) The Reserve Bank of India Act, 1934;
- b) The Banking Regulation Act, 1949;
- c) The Banking Companies Regulation (Companies Rules), 1949;
- d) The Banking Companies (Period of preservation of Records) Rules, 1985;
- e) Prevention of Money Laundering Act, 2002;
- f) Credit Information Companies (Regulation) Act, 2005;
- g) The Deposit Insurance and Credit Guarantee Corporation Act, 1961;
- h) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

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

- i. Secretarial Standards issued by The Institute of Company Secretaries of India;
- ii. The Listing Agreement entered into by the company with Bombay Stock Exchange Limited;

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

### **I further report that**

The Board of Directors of the company is duly constituted with a proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

The Majority decision is carried through and the views expressed by the Board members were also captured and recorded as part of the minutes.

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

**I further report that** during the audit period, the company has made the following specific events/ actions having a major bearing on the company's affairs in pursuance of the rules, regulations, guidelines, standards, etc. referred to above:

- i. Members have accorded consent at the 06<sup>th</sup> Annual General Meeting of the company held on 13<sup>th</sup> December 2022 to offer, issue and allot, Unsecured, Rated, Redeemable Non-Convertible Debentures for an amount not exceeding in aggregate Rs. 500,00,00,000/-.
- ii. The company had obtained approval from the Registrar of Companies, Kerala, for extension of the 06<sup>th</sup> Annual General Meeting for a period of three months.

Place: Thrissur  
Date: 09<sup>th</sup> August 2023  
UDIN: F004177E000769975

Sd/-  
Name of Company Secretary in practice: M Vasudevan  
**M. Vasudevan**  
FCS No.: 4177  
C P No.: 2437

## ANNEXURE TO SECRETARIAL AUDIT REPORT ISSUED BY COMPANY SECRETARY IN PRACTICE (NON-QUALIFIED)

To,  
The Members,  
ESAF Small Finance Bank Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on a test basis to ensure that the correct facts are reflected in secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. Compliance with the provisions of Corporate and other applicable laws, rules, regulations and standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place: Thrissur  
Date: 09<sup>th</sup> August 2023  
UDIN: F004177E000769975

Sd/-  
Name of Company Secretary in practice: M Vasudevan  
**M. Vasudevan**  
FCS No.: 4177  
C P No.: 2437

## Annexure – IV

### Pillar 3 Disclosures as of 31<sup>st</sup> March 2023

Pillar 3 disclosures of ESAF Small Finance Bank Limited, on the Capital Structure, Capital Adequacy and Risk Management framework are provided below.

#### The shareholding pattern of the Bank

Description	Shareholding (%)
Promoter Holding Company	62.46
Insurance Companies	10.02
Resident Individuals	7.44
Bodies Corporate	1.98
FII, FPI, NRIs, Other Foreign Nationals	18.10
<b>TOTAL</b>	<b>100.00</b>

#### 1. Capital Adequacy

##### 1.1 Norms

The Bank is subject to the capital adequacy framework as per the Operating Guidelines for Small Finance Banks, issued by the RBI. Accordingly, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 15%, with a minimum Tier I capital of 7.5%.

As per the RBI guidelines DBR.NBD. No.4502/16.13.218/2017-2018 dated 08<sup>th</sup> November 2017, SFBs are not required to create capital charges for market risk and operational risk. As such, the Bank has considered capital charge for credit risk only, for arriving at capital adequacy. For credit risk, the RBI has prescribed that SFBs shall follow the Basel II Standardised Approach and permitted the use of external rating-based risk weights for rated exposure and regulatory retail approach for small loans.

##### 1.2 Structure –Table 1 (Rs. in Crore)

Breakup of capital funds is as follows:

Particulars (31-03-2023)	Rs. in Crore
<b>Tier I Capital – (I)</b>	
Paid Up Capital	449.47
Reserves	1,227.51
Perpetual Debt Instrument	48.00
Total	<b>1,724.99</b>
<b>Deductions – (II)</b>	
Expenditure in connection with ongoing Initial Public Offer	15.35
Any Other Deductions	-
Total Deductions	<b>15.35</b>
<b>Total Tier I Capital Total (I-II) A</b>	<b>1,709.64</b>
<b>Tier II Capital – (III)</b>	
General provisions on Standard Assets	76.58
Investment Fluctuation Reserve	32.14
Sub Ordinated term Debt	53.00
Total	<b>161.72</b>
<b>Deductions – (IV)</b>	
Total Deductions for Tier II	0
<b>Total Tier II Capital (III-IV) B</b>	<b>161.72</b>
<b>Total Capital (A+B)</b>	<b>1,871.36</b>
<b>CRAR</b>	<b>19.83%</b>

### 1.3 Disclosures

A summary discussion of the Bank's approach to assessing the adequacy of its capital to support its current and future activities:

Capital requirements for current business levels and estimated future business levels are assessed on a periodic basis.

As per the RBI guidelines for the SFBs, the minimum capital required to be maintained by the Bank is 15% of the Risk Weighted Assets. The Bank's CRAR as on 31<sup>st</sup> March 2023 is above the regulatory minimum level.

#### Quantitative Disclosures Table 2 (Rs. in Crore)

Sl. No.	Particulars As on 31-03-2023	Rs. in Crore
<b>A</b>	<b>Capital Requirements for Credit Risk</b>	1,415.59
A.1	For Portfolio Subject to Standardised approach	1,415.59
A.2	For Off Balance Sheet Credit Portfolio	0
A3	For Off Balance Sheet Corporate Guarantee	0
<b>B</b>	<b>Capital Requirements for Market Risk</b>	0
B.1	For Interest Rate Risk	0
B.2	For Equity Risk	0
B.3	For Forex Risk (including gold)	0
B.4	For Commodities Risk	0
B.5	For Options risk	0
<b>C</b>	Capital Requirements for Operational Risk	0
<b>D</b>	<b>Total Capital Requirement ( A+B+C)</b>	<b>1,415.59</b>
<b>E</b>	<b>Total Risk Weighted Assets (RWA for all types of assets)</b>	<b>9,436.60</b>
<b>F</b>	<b>Total Capital Funds (Tier I + Tier II)</b>	1,871.36
	<b>CRAR (%)</b>	
<b>A</b>	Tier -1 Capital Adequacy Ratio (%)	18.12%
<b>B</b>	Tier -2 Capital Adequacy Ratio (%)	1.71%
<b>A+B</b>	<b>Overall CRAR (%)</b>	<b>19.83%</b>

### 2. Internal Capital Adequacy Assessment Process (ICAAP)

The Bank has put in place a Board approved policy for Internal Capital Adequacy Assessment Process (ICAAP). ICAAP aims at the identification, measurement, aggregation and monitoring of risks; holding capital commensurate with these risks and developing systems to continuously monitor capital adequacy. It is the central component of the Bank's strategy for managing risks.

The Risk Management Department (RMD) assesses all the risks faced by the Bank and identifies the risks that are material to the Bank. A comprehensive annual assessment of Capital Adequacy is made through the annual ICAAP report and this assessment is reviewed on a quarterly basis through the quarterly ICAAP reviews.

### 3. Leverage Ratio

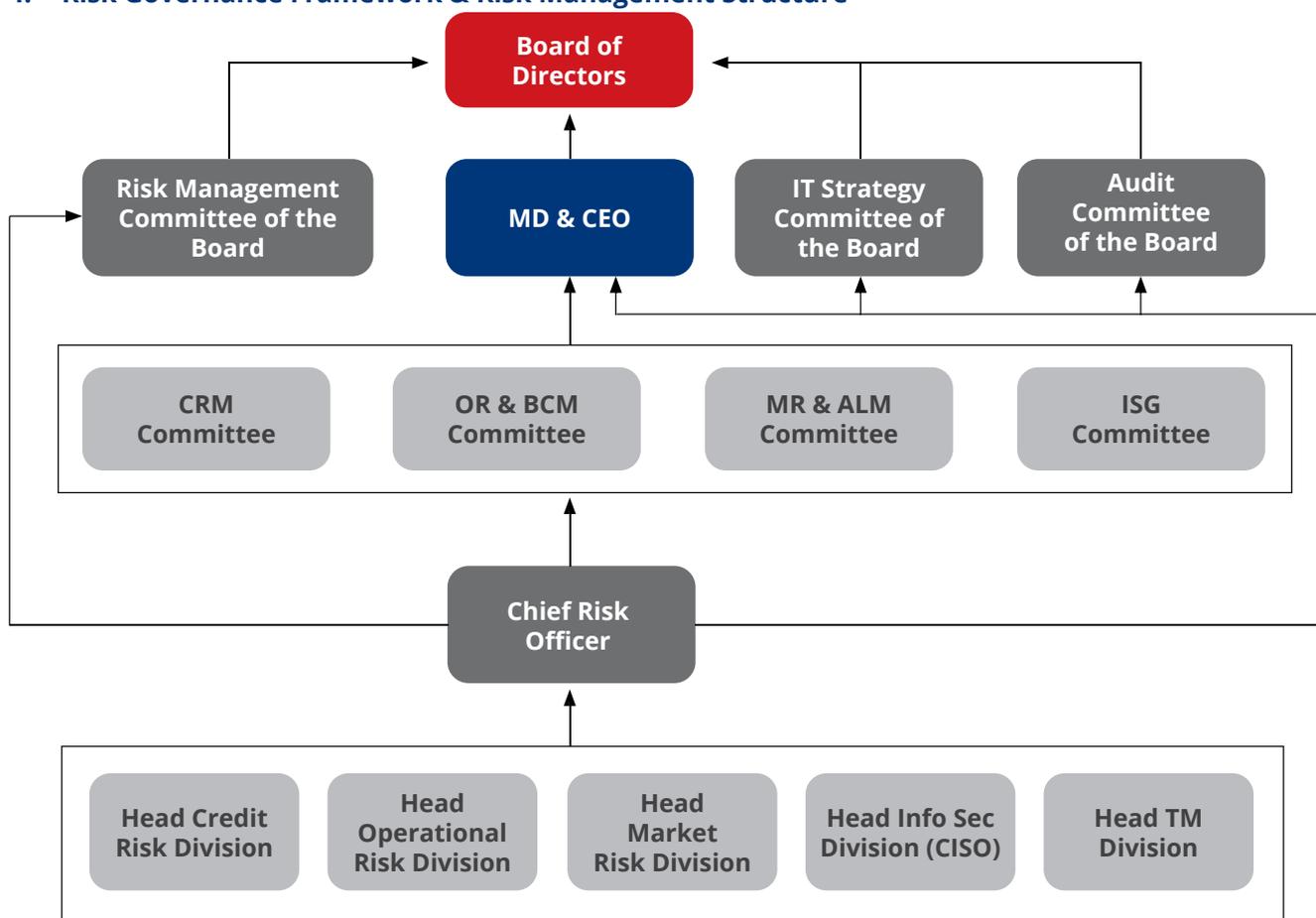
The Bank computes the Leverage Ratio as per the Basel III framework. Leverage Ratio is a non-risk-based measure of exposure over the capital. The Leverage Ratio is calibrated to act as a credible supplementary measure to the risk-based capital requirements.

Leverage Ratio = Capital Measure (Tier I Capital)/ Exposure Measure (Total Exposure)

**Leverage Ratio as on 31-03-2023 – Table 3 (Rs. in Crore)**

Sl. No.	Particulars	Rs. In Cr
<b>On Balance Sheet Exposure</b>		
1.	On-balance sheet items (excluding derivatives and Securities Financing Transactions (SFT), but including collateral)	20,223.66
2.	(Asset amounts deducted in determining Basel III Tier 1 capital)	
3.	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (1 + 2)</b>	<b>20,223.66</b>
4.	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0.00
5.	Add-on amounts for Potential Future Exposure (PFE) associated with all derivatives transactions	0.00
6.	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7.	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8.	(Exempted Central Counter Party (CCP) leg of client-cleared trade exposures)	0.00
9.	Adjusted effective notional amount of written credit derivatives	0.00
10.	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11.	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>0.00</b>
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0.00
13.	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14.	Counterparty Credit Risk (CCR) exposure for SFT assets	0.00
15.	Agent transaction exposures	0.00
16.	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>0.00</b>
<b>Other off-balance sheet exposures</b>		
17.	Off-balance sheet exposure at gross notional amount	1.90
18.	(Adjustments for conversion to credit equivalent amounts)	0.00
19.	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	<b>1.90</b>
<b>Capital &amp; Total Exposures</b>		
20.	<b>Tier 1 capital</b>	<b>1,709.64</b>
21.	Total exposures (sum of lines 3, 11, 16 and 19)	20,225.56
22.	<b>Basel III Leverage Ratio for the Bank</b>	<b>8.45%</b>
<b>Summary comparison of accounting assets vs. leverage ratio exposure measure</b>		
1.	Total consolidated assets as per published financial statements	20,223.66
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3.	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0.00
4.	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1.90
5.	Other adjustments	0.00
6.	<b>Leverage ratio exposure</b>	<b>20,225.56</b>

#### 4. Risk Governance Framework & Risk Management Structure



#### The Bank has set up a risk governance framework based on the following:

- The Board of Directors is responsible for the overall governance and overseeing of core risk management activities of the Bank and the Bank's risk appetite and related strategies and policies are approved by the Board.
- To ensure that the Bank has a sound system of risk management and internal controls in place, the Board has established the Risk Management Committee of the Board (RMCB). The RMCB assists the Board in overseeing and reviewing of the Bank's risk management principles and policies, strategies, appetite, processes and controls.
- The Risk Management Committee of the Board (RMCB), the Information Technology Strategy Committee of the Board (ITSCB) and the Audit Committee of the Board (ACB) assist the Board in overseeing the functions and conducting periodical reviews of the Bank's risk management principles and policies, strategies, appetites, processes and controls.
- The RMCB is supported by the Risk Management Department and the Executive Level committees dealing with different functional areas of risk, facilitating the effective execution of their responsibilities.
- Segregation of duties across the 'three lines of defence' model, whereby front-office/ business functions as the first line, Risk Management and Compliance as the second line and Internal Audit as the third line. The roles played by the functions are independent of one another.
- Risk appetite is approved by the Board on an annual basis in order to align risk, capital and business targets.
- All major risk classes are managed through focused and specific risk management processes; these risks include Credit Risk, Operational Risk, Market Risk, Liquidity Risk etc. Policies, processes and systems are put in place to enable risk management capability.
- Risk Management function is having appropriate representation on Executive Level Committees of the Bank to ensure that risk view is taken into consideration in business decisions. Stress testing tools and escalation processes are established to monitor the performance against the approved risk appetite.

## 5. Risk Management Committees

The Risk Management Committee of the Board (RMCB) oversees and periodically reviews the processes and practices of risk management in the Bank. Credit Risk Management Committee (CRMC), Operational Risk & Business Continuity Management Committee (OR- BCMC) and Market Risk & Asset Liability Management Committee (MR-ALCO) support RMCB to facilitate the effective execution of its responsibilities. The Information Security Governance Committee (ISGC) supports the Information Technology Strategy Committee of the Board. The Risk Management Department (RMD) through its Credit Risk, Operational Risk, Market Risk, Information Security, and Transaction Monitoring Divisions assists the various committees in effectively managing the risks. The RMD is headed by the Chief Risk Officer (CRO) who reports to the Managing Director & CEO on administrative matters and to the Risk Management Committee of the Board on functional matters. The CRO is responsible for formulating and implementing enterprise-wide integrated risk management systems for the identification and management of risks in the Bank.

## 6. Credit Risk

Credit Risk is the possibility of loss a bank might incur due to the following:

- a) Default due to the inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement or other financial transactions.
- b) Reduction in portfolio value arising from actual or perceived deterioration in the credit quality of borrowers or counterparties.

The Bank is exposed to credit risk through lending to various segments.

### 6.1 Credit Risk Governance

The objective of credit risk management is to maximise the Bank's risk-adjusted rate of return while maintaining credit risk exposure within acceptable limits. The Bank has put in place a Board approved Credit Risk Management Policy which is reviewed periodically to bring in refinements triggered by evolving concepts and actual experience. The Credit Risk Management Policy sets out the guidelines, principles and approach to manage credit risk for the Bank and a framework to identify, assess, measure, monitor, control and mitigate the credit risks in a timely and effective manner.

In addition, the Bank has the Loan Policy and the Loan Collection, Recovery & Stressed Assets Management Policy, approved by the Board of Directors. The Loan Policy covers the rules and regulations for processing and sanctioning of credit, the Bank's approach to monitoring credit, and the Loan Collection, Recovery & Stressed Assets Management Policy covers the rules regarding NPA management, provisioning, collection & recovery, and mechanisms like compromise settlements, restructuring, legal action, write-off etc.

### 6.2 Structure of Credit Risk Management Framework

Risk Management Committee of the Board (RMCB) oversees bank-wide risk management. The senior executive level Credit Risk Management Committee (CRMC) monitors the implementation of the credit risk management framework across the Bank and provides recommendations to the RMCB and the Board. CRMC ensures the implementation of credit risk management policies and procedures, as approved by the RMCB and the Board, across the Bank and recommends changes thereto, considering any changes in the regulatory instructions, business or economic conditions. It also monitors the quality of the loan portfolio at periodic intervals, identifies problem areas and instructs business units with directions to rectify the deficiencies.

The Credit Risk Division of Risk Management Department, which is supported by all the business units, is entrusted with the responsibility for implementing credit risk identification, assessment, measurement, monitoring and control. Credit risk appetite tolerance limits are drawn up with inputs from the business units and the credit risk parameters and credit exposure / concentration limits set by the Bank's Board of Directors. The Division constructs credit risk identification systems, oversees the quality of the Bank's loan portfolio and stressed loans and undertakes portfolio level asset quality reviews with support from the business and credit monitoring functions. The Division looks into early warning signals in the loan portfolio as a whole, analyses the trend of weak exposures, suggests portfolio-wise remedial measures and monitors the actions taken.

CRMC of the Bank meets at least once a quarter to take stock of Bank's credit risk profile, based on the reports placed by Credit Risk Division. An effective governance framework to ensure the independence of the credit risk unit from the business units is implemented.

### 6.3 Credit Process

The Loan Policy of the Bank details the credit norms to be adhered to for each of the customer segments. The guiding principles behind the credit sanction process are as under:

- 'Know Your Customer' is a leading principle for all activities.
- The acceptability of credit exposure is primarily based on the sustainability and adequacy of the borrower's normal business operations and not based solely on the availability of security.

An empowerment matrix is prescribed to ensure that a competent authority makes informed decisions on credit proposals and on any deviations from the norms. There are separate credit origination and appraisal processes for all types of loans and advances.

### 6.4 Credit Scoring/ Rating Models

The foundation of credit risk management rests on the internal credit risk rating system. Credit scoring models are used for evaluating applications for credit. The Bank has developed rating tools specific to most products and market segments to objectively assess underlying risk associated with such exposures. The scorecard/ rating system is validated on an annual basis by backtesting with the standards of outstanding loans.

### 6.5 Risk Weights

The Bank adheres to the RBI guidelines defined under the RBI Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF) as updated from time to time, for the application of risk weights for credit risk measurement and capital computation purposes.

### 6.6 Concentration Risk

The Bank manages concentration risk by means of prudential limits prescribed by the RBI, as well as internal limits. Credit concentration in the Bank's portfolios is monitored for the following:

- Single party /Group exposure: The Bank has set exposure limits to individual borrower-wise and borrower group-wise which are continuously tracked and monitored.
- Geography-wise exposure: The Bank continuously monitors the geographical concentration of the business and factors the inputs into strategic business planning. The Bank is conscious of its credit concentration in southern states and takes steps to reduce the same by lending in other geographies.
- Industry exposure: The Bank's exposure to any single industry is currently not significant.

### 6.7 Credit Exposures & Risk Summary

#### a) Exposure – Facility Type –Table 4 (Rs. in Crore) (31-03-2023)

Sl. No.	Exposure Type	Amount
1.	Gross Loans & Advances (Excluded Loan against Term Deposits - Rs. 154.22 Cr)	13,963.91
2.	Add: Undrawn exposure	45.98
3.	Total Credit Exposure –Fund Based (1+2)	14,009.89
4.	Add: Non-Fund Based Exposure (Excluded Contingent Liabilities against 100% Liquid Securities Coverage – Rs. 1.90 Cr)	0.00
<b>Total Credit Exposure (Total of 3+4 above)</b>		<b>14,009.89</b>

#### b) Geographic distribution of credit exposure -Table 5 (Rs. in Crore) (31-03-2023)

Sl. No.	Exposure Type	Amount
1.	Domestic Fund Based (Excluded Loan Against Term Deposits - Rs. 154.22 Cr)	14,009.89
2.	Domestic Non-Fund based (Contingent Liabilities of Rs. 1.90 Cr with 100% Cash collateral)	0.00
3.	Foreign Fund Based	0.00
4.	Foreign Non-Fund Based	0.00
<b>Total</b>		<b>14,009.89</b>

**c) Credit Exposures by Risk Weights (31-03-2023) Table -6 (Rs. in Crore)**

Sl. No.	Risk Weight	Exposure	Risk Weighted Assets
1.	Below 100% risk weight	10,925.55	7,917.94
2.	100% risk weight	890.32	850.57
3.	More than 100%	2,194.02	166.70
<b>Total</b>		<b>14,009.89</b>	<b>8,935.21</b>

**d) Sector wise distribution of Gross Loans & Advances (31-03-2023) Table -7 (Rs. in Crore)**

Sl. No.	Industry Classification	Gross Loan Portfolio	% Share
1.	Agriculture and Allied Activities	9,645.58	68.32%
2.	Industries Sector	682.77	4.84%
3.	Trade & Services	2,452.51	17.37%
4.	Personal Loans and other Retail	1,337.27	9.47%
<b>Total</b>		<b>14,118.13</b>	<b>100.00%</b>

**e) Credit Risk Mitigation Table -8 (31-03-2023) (Rs. in Crore)**

Sl. No.	Particulars	Exposure	Credit Risk Mitigant	Net Exposure
1.	Gold Loan	2,054.20	2,054.20	Nil
2.	Loan against FD	154.22	154.22	Nil

**a) Maturity pattern of Assets Table -9 (Rs. in Crore) –As on 31-03-2023**

Maturity Bucket	Cash, Balances with RBI	Balances with Banks, Money at Call & Short Notice, Term Deposits and Other Placements	Investments	Loans & Advances*	Fixed Assets	Other Assets	Total
Day – 1	159.41	26.88	2046.47	6.81	0.00	1.53	<b>2,241.10</b>
2-7 Days	0.00	0.00	0.00	40.88	0.00	9.18	<b>50.05</b>
8-14 Days	0.00	0.00	0.00	47.69	0.00	10.70	<b>58.40</b>
15-30 Days	16.03	0.00	74.84	109.01	0.00	21.41	<b>221.29</b>
31 Days and up to 2 Months	14.77	0.00	68.97	500.43	0.00	10.70	<b>594.88</b>
Over 2 Months and up to 3 Months	10.33	0.00	84.59	500.43	0.00	10.70	<b>606.06</b>
Over 3 Months and up to 6 Months	25.39	0.20	191.38	1592.62	0.00	21.41	<b>1,831.00</b>
Over 6 Months and up to 1 Year	89.83	0.00	443.53	5548.24	0.00	128.45	<b>6,210.05</b>
Over 1 Year and up to 3 Years	421.07	0.30	1966.08	4230.35	0.00	0.00	<b>6,617.80</b>
Over 3 Years and up to 5 Years	0.64	0.13	3.01	594.99	0.00	0.00	<b>598.76</b>
Over 5 Years and up to 7 Years	0.99	0.00	4.63	594.98	187.93	505.32	<b>1,293.85</b>
Over 7 Years and up to 10 Years	1.08	0.00	5.03	0.00	0.00	0.00	<b>6.11</b>
Over 10 Years and up to 15 Years	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Over 15 Years	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
<b>Total</b>	<b>739.55</b>	<b>27.50</b>	<b>4,888.53</b>	<b>13,766.44</b>	<b>187.93</b>	<b>719.41</b>	<b>20,329.35</b>

\* NPA Excluded

## 6.8 Classification of Non-Performing Assets

The Bank follows extant guidelines of the RBI on income recognition, asset classification, provisioning and classification of Non-Performing Assets (NPA) and tracking of Special Mention Accounts (SMA). All these are carried out strictly in accordance with the Income Recognition and Asset Classification (IRAC) norms and related circulars of the RBI as updated from time to time.

### 6.8.1 Provisioning & NPA

Provisions for NPAs are made at /or above the minimum required level in accordance with the provisioning norms adopted by the Bank and as per the RBI directives on matters relating to prudential norms.

#### (i) Amount of NPA as on 31-03-2023 Table-10 (Rs. in Crore)

Sl. No.	Category	Rs. in Crore
<b>A</b>	<b>Amount of NPA (Gross)</b>	<b>351.69</b>
A.1	Substandard	333.43
A.2	Doubtful	14.51
A.3	Loss	3.75
	NPA Provision	193.80
<b>B</b>	<b>Net NPAs</b>	<b>157.89</b>
<b>C</b>	<b>Advances</b>	
C.1	Gross Advances	14,118.13
C.2	Net Advances	13,924.33
<b>D</b>	<b>NPA Ratios</b>	
D.1	Gross NPAs to Gross Advances (%)	2.49%
D.2	Net NPAs to Net Advances (%)	1.13%

#### (ii) Movement of Gross NPA & Net NPA, FY 2022-23 Table -11 (Rs. in Crore)

Particulars	Gross NPA	Net NPA
Opening balance at 01-04-2022	949.60	455.96
Add: Addition during the period	719.05	288.65
Less: Reduction / Upgradation / Write-off / Asset Sale	1,316.96	586.72
<b>Closing balance at 31-03-2023</b>	<b>351.69</b>	<b>157.89</b>

\*Includes technical write off Rs. 494.75 Crore and Sale to ARC Rs. 588.28 Crore

#### (iii) Movement of NPA Provisions, FY 2022-23 - Table 12 (Rs. in Crore)

Particulars	Rs. in Crore
Opening balance at 01-04-2022	493.64
Add: Provision made during the period	735.60
Less: Write off/ write back excess provision**	1,035.44
<b>Closing balance at 31-03-2023</b>	<b>193.80</b>

\*\*Includes provision utilised towards technical write off Rs. 494.75 Crore and Sale to ARC Rs. 453.16 Crore

## 7. Operational Risk and Business Continuity Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is primarily managed by prescribing adequate controls and mitigation measures which are being reviewed and updated on a regular basis to suit the changes in business practices, structure and risk profile.

Business continuity refers to the Bank's capability to continue delivery of its products/ services at an acceptable predefined level following a disruptive incident. The Bank recognises the need to continue and recover all critical business functions and to protect systems and data, which are critical to its operations during a crisis. Business Continuity Management (BCM) is a holistic management process that identifies potential impacts that could threaten the Bank, and provides a framework for building resilience and the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities.

## 7.1 Structure of Operational Risk & Business Continuity Management

The Risk Management Committee of the Board oversees the bank-wide Operational Risk Management. The Bank has put in place a detailed framework for Operational Risk Management under a Board approved Operational Risk Management Policy.

While Operational Risk Management is the responsibility of all functions and business units handling operational activities, the Operational Risk and Business Continuity Management Committee (OR-BCMC) at the executive-level oversees bank-wide implementation of the Board approved policies and processes. The principal objective of the OR-BCMC is the mitigation of operational risk in the institution by the creation and maintenance of an explicit operational risk management process.

The OR-BCMC reviews the risk profile to take into cognisance future changes and threats, and concurs on areas of highest priority and related mitigation strategy with different functions and business units. The committee ensures that adequate resources are being assigned to mitigate risks as needed, and communicates to business units and functions, the importance of operational risk management in business activities.

Business Continuity Management in the Bank is also overseen by the Operational Risk & Business Continuity Management (OR-BCM) Committee, which is responsible for the implementation of the Business Continuity Management process and procedures across the Bank. A comprehensive, Board approved, bank-wide Business Continuity Plan has been put in place to ensure continuity of critical operations of the Bank covering all identified disasters. A Crisis Management and Quick Response Team (CM-QRT) at the Head Office level functions under the OR- BCM Committee. The CM-QRT takes responsibility and acts swiftly in case of breakdown or failure of critical systems, occurrence of natural disasters/ accidents or any other events (for example Covid-19 pandemic) affecting business continuity.

Operational Risk Management, Business Continuity Management and coordination of relevant activities under CM-QRT are the responsibilities of the Operational Risk Division of Risk Management Department. The Division is responsible for coordinating all the operational risk management and business continuity planning activities of the Bank, to facilitate the achievement of the stated goals and objectives. Activities include building up an understanding of the risk profile, implementing tools related to operational risk management, and working towards the goals of improved controls and lower risk.

The Operational Risk Management model of the Bank facilitates the conducting of Risk and Control Self-Assessments, (RCSA) scenario assessments, controls testing, investigation of incidents, issues tracking and development of action plans. Each of these activities can be linked to the other activities in the system, thereby providing an integrated and centralised framework for collecting, managing, and storing information.

The Bank has an internal framework for reporting and capturing Operational Risk incidents. The incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. The Bank uses a Risk Management software for Credit, Market and Operational Risk management. Since the RBI has not prescribed capital charge for Operational Risk for SFBs, the Bank has not computed capital charge for Operational Risk.

## 8. Market Risk

The Basel Committee on Banking Supervision defines Market Risk as the risk of losses in On or Off-balance sheet positions that arise from movement in market prices.

The major components of market risk include:

1. Interest rate risk: The potential loss due to movements in interest rates. This risk arises because a bank's assets usually have a significantly longer maturity than its liabilities.
2. Equity risk: The potential loss due to an adverse change in the stock price.
3. Foreign exchange risk: The potential loss due to a change in the value of the Bank's assets or liabilities resulting from exchange rate fluctuations.
4. Commodity risk: The potential loss due to an adverse change in commodity prices.

## 8.1 Structure of market risk management function

The Risk Management Committee of the Board (RMCB) oversees the bank-wide market risk management. Market Risk & Asset Liability Management Committee (MR-ALCO) is primarily responsible for establishing Market Risk Management and Asset Liability Management in the Bank.

The MR-ALCO, headed by the Managing Director & CEO, is responsible for implementing risk management guidelines issued by the regulator and monitoring adherence to the internal guidelines, procedures, practices, policies and risk management prudential limits. The major functions of MR-ALCO, with respect to managing risks in the banking and investment books of the Bank, include:

- Designing and implementing effective market risk management and ALM framework.
- Reviewing new directives and regulatory limits for market risk, interest rate risk and liquidity risk, monitoring and revisions to the tolerance limits prescribed in the Liquidity Risk Management Policy, Investment Policy and Market Risk Management Policy.
- Ensuring that the business strategy of the Bank is in line with the Bank's stated risk management objectives.
- Determining the structure, responsibilities and controls for managing Market Risk and for overseeing the liquidity positions.
- Ensuring the independence of working of the Mid Office and Market Risk functions.

The Market Risk Division of the Risk Management Department is responsible for the design and implementation of the Bank's Market Risk Management/Asset Liability Management system. The Division is independent of business and trading units, and provides an independent risk assessment, which is critical to the MR-ALCO's key function of controlling and managing market risks in accordance with the mandate established by the Board and Risk Management Committee. Mid Office of the Bank's Treasury function is attached to the Market Risk Division of the Risk Management Department. Mid Office prepares and analyses daily reports on various activities of the Bank's Treasury. The Mid Office, which is responsible for the critical functions of independent market risk monitoring, measurement and analysis, reports to the Bank's Chief Risk Officer.

## 8.2 Liquidity Risk

Liquidity Risk management in the Bank is governed by the Board approved Market Risk Management Policy, Assets and Liabilities Pricing Policy and Liquidity Risk Management Policy which cover the Liquidity Risk, Interest Rate Risk (Banking and Trading book) and Market Risk framework. The Bank's Market Risk & Asset Liability Management Committee (MR-ALCO) is responsible for overseeing the management and governance of liquidity risk.

The liquidity profile of the Bank is analysed by tracking all cash inflows and outflows in the maturity ladder based on the actual maturity and expected occurrence predicted through behavioural analysis of cash flows. The renewal pattern and premature withdrawals of term deposits and drawdown of unavailed credit limits are also captured through behavioural studies.

The Bank computes the Regulatory Liquidity Ratios such as LCR and NSFR are used as effective tools in Liquidity Management. Liquidity stress tests are conducted under different scenarios at periodic intervals to assess the impact on liquidity to withstand stressed conditions.

## 8.3 Interest Rate Risk in the Banking Book

Interest rate risk refers to the impact on the Bank's Net Interest Income, and the value of its assets and liabilities arising from fluctuations in interest rate due to internal and external factors. Internal factors include the composition of the Bank's assets and liabilities, quality, maturity, existing rates, and repricing period of deposits, borrowings, loans and investments. External factors cover general economic conditions. Rising or falling interest rates impact the Bank, depending on whether the balance sheet is asset sensitive or liability sensitive.

As interest rate risk can impact both Net Interest Income (NII) and Economic value of capital, it is assessed and managed from both earnings and economic value perspectives.

- a) Earnings perspective: Analyses the impact on Bank's Net Interest Income (NII) in the short term through traditional gap analysis.
- b) Economic perspective: Analyses the impact on the Net-worth of the Bank due to repricing of assets, liabilities and off-balance sheet items through duration gap analysis.

### Earnings at Risk (EaR) Table 13 (Rs. in Crore)

Particulars	Impact on NII (31-03-2023)
Impact of 100 bps parallel shift in interest rate on both assets & liabilities on Net Interest Income (NII)	7.69

### Market Value of Equity (MVE) Table 14 (Rs. in Crore)

Particulars	Impact on MVE (31-03-2023)
Impact of 100 bps parallel shift in interest rate on both assets & liabilities on Market Value of Equity	163.67

As the Reserve Bank of India has not prescribed capital charge for market risk for SFBs, the Bank has not computed capital charge for Market Risk.

## 9. Information Security & Cyber Security Risk Management

The Bank has established robust information and cyber security frameworks for securing the IT infrastructure and systems. The information security and cyber security policies of the Bank are approved and periodically reviewed by the Board of Directors. The IT Strategic Committee of the Board oversees its implementation. The Information Security Governance Committee (ISGC), headed by the Managing Director & CEO and comprising members of the Senior Management from different business functions, is responsible at the Executive Level for the implementation of measures for ensuring information security and cyber security. ISGC provides clear direction and support for Information Security Risk Management initiatives in the Bank.

The ISGC monitors, reviews, directs and manages the Bank's Information Security Risk Management System within the Bank. This Committee functions as the apex body for handling Information Security risk related initiatives in the Bank, and reports to the Board of Directors through the IT Strategy Committee of the Board and keeps the Board apprised of relevant risks that need attention.

The Information Security Division of Risk Management Department is headed by the Chief Information Security Officer (CISO), who reports to the Chief Risk Officer (CRO). The CISO is responsible for articulating and enforcing the policies that the Bank uses to protect its information assets apart from coordinating the information security related issues / implementations within the organisation as well as relevant external agencies. The Information Security Division is responsible for creating, implementing and maintaining compliance with the appropriate Information Security Risk Management framework. The Division is responsible for measuring the performance of information security controls across the overall enterprise and reporting risks including incidents and critical audit findings to the ISGC. The Division is responsible for scheduling regular review meetings of the ISGC to report progress on key metrics, risk management programme and other information security initiatives.

The Bank has implemented a 24 X 7 Security Operations Centre (SOC) to perform the task of detection and analysis of all potential incidents and notify the application owners who have been affected, for the containment, eradication and recovery from the incident. All cyber security incidents are recorded and reported to Information Security Division. The Information Systems of the Bank are subjected to Vulnerability Assessment and Penetration Testing (VAPT) on a periodic basis, as a preventive measure against cyber-attacks that could threaten the confidentiality, integrity and availability of data and the systems.

# BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING

## SECTION A: GENERAL DISCLOSURES

### I. Details

1.	Corporate Identity Number (CIN) of the Company	U65990KL2016PLC045669
2.	Name of the Listed Entity	ESAF Small Finance Bank Limited
3.	Year of incorporation	05 <sup>th</sup> May 2016
4.	Registered office address	ESAF Small Finance Bank Limited, Building No. VII/83/8, ESAF Bhavan, Mannuthy, Thrissur- Palakkad National Highway, Thrissur- 680681, Kerala
5.	Corporate address	ESAF Small Finance Bank Limited, Building No. VII/83/8, ESAF Bhavan, Mannuthy, Thrissur- Palakkad National Highway, Thrissur- 680681, Kerala
6.	E-mail	customercare@esafbank.com
7.	Telephone	0487- 7123456
8.	Website	<a href="http://www.esafbank.com">www.esafbank.com</a>
9.	Financial year for which reporting is being done	01 <sup>st</sup> April 2022 to 31 <sup>st</sup> March 2023
10.	Name of the Stock Exchange(s) where shares are listed	Not listed
11.	Paid-up Capital	449.47 Cr
12.	Name and contact details (telephone, e-mail address) of the person who may be contacted in case of any queries on the Annual Report	Mr. Ranjith Raj P. Company Secretary, E-mail: ranjith.raj@esafbank.com Ph. No. 0487-7123548
13.	Reporting boundary	Disclosures made in this report are on a standalone basis and pertain to ESAF Small Finance Bank only

### II. Products/Services

#### 14. Details of business activities

Sl. No.	Description of Main Activity	Description of Business Activity	% of Turnover
1.	Banking	Banking and Financial Services	100

#### 15. Products/Services sold by the entity (accounting for 90% of the entity's turnover):

Sl. No.	Product/ Service	% of total turnover contributed
1.	Micro banking	75.04
2.	Retail banking	24.96

### III. Operations

#### 16. Number of locations where plants and/or operations/offices of the entity are situated:

Location	Number of ATMs	Number of Branches	Customer Service Centres	Total
National	528	700	743	1443*
International	Nil			

\*The number of ATMs is excluded from the total.

\*ESAF Small Finance Bank concentrates on providing access to finance in rural geographies. Count is the number of operational retail branches as on 31<sup>st</sup> March 2023.

**17. Markets served by the entity:**
**a. Number of locations:**

Location	Number of offices
National	1443*
International	Nil

\*700 branches and 743 customer centres

**b. What is the contribution of exports as a percentage of the total turnover of the entity?**

Nil

**c. A brief on types of customers:**

Being a small finance bank, ESAF Bank concentrates on providing financial access to the unbanked and rural population. Services are offered to a varied customer base including small and marginalised farmers, micro/nano entrepreneurs, women, children, senior citizens, transgenders, etc. The Bank also caters to Non-Resident Indian customers (NRI).

**IV. Employees**
**18. Details as on 31<sup>st</sup> March 2023:**
**a. Employees and workers (including differently-abled):**

Sl. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
<b>EMPLOYEES</b>						
1.	Permanent (D)	4967	3386	68.17%	1581	31.83%
2.	Other than Permanent (E)	67	64	95.52%	3	4.47%
3.	Total employees (D + E)	5034	3450	68.53%	1584	31.47%

Note: The Bank does not have any workers as defined in the guidance note on BRSR.

**b. Differently-abled employees and workers:**

Sl. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
<b>EMPLOYEES</b>						
1.	Permanent (D)	2	2	100%	-	-
2.	Other than Permanent (E)	-	-	-	-	-
3.	Total employees (D + E)	2	2	100%	-	-

Note: The Bank does not have any workers as defined in the guidance note on BRSR.

**19. Participation/Inclusion/Representation of women:**

	Total (A)	No. and percentage of Females	
		No. (C)	% (C / A)
Board of Directors	9	1	11
Key Managerial Personnel	11	0	0

**20. Turnover rate for permanent employees and workers:**

	FY 2022-23 (Turnover rate in current FY)			FY 2021-22 (Turnover rate in previous FY)			FY 20-21 (Turnover rate in the year prior to the previous FY)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	22.25%	18.44%	33.76%	28.26%	25.00%	28.97%	15.18%	14.53%	18.21%
Permanent Workers									

Note: The Bank does not have any workers as defined in the guidance note on BRSR.

## V. Holding, Subsidiary and Associate Companies (including joint ventures)

### 21. (a) Names of holding / subsidiary / associate companies / joint ventures : Nil

## VI. Corporate Social Responsibility Details:

- (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: Yes
- (ii) Turnover (in Rs.): 14118.13 Cr
- (iii) Net worth (in Rs.): 1709.12 Cr
- (iv) Total amount allotted for CSR for FY 23 (in Rs.): 8.26 Cr

## VII. Transparency and Disclosures Compliances

### 22. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct:

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/ No) (If Yes, then provide web-link for grievance redressal policy)	FY 22-23 Current Financial Year			FY 21-22 Previous Financial Year		
		Number of complaints filed during the year	No. of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities							
Investors (other than shareholders)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Shareholders	NA	Nil	Nil	Nil	Nil	Nil	Nil
Employees	Yes	13	0	-	-	-	-
Customers	Yes	7658	220	-	12894	84	-
Value Chain Partners including BCs	Yes	-	-	-	-	-	-
Others							

### 23. Overview of the entity's material responsible business conduct issues:

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, and approach to adapt or mitigate the risk along with its financial implications, as per the following format.

Sl. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk/ opportunity	Approach to adapt or mitigate	Positive or Negative implications
1.	Financial Inclusion	Opportunity	We aim to achieve universal financial access and financial inclusion by fulfilling the dreams of our customers. With an emphasis on People, Planet and Prosperity, our aim is to predominantly serve the low-income and middle-income segments in India, supporting their livelihood and economic development. With our philosophy of financial inclusion, we remain committed to providing low-cost and affordable insurance solutions to our unserved and underserved customers. In addition to providing Demat, pension and insurance services, we are enhancing our fee- based income by adding cards.	Financial inclusion training for different segments of society with appropriate tailor-made curriculums.  We provide financial inclusion training to students and children through the Balajyothi project. Senior citizens are trained through the Vayojyothi programme while financial inclusion of the JLG women community is carried out through programmes such as Dhanshree.	<b>Positive:</b> With a focus on financial inclusion, we aim to reach more rural geographies and extend financial deepening through our customised products and services.  <b>Linkage with SDGs</b>  

Sl. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive or Negative implications
2.	Social responsibility towards society	Opportunity	<p>At ESAF Bank, we believe that social responsibilities should arise out of needs, beyond regulatory obligations. Our development mandates and CSR-related initiatives at the Bank are implemented and executed on the ground through our BC partners and CSR implementation partners ESAF Foundation and Prachodhan Development Services Limited. Going beyond the statutes of its CSR guidelines, the Bank has adopted a full-fledged CSR Policy which contributes an average of up to 5% of the Bank's total Net Profit in the last three fiscal years to carry out the social initiatives. We aim to build a sustainable society through our diverse projects which include:</p> <ol style="list-style-type: none"> <li>1. Building infrastructure for rural schools</li> <li>2. Skills training</li> <li>3. Entrepreneurship training</li> <li>4. Setting up Balajyothi Clubs for holistic development of children</li> <li>5. Garshom project for migrant labourers</li> <li>6. Krushakmitra agricultural initiatives and training for sustainable agriculture in different segments</li> <li>7. Urjabhandhus-Training Clean Energy Technicians / Entrepreneurs</li> <li>8. Santhwana-Offering mental health support to the young and old</li> <li>9. Pashumitra-Handholding dairy &amp; animal husbandry entrepreneurs</li> </ol>		<p><b>Positive:</b> The Bank recognises the importance of being socially responsible and contributing to the upliftment of the poor, marginalised and needy segments of the society.</p> <p><b>Linkage with SDGs</b></p> 
3.	Responsible Lending	Risk and Opportunity	<p><b>OPPORTUNITIES</b>  <b>Huge latent opportunity especially in the rural market:</b>            The financial market is much underpenetrated, and the potential size of the opportunity is projected to be as high as that of MFIs. SFBs are not only engaged in supporting people who do not have bank accounts or who live in rural areas but they are also involved in assisting the urban poor.</p> <p><b>Credibility, user- friendliness, and prompt service:</b>            Small Finance Banks' success will be determined by ease of doing business and quality of client service. Customers are currently uncertain about the success of numerous financial offerings.</p>	<p>Given the track record of operating in underbanked regions of the country, the Bank has developed proficiency to endure the initial operating pain by listing the gaps in the society and offering tailor-made banking solutions to address the development concerns. In that process, the Bank has identified enormous prospects, goodwill and synergies for the future. To achieve this objective, the Bank employs a social business strategy with a Triple Bottom Line approach, e m p h a s i s i n g People, Planet, and Prosperity.</p>	<p><b>Positive:</b> Over the years, ESAF has developed a comprehensive grasp of the market, allowing it to meet the financial needs of prospective customers. The Bank's engagement with its target customer segments and knowledge of related s o c i o e c o n o m i c dynamics enables it to establish effective credit and operational procedures, identify potential market demand, and leverage its existing operating new products, expand its customer base, and expand its product offering.</p>

Sl. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk/opportunity	Approach to adapt or mitigate	Positive or Negative implications
			<p><b>Presence of numerous informal credit channels:</b> The presence of numerous informal credit channels in distant areas, where small finance banks have a presence, is advantageous for reaching the unbanked people.</p> <p><b>Geographic diversification:</b> SFBs have rapidly expanded their branch networks to meet regulatory obligations. With a greater emphasis on diversifying their portfolios and broadening their reach, SFBs are anticipated to record greater growth as they enter newer geographies with a wide array of services.</p> <p><b>SFBs gain from the NBFC crisis:</b> Microlenders were marginally impacted by the liquidity crisis hitting NBFCs in India. The lenders that relied on NBFCs for finance curtailed disbursements and sought alternative sources of funding. Better access to retail and wholesale deposits is anticipated to result in market share gains for SMBs.</p> <p><b>Risks:</b> In the initial years of their banking operations, SFBs confronted various obstacles, such as adapting to banking technology, increasing retail deposits, establishing additional branches, and training personnel.</p> <ul style="list-style-type: none"> <li>- Increasing retail liabilities will be a challenge for SFBs due to the fact that it faces direct competition from existing banks.</li> <li>- The 'traditional banking' habit needs to evolve, and workers would have to become more customer-focussed and technologically knowledgeable in light of the country's changing banking environment.</li> <li>- Building the liability product portfolio will be a challenge given the low ticket size liability customer base and the ability to gain customer trust.</li> <li>- Controlling NPAs as an unfavourable monsoon and a slowdown in the industrial sector will have a negative impact on farm loans and MSME loans.</li> </ul>	<p>To fulfil its strategy, the Bank has implemented a number of policies, including an Environmental, Social, and Governance ("ESG") policy. It is committed to (i) protecting the environment and ensuring sustainable development, (ii) promoting financial inclusion and gender equality through specialised financial services, and (iii) establishing a governance framework to ensure accountability, transparency, and compliance with internal and external ESG standards in accordance with its ESG policy.</p>	<p><b>Negative:</b> Being a social bank with a legacy of building social capital, there is no specific negative to report.</p> <p><b>Linkage with SDGs</b></p>    

**SECTION B: MANAGEMENT AND PROCESS DISCLOSURES**

The National Guidelines for Responsible Business Conduct (NGRBC) as prescribed by the Ministry of Corporate Affairs advocates nine principles referred to as P1-P9, as given below:

P1	Businesses should conduct and govern themselves with integrity in a manner that is ethical, transparent and accountable
P2	Businesses should provide goods and services in a manner that is sustainable and safe
P3	Businesses should respect and promote the well-being of all employees, including those in their value chains
P4	Businesses should respect the interests of and be responsive towards all its stakeholders
P5	Businesses should respect and promote human rights
P6	Businesses should respect, protect and make efforts to restore the environment
P7	Businesses when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent
P8	Businesses should promote inclusive growth and equitable development
P9	Businesses should engage with and provide value to their consumers in a responsible manner

	P1	P2	P3	P4	P5	P6	P7	P8	P9
	Ethics & Transparency	Product Responsibility	Human Resources	Respon- siveness to Stakeholders	Respect for Human Rights	Responsible Lending	Public Policy Advocacy	Inclusive Growth	Customer Engagement

**Policy and management processes**

1. a. Whether your entity's policy/ policies cover each principle and its core elements of the NGRBCs. (Yes/ No)^	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
b. Has the policy been approved by the Board? (Yes/No) {Refer Note 1}	Yes. The Environmental, Social and Governance Policy covering the above-mentioned principles has been approved by the board. In addition, the ESG Framework of the Bank elucidates the board's oversight on ESG. In addition, the Bank has a Sustainable Banking Policy that defines the Bank's approach and commitment to a Regenerative Economy. <a href="https://esafbank.com/pdf/ESG%20POLICY.pdf">https://esafbank.com/pdf/ESG%20POLICY.pdf</a>								
c. Web link of the policies, if available	<a href="https://www.esafbank.com/policies/">https://www.esafbank.com/policies/</a> Some policies may also include a combination of internal policies of the Bank which are accessible to all internal stakeholders and policies placed on the Bank's website.								
2. Whether the entity has translated the policy into procedures. (Yes / No)	Yes. The Bank has translated the policies as applicable and imbibed the same into procedures and practices in all spheres of activities that the Bank undertakes. Also, it is compliant with the guidelines of the RBI.								
3. Do the enlisted policies extend to your value chain partners? (Yes/ No)	Yes. The Bank's Code of Conduct largely imbibes the above-mentioned principles and the Bank expects all its stakeholders to adhere to the same in all their dealings.								
4. Name the national and international codes / certifications labels / standards.	Not Applicable.								

## 5. Specific commitments, goals and targets set by the entity

- a. The Bank will be committed to serving the underserved and unbanked rural strata of society. The Bank will constantly endeavour to improve its presence in rural geographies, partaking in local sustainable economic development, embracing small and marginal entrepreneurs and farmers.
- b. Identify core focus areas/sectors where funding is most needed to help uplift the marginalised and most impacted segments of society through Corporate Social Responsibility activities.
- c. The Bank will take a conscious effort for gender equality in society.
- d. Being an environmentally committed organisation, the Bank is working towards aligning sustainability and ESG in its operations. It will also come forward with new strategies, plans and partnerships to promote local sustainable economic development in the Bank's operational domains.
- e. Improve the Green portfolio by providing more Clean Energy Loans and EV Loans, aiming to increase the pool of resources available for lending towards green and sustainable initiatives of the Bank.

## 6. Performance of the entity against specific commitments, goals and targets

As on 31<sup>st</sup> March 2023, the Bank has 700 branches spread across 21 states and 2 UTs, with more than 25% of the branches in unbanked rural centres, surpassing the requirement for SFBs. The Bank had over 56,30,325 lakh female customers at the end of the FY 22-23. This shows the Bank's commitment towards inclusive financing and proving that even women from marginalised segments are creditworthy.

- a. The Bank is meeting its CSR commitments beyond the mandated 2% with 5% of profits through its core CSR intervention areas that are being elucidated each year.
- b. As at 31<sup>st</sup> March 2023, women constituted 31.46% of total employee strength. This is an evidence of diversity and inclusivity in workplace.
- c. The Bank has introduced preferential interest rates for promoting environmentally friendly products.

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### Principle-wise policies

P1 Ethics & Transparency	Various policies of the Bank like Code of Conduct for Employees, Directors & Senior Management, Non-Executive Directors, Code of Conduct for Recovery Officers, Whistle Blower Policy, Quality Policy, KYC and Prevention of Money Laundering Policy, Privacy Policy, Related Party Transaction Policy, Fair Practice/ Customer Service Policy, Policy on POSH, other internal policies interpret ethical behavior, transparency and accountability. There is an ESG Management Committee, Sustainability Council, CSR Management Committee and CSR and Sustainability Committee of the Board to ensure transparency and ESG Governance.
P2 Product Responsibility	The Bank's Fair Practices Code and Terms and Conditions guides this principle. KYC and Prevention of Money Laundering Policy is also a critical component of product responsibility. The Bank follows inclusive lending policies to facilitate increased social inclusion and environmental stewardship.
P3 Human Resources	<p>The Bank has a very robust mechanism to ensure employee well-being and protection of human rights. There is a comprehensive HR Policy that covers various aspects like Code of Conduct, Diversity &amp; Inclusion, Leave Benefits including Maternity Leave, Paternity Leave, Compensation Policy, etc. There are also other policies like Policy on Protection of Women Against Sexual Harassment at the Workplace.</p> <p>There is a Staff Handbook- an internal document that clearly defines the benefits entitled by the staff like Insurance Benefits and Health and Safety of employees.</p> <p>The Bank has a dedicated Learning &amp; Development Department which ensure continuous learning and development of the employees. There is an online portal- Learning Management System (LMS) where a number of customised modules are available 24*7 for the reference of the employees. Also, we have 31.46% of women employees which we consider as a good step towards inclusion. The HR Department is ISO 9001:2015 certified.</p>

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### Principle-wise policies

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P4	Responsive to Stakeholders, particularly the marginalised	Being a SFB, we focus on rural development and financial inclusion. We particularly focus on reaching the poor and marginalised communities with our products and services. JLGs formed in rural / marginalised communities are maturing as good social institutions promoting co-operation and networking. We also serve the small and marginal farmers through group loans like FIG (Farmer Interest Group).
P5	Respect for Human Rights	The Code of Conduct details the Bank's policy on respect for human rights. The Bank through its Inclusivity and Diversity statement (as a part of the Human Resource Policy) upholds human rights as enshrined in the Constitution of India and supports the principles in the United Nations' Universal Declaration of Human Rights.
P6	Responsible Lending	The Bank has a comprehensive Credit Policy that gives a good coverage on Responsible Lending Practices including Green and Inclusive Finance. There is a Prohibition List in the Credit Policy stating the types of business/ activities that will not be given credit support due to the negative environment and social impact it may reflect in the society.
P7	Public Policy Advocacy	The Bank actively participates in discussion forums/committees of the government, regulator or industry bodies and shares its expertise and helps in the formulation or review of policies with the overall objective of enhancing the business ecosystem, economy and society.  The MD & CEO of the Bank is the Co- Chairman of Sa Dhan – a network of micro banking institutions at national level.
P8	Inclusive Growth	The ESG Policy, Sustainable Banking Policy and CSR Policy carves a focused pathway for inclusive growth.
P9	Customer Engagement	The Customer Service Policy and other internal guidelines are in place to ensure customer satisfaction and encompass this principle. The Customer Service Quality Department of the Bank has been working on further enhancing the quality of its functioning and raising the standards to International Quality levels. For that, the department has revamped many of its processes to meet the ISO 9001 standards. As a result, the Bank has received ISO 9001: 2015 certification.

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*Note: The policies have been developed based on best practices or as per regulatory requirements and through appropriate consultation with relevant stakeholders. Policies may include a combination of internal policies of the Bank which are accessible to all internal stakeholders and policies placed on the Bank's website.*

## GOVERNANCE, LEADERSHIP AND OVERSIGHT

### 7. Director's Statement – Kindly refer to the message from Chairman and MD & CEO.



## SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

### PRINCIPLE 1: Integrity

Businesses should conduct and govern themselves with integrity and in a manner that is Ethical, Transparent and Accountable.

#### Essential Indicators:

- Percentage coverage by training and awareness programmes on any of the principles during the financial year

Segment	Total number of training and awareness programmes held	Topics covered under the training programme	% of persons in a respective category covered by the training programme
Board of Directors/ Key Managerial Personnel (KMP)	1	Field immersion programmes	100
Employees other than Board of Directors or KMPs	430	For the continuous improvement of the competency level of employees, the Learning & Development Department has undertaken several initiatives to train the employees. The department has conducted 430 training programmes, covering 5034 employees through 178954 hours of training via online and offline modes. The training modules covered various areas of technical, behavioural and functional skills. The Bank also has a full-fledged E-shiksha portal wherein employees can learn courses at their convenience.	99

- Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings with regulators/ law enforcement agencies/ judicial institutions in FY22-23.

Monetary				
	Name of the regulatory / enforcement agencies / judicial institutions	Amount (In INR)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/fine		Nil		
Settlement		Nil		
Compounding fee		Nil		

Non-monetary			
	Name of the regulatory/ enforcement agencies/ judicial Institutions	Brief of the Case	Has an appeal been preferred? (Yes/No)
Imprisonment		Nil	
Punishment		Nil	

- Of the instances disclosed in Question 2 above, details of the appeal/revision preferred in cases where monetary or non-monetary action has been appealed.

Case details	Name of the regulatory/ enforcement agencies/ judicial Institutions
Nil	-

- Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web link to the policy.

Yes, the various aspects of anti-corruption and anti-bribery practice of the Bank are covered in the Code of Conduct and also in the Policy for Monitoring of Insider Trading.

**5. Number of Directors/KMPs/employees against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption.**

Directors	FY22	FY23
KMPs	-	-
Employees	-	-

**6. Details of complaints with regard to conflict of interest**

	FY23		FY22	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of conflict of interest of directors	-	-	-	-
Number of complaints received in relation to issues of conflict of interest of KMPs	-	-	-	-

**7. Provide details of any corrective action taken or underway on issues related to fines/penalties/action taken by regulators/law enforcement agencies/judicial institutions, on cases of corruption and conflicts of interest.**

Nil

**Leadership indicators:**

**1. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the board? (Yes/No) If yes, provide details of the same.**

Yes.

The Board has formulated a Performance Evaluation Policy including the questionnaire for performance evaluation of the Individual Directors, Committees of the Board, Chairman, Managing Director and CEO and the Board as a whole. The questionnaire designed for the performance evaluation covers various aspects of performance including the structure of the Board, meetings of the Board, functions of the Board, role and responsibilities of the Board, governance and compliance, evaluation of risks, grievance redressal for Investor, conflict of interest, Stakeholder value and responsibility, the relationship among Directors, Director competency, Board procedures, processes, functioning and effectiveness is circulated to all the Directors of the Bank for the annual performance evaluation.

**PRINCIPLE 2: Safety & Sustainability**

**Businesses should provide goods and services in a manner that is sustainable and safe.**



**Essential indicators**

**1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of products and processes to total R&D and capex investments made by the entity, respectively.**

Given the nature of the business of the Bank, the relevance of the above is largely restricted to information technology (IT) capex. Greater adoption of digital platforms has brought in increased efficiencies of operations and additionally ensures substantially reduced dependency on paper. Further, product performance and impact studies are undertaken to review the social performance.

During the FY 22-23, the Bank adopted an E-Signature process for disbursing micro loans.

**2. Does the entity have procedures in place for sustainable sourcing? (Yes/No)**

Given the nature of the business of the Bank, the consumption of resources is limited. With the Green Protocol, Environment Policy and ESG Policy in place, the Bank makes the best effort to procure energy efficient products. Also, the Bank procures many of the products from the local vendors thereby being responsible in the supply chain. This empowers the local vendors thereby increasing their socio-economic status. The Bank is working on a green-procurement policy and ethical code of conduct for vendors.

**3. Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.**

The Bank has a strong Green Protocol in practice which enables it to manage waste efficiently and responsibly. There is a proper segregation of the waste based on its nature ie. biodegradable and non-biodegradable. They are then disposed of through authorised local disposing units of the local self-government etc.

**4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.**

No. EPR is not applicable to the Bank.



### PRINCIPLE 3: Employee Well-Being

**Business should promote the well-being of all employees including those in their value chain.**

#### Essential indicators

**1. Details of measures for the well-being of employees**

Category	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity benefits		Day care facilities	
		No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
<b>PERMANENT EMPLOYEES</b>											
Male	3386	3386	100%	3386	100%					2.48%	
Female	1581	1581	100%	1581	100%	79	4.99%	84			
Total	4967	4967	100%	4967	100%	79	4.99%	84	2.48%		
<b>OTHER THAN PERMANENT EMPLOYEES</b>											
Male	64	56	87.5%	64	100%						
Female	3	3	100%	3	100%						
Total	67	59	88.06%	67	100%						

**2. Details of retirement benefits for the current and previous financial year**

Benefits	FY23		FY22		
	No. of employees covered as a % of total employees	Deducted and deposited with the authority (Y/N/N.A.)*	No. of employees covered as a % of total employees	Deducted and deposited with the authority (Y/N/N.A.)	
PF		5008	5008	4125	4125
Gratuity		5010	5010	4068	4068
Employee State Insurance (ESI)		-	-	-	-
Others		-	-	-	-

**3. Accessibility of workplaces**

Are the premises/offices accessible to differently-abled employees as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Yes.

**4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web link to the policy.**

Yes. This is covered in the Diversity and Inclusion statements of the HR Policy. The Bank is committed to become an Equal Opportunity Employer. Diversity and inclusiveness includes creating a work culture where visible differences such as age, gender, ethnicity, region, physical appearance, thinking styles and religion are valued; where everyone has the opportunity to develop skills and talents consistent with the Bank's values and business objectives.

**5. Return to work and retention rates of permanent employees that took parental leave.**

Gender	Permanent employees	
	Return to work rate	Retention rate
Male	100%	
Female	100%	
Total	100%	

**6. Is there a mechanism available to receive and redress grievances for the following categories of employees? If yes, give details of the mechanism in brief.**

Gender	Yes/No (If Yes, then give details of the mechanism in brief)
Permanent Employees	Yes, in our HRMS System employees can raise their grievances
Other than Permanent Employees	

**7. Membership of employees in association(s) or unions**

The ESAF Staff Welfare Trust was established on 16<sup>th</sup> January 2008 with the sole purpose of undertaking welfare measures for trust members and their families. The primary objective of the trust is to promote and execute social and financial activities among the trust members and their families. ESWT primarily ensures to meet the emergency and unmet needs of its members.

- i. To inculcate the habit of thrift among the members.
- ii. To enable lending within the members out of the thrift amounts thus collected, supplemented where possible, by other funds obtained as membership fees, loans grants, interest income, fees penalties, and any other forms.
- iii. To enable the members to access insurance, and provide insurance and other financial services for their mutual benefit.
- iv. To secure funds from other funding sources and provide the same as loans, with or without interest and on such terms, to the members so as to enable them to take up income generation and livelihood programmes.
- v. To conduct training programmes for the members.
- vi. To provide technical and expert services to the members in building their capacities and to engage technical and expert personnel.
- vii. To purchase, hold, acquire or otherwise accept such property, real or personal as may be necessary, convenient and appropriate for the purposes herein expressed.
- viii. To sell, dispose, alienate, mortgage, hypothecate, exchange, alter, improve or in any manner these properties.
- ix. To convene meetings, conferences, seminars, workshops and conventions for achieving the objectives of the Trusts.
- x. To invest in the shares, stocks, and debt instruments or in such other similar instruments, in any limited liability company, co-operative society, trust, firm or any other institution established or existing for the purpose of promoting livelihoods and providing credit and other financial services for the benefit of the members of the trust.
- xi. To invest by way of short-term and long-term investments in the form of fixed or term deposits, and such other financial instruments.
- xii. To lend to any company, co-operative society, trust, firm, individual or other institution from its funds.
- xiii. To take over the assets and liabilities of any such similar formal or informal organisations, which the Board of Trustees may deem fit.
- xiv. To divide, split and re-organise the operations in any manner so as to benefit the members in providing easy access to services through another trust, co-operative society or any other legal form of organisation and transfer the related assets and liabilities of the trust in a fair equitable manner with the proper valuation of assets and liabilities through external independent evaluators.
- xv. To consolidate and merge with other organisations with similar objectives.
- xvi. To contribute to the activities of other welfare trusts in the region either by way of undertaking part or whole of the activities or by making financial contributions.

- xvii. To introduce, institutionalise and involve in a non-traditional banking system, which would provide credit facilities under special terms and conditions.
- xviii. To encourage and promote service in social, educational, health and economic development with a holistic approach.
- xix. To act as the financial management consultants and investment advisors and to render any kind of managerial, technical, financial services, and research-oriented programmes in connection with the aforesaid objects.
- xx. To accept subscriptions, grants, contributions, donations, loans, guarantees, gifts and similar facility from Donors, Government, conventional and non-conventional financial institutions in the form of cash or in kind on such terms and conditions, consistent with the aims and objectives of the trust.
- xxi. To open and run hostels, schools and medical facilities and make them available to the children and the needy wherever the need is felt in the country.
- xxii. To act as a network of institutions that are engaged in the provision of financial services to the employees for the purposes of exchange of information among the members with a view to promote, improve and further this concept of provision of financial services to the employees.
- xxiii. To engage in all such lawful acts, deeds or things either alone or in conjunction with any other organisations as are incidental or ancillary or conducive to the attainment of any of the above objectives.
- xxiv. To conduct social welfare activities among elderly, diseased, children, and homeless and to give protection and financial assistance to them.
- xxv. To promote and conduct yoga, health programmes, programmes for HIV-infected persons, psychological support among the needy members and society.

## 8. Details of training given to employees

Category	FY23				FY22					
	Total (A)	On health and safety/wellness measures		On skill upgradation		Total (A)	On health and safety / wellness measures		On skill upgradation	
	No. (B)	% (B/A)	No. (C)	% (C/A)	No. (B)	% (B/A)	No. (C)	% (C/A)		
<b>EMPLOYEES</b>										
Male	3450	3450	100	3450	100	2870	2870	100	2870	100
Female	1584	1584	100	1510	95.32	1271	1271	100	829	65.2
Total		5034	100	4960	98.52	4141	4141	100	3699	89.32

Note: Includes training given to employees who have resigned/retired during the year. Some of the training programmes offered under health and safety and skill upgradation are mandatory. Hence, all employees have been considered under such training programmes.

The Bank provided 368 Training programmes for Skill & Function Development, 37 Behavioural training programmes to cover 1369 employees and 25 Leadership training programmes were conducted to cover 526 employees.

## 9. Details of performance and career development reviews of employees

The Bank conducts Performance Appraisal of employees on an yearly basis. Initially, the employee performs a self evaluation which is followed by an appraisal by the Reporting Manager and a review by the Reviewing Manager. During the process the performance feedback is shared and training needs are also captured.

## 10. Health and safety management system

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage such system.  
Yes, this covers fire hazard, pandemics like Covid-19, natural calamities, heat wave and health awareness.
- b. What are the processes used to identify work-related hazards and assess risks on a routine and non- routine basis by the entity?  
As it is service industry (Bank), work related hazards are minimal. We conduct routine check up in terms of fire and electric hazards. We have fire extinguishers, alarm system etc. in place to prevent fire hazards. We also have Electrical Trippers and ELCBs in place to arrest casualties electricity related hazards.

- c. Whether you have processes for workers to report the work related hazards and to remove themselves from such risks. (Y/N)  
Yes, employees can activate alarms in emergency situations.
- d. Do the employees have access to non-occupational medical and healthcare services? (Yes/ No)  
Yes.

**11. Details of safety-related incidents**

Safety Incident/Number	Category	FY23	FY22
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)			
Total recordable work-related injuries		0	
No. of fatalities (safety incident)			
High consequence work-related injury or ill-health (excluding fatalities)			

**12. Describe the measures taken by the entity to ensure a safe and healthy workplace**

- Fire extinguishers are in place
- ELCB is in place
- Routine checks are done
- Awareness programmes are conducted
- Fire and safety demos are conducted

**13. Number of complaints on the following made by employees**

	FY22			FY21		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working conditions	0	0		0	0	
Health and safety	0	0		0	0	

**14. Assessments for the year**

Gender	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	No
Working Conditions	No

**15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health and safety practices and working conditions.**

The Bank ensured that no operational disruptions occurred and that business continuity was maintained in order to maintain the required levels of customer service.



## PRINCIPLE 4: Stakeholder Interest Stewardship

Businesses should respect the interests of and be responsive to all its stakeholders

### Essential Indicators

#### 1. Describe the processes for identifying key stakeholder groups of the entity.

Any individual or group of individuals or institutions that adds value to the business chain of the Bank is identified as a core stakeholder.

#### 2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Key Stakeholders	Whether identified as Vulnerable & marginalised Group (Yes/No)	Channels of communication (E-mail, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website) or Others	Frequency of engagement (Annually/ Half-yearly / Quarterly/ others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Employees	No	Direct & other communication mechanisms	Daily	Bank follows an open door policy
Shareholders/ Investors	No	The Bank communicates with investors and shareholders through E-mail, SMS, newspaper advertisements, website, quarterly conference calls, face to face meetings, annual general meetings, investor grievance channels, investor meets etc.	Frequent and need based	To stay abreast of developments in the Bank and its subsidiary companies
Customers	Generally No, as financial inclusion upgrades them	E-mail, SMS, Website, Advertisements, Newspaper, Telecalling, Notice Board	Daily	Monetary and Non-monetary transactions pertaining to customers accounts
Channel Partners and Key partners	No	Multiple channels – physical and digital	Frequent and need based	Help to increase reach and enhance business
Regulators	No	E-mail, one-on-one meetings, conference calls, video conference	Need based	Discussions with regard to various regulations and amendments, inspections, approvals
Communities and NGOs	No	Directly or through the CSR Implementing Agencies	Frequent and need based	Support socially high impact projects

### Leadership Indicators:

#### 1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.

The Bank communicates with investors and shareholders during investor meets, through investor grievance channels, at roundtables, quarterly conference calls, face to face meetings, annual general meetings and more. These are aimed at providing relevant information as well as understanding stakeholders' perspectives on the Bank's performance and strategy.

The Bank has a continuous ongoing interaction with customers through digital channels such as customer care, satisfaction and loyalty surveys, and social media platforms to understand their requirements and create better solutions, products and services for them. We publish a booklet "Joyful Stories of Transformation" which showcases the real-life case studies of the lives of our customers through our products and services. These are collected by the employees by interacting directly with the customers.

The Bank has ongoing regular communication with its employees using town-hall meetings, appraisal process, newsletters and other channels to understand and support their concerns and ensure they are aligned with the Bank's strategic priorities.

The Bank interacts with its suppliers through supplier meets, regular interactions etc. The Bank subscribes to responsible procurement practices and invests in building relationships with its suppliers.

The Bank engages with regulators through one-to-one meetings, e-mails and the submission of performance reports. It strives to be a good corporate citizen and complies with applicable regulations. The Bank plays its role in developing and implementing public policies.

The Bank is committed to uplifting the communities it operates in. It engages with the communities through its CSR team regularly. Community meetings are held to understand their needs and play an active role in supporting them.

## PRINCIPLE 5: Human Rights

### Business should respect and promote Human Rights



#### Essential indicators

#### 1. Employees who have been provided training on human rights issues and policy(ies)

Category	FY22-23			FY21-22		
	Total (A)	No. of employees covered (B)	% (B/A)	Total (C)	No. of employees covered (D)	% (D/C)
<b>EMPLOYEES</b>						
Permanent	4967	2252	45.33	4068	2070	50.88
Other than permanent	67	67	100	73	73	100
Total Employees	5034	2319	46.06	4141	2143	51.75

#### 2. Details of minimum wages paid to employees

Category	FY23				FY22					
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
<b>EMPLOYEES</b>										
Permanent	4967	0	0	4967	100%	4068	0	0	4068	100%
Male	3386	0	0	3386	100%	2799	0	0	2799	100%
Female	1581	0	0	1581	100%	1269	0	0	1269	100%

#### 3. Details of remuneration/salary

	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category (Rs.)	Number	Median remuneration/ salary/ wages of respective category (Rs.)
Board of Directors (BoD) (Whole- time Directors)	-	-	-	-
Key Managerial Personnel (other than BoD)	10	4463551	-	-
Employees other than BoD and KMP	3488	384631	1594	296290

#### 4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes.

**5. Describe the internal mechanisms in place to redress grievances related to human rights issues**

We have an HR Help Desk where grievances can be reported. In the event of any such instance, the officer concerned will address the issue.

**6. Number of complaints on the following made by employees**

	FY22			FY21		
	Filed during the year	Pending resolution at the end of the year	Remarks	Filed during the year	Pending resolution at the end of the year	Remarks
Sexual Harassment	0	0		0	0	
Discrimination at workplace	0	0		0	0	
Child Labour	0	0		0	0	
Forced Labour/ Involuntary Labour	0	0		0	0	
Wages	0	0		0	0	
Other human rights related issues	0	0		0	0	

**7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.**

Yes, there is a robust mechanism in place to address the issues faced by the employees. There is a Prevention of Sexual Harassment at Workplace (POSH) policy in place which strongly addresses harassment cases etc. Also, there is a strong grievance mechanism in place.

**8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)**

Yes, the Bank has a code of conduct in this regard for suppliers and it is also included in SOP of employees.

**9. Assessments for the year.**

The HR Department is ISO 9001:2015 certified and the Customer Service Quality Department is ISO 9001:2015 certified.

**10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments in Question 9 mentioned above.**

Nil

**Leadership indicators**

**1. Details of a business process being modified/introduced as a result of addressing human rights grievances/ complaints**

Nil

**2. Details of the scope and coverage of any human rights due-diligence conducted.**

Nil

**3. Is the premise/office of the entity accessible to differently-abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?**

Yes

**4. Details on assessment of value chain partners**

All the suppliers and value chain partners have to agree and accept the Bank's code of conduct and abide by it.

## Principle 6: Environmental Stewardship

### Businesses should respect and make efforts to protect and restore the environment



#### Essential indicators

1. **Details of total energy consumption (in Joules or multiples) and energy intensity.**  
Currently, the Bank is in the process of recording the total energy consumption with respect to units across its branches.  
  
**Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?**  
Nil
2. **Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.**  
Not Applicable
3. **Provide details of the following disclosures related to water.**  
Green Protocol followed by the branches are being awarded by Green Branch Award.
4. **Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.**  
Not applicable to the Banking context
5. **Please provide details of air emissions (other than GHG emissions) by the entity.**  
Nil
6. **Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity.**  
Nil
7. **Does the entity have any project related to reducing Green House Gas emissions? If Yes, then provide details.**  
The Bank has a Green Protocol that drives the reduction of GHG emissions well.
8. **Provide details related to waste management by the entity.**  
The Bank has a Green Protocol in practice which enables management of waste efficiently and responsibly. There is a proper segregation of wastes by its nature i.e. biodegradable and non-biodegradable. They are then disposed through authorised local disposing units of the local self-government, etc.
9. **Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce the usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.**  
The Bank has been following a sustainable approach to managing waste. The Bank generates mainly e-waste and paper waste. To reduce paper waste, the Bank has been following a digital mode in operations. During the FY 22-23, the Bank adopted E-Signature process to disburse micro loans resulting in the disbursement of more than five lakh loans through this process.
10. **If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required.**  
Nil
11. **Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:**  
Nil
12. **Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N)? If not, provide details of all such non-compliances.**  
Nil



## PRINCIPLE 7: Transparent and Responsible Public Policy Advocacy

Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

### Essential Indicators

1. a. Number of affiliations with trade and industry chambers/ associations: 17
- b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

Sl. No.	Name of the trade and industry chambers / associations	Reach of trade and industry chambers/ associations (State/National)
1.	Global Alliance for Banking Values	Global
2.	SME Finance Forum (IFC)	Global
3.	Indian Banks Association	Pan India
4.	Fimmda	Pan India
5.	Microfinance Institutions Network (MFIN)	Pan India
6.	Sa-Dhan	Pan India
7.	Association of Microfinance Institutions - West Bengal	West Bengal
8.	Thrissur Management Association	Kerala
9.	Confederation of Indian Industry	Pan India
10.	Indian Chamber of Commerce & Industry	Pan India
11.	Tie Kerala	Kerala
12.	All India Management Association (AIMA)	Pan India
13.	Micro Finance Association of Uttar Pradesh	Uttar Pradesh
14.	Association of Small Finance Banks of India	Pan India
15.	Association of Karnataka Microfinance Institution (AKMI)	Karnataka
16.	Odisha State Association of Financial Inclusion Institutions (OSAFII)	Odisha
17.	Banker's Club Thrissur	Kerala

2. **Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities.**

There has been no instance of anti-competitive conduct by the Bank.

## PRINCIPLE 8: Inclusive Growth and Equitable Development

Businesses should promote inclusive growth and equitable development



### Essential Indicators

- Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.**  
The Bank has undertaken an Impact Assessment through an Independent Agency for all the CSR interventions. Also, the Bank conducts periodic product performance studies that shall help in improving the scope and potential of the product. In the year 22-23, the Market Preparedness of our Farmer Interest Group (FIG) Loan was carried out among the customers who availed the same.
- Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity.**  
Nil
- Describe the mechanisms to receive and redress grievances of the community.**  
Nil
- Percentage of input material (inputs to total inputs by value) sourced from suppliers.**  
Nil

### Leadership Indicators

- Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments.**  
Nil
- Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies.**

Sl. No.	State	Aspirational Districts
1.	Kerala	Wayanad
2.	Jharkhand	Dumka
3.	Maharashtra	Gadchiroli, Nandurbar

- (a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalised /vulnerable groups? (Yes/No)**  
Yes, there is a preference for procuring from local and vulnerable groups.

### 4. Details of beneficiaries of CSR Projects:

Name of the Projects	Allocated Amount (2021-22) (a)	Allocated Amount (2022-23) (b)
ESAF Balajyothi	22,67,809	50,87,715
ESAF Capacity Building and Marketing Linkages for Entrepreneurship Collectives	43,75,836	19,87,165
ESAF Emergency Relief & Community Intervention	47,82,329	27,86,652
ESAF Entrepreneurship Acceleration Programme	22,48,955	25,10,720
ESAF Garshom	30,67,612	6,05,264
ESAF Health Infrastructure and Development Support	1,07,94,905	15,71,279
ESAF Rural School Infrastructure Development & Support	1,53,64,450	16,59,441
ESAF Santhwana	0	13,49,069
ESAF Centre for Excellence in Collective Entrepreneurship	0	10,85,235
ESAF Village Level Entrepreneurship Development Programmes	44,39,211	32,62,165
Community Intervention through Branches	0	55,000
	4,73,41,107	2,19,59,705
<b>Total outlay (a+b)</b>		<b>6,93,00,812</b>

**PRINCIPLE 9: Responsible Value Creation****Businesses should engage with and provide value to their consumers in a responsible manner****Essential Indicators:****1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.**

There is an Escalation Matrix in place and the details are published on the website and displayed in all branches.

**2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information:**

Nil

**3. Number of customer complaints in respect of the following:**

Refer Section A (23)

**4. Details of instances of product recalls on account of safety issues.**

Nil

**5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.**

The Bank operates in a highly dynamic threat environment and has taken a plethora of measures to ensure the safety of customer transactions. The Bank has implemented state-of-the-art security technologies in its infrastructure and monitors potential threats round-the-clock. A comprehensive strategy encompassing people, processes, and technology is constantly reviewed in light of emerging threats, the security requirements of the business, and best practices. A 24x7 Cyber Security Operations Centre has been established that identifies potential incidents and takes requisite action to respond, recover, and learn from the incidents. The Bank regularly participates in cyber drills conducted by the Institute of Development and Research on Banking Technology (IDRBT) and conducts periodic disaster recovery drills for its technology infrastructure to ensure the availability of critical services in the event of a disaster. In order to keep abreast with the security best practices, the Bank participates in meetings conducted by the CISO Forum and Data Security Council of India. A well-documented Board-approved Information Security Policy is in place.

<https://www.esafbank.com/privacy-policy/>

**6. Provide details of any corrective actions taken or underway on issues relating to advertising and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty/action taken by regulatory authorities on safety of products/services.**

No penalty/regulatory action has been levied or taken on the above-mentioned parameters.

**Leadership Indicators:****1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).**

The information related to all the products and services given by the Bank is published in all the branches. Also, it is available on our website, <https://www.esafbank.com/>. In addition, the Bank actively uses various social media and digital platforms to disseminate information on its loans and deposits.

**2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.**

Yes. There are different levels of Financial Literacy that are provided to our customers. During FY 22-23, the Bank conducted 48,373 programmes reaching over 1.05 million customers. Training programmes on how to use ATMs, digital and mobile banking, etc. are also provided. Also, there are awareness messages that are sent to the customers as SMS alerts.

**3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.**

In terms of call centre services disruptions are published on website in the form or scroll.

**4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)**

Yes, we do surveys for the entity as a whole. The Bank has always aligned its operations to cater to the needs of its customers and has tried to improve the quality of the service rendered on a continual basis. The Customer Service Quality Department conducted various surveys, which included the Annual Customer Satisfaction Survey, Digital Products Satisfaction Survey, Micro Loans Customer Satisfaction Survey etc. which has helped the Bank to identify the gap and take necessary actions to improve the customer experience. Also, the Bank has robust data privacy measures and a customer grievance mechanism in place to ensure customer satisfaction.

**5. Provide the following information relating to data breaches**

- a. Number of instances of data breaches along with impact: NIL
- b. Percentage of data breaches involving personally identifiable information of customers: NIL

# REPORT ON CORPORATE GOVERNANCE

The report on the Bank's Corporate Governance for the Financial Year 2022-2023, is as under:

## PHILOSOPHY OF THE BANK

The Bank recognises its role as a responsible corporate citizen and endeavours to adopt and maintain the highest standards of corporate governance. For the Bank, the responsibility of serving the people at the bottom of the pyramid comes as a huge privilege. The organisation knows the weightage of the responsibility on its shoulders and is more resolute and committed in implementing and practicing the best techniques available in Corporate Social Responsibility practices.

The Bank's philosophy on corporate governance is to promote a culture of customer centricity, transparency, accountability, integrity, commitment, sustainability, and servant leadership, which enables the Bank to conduct itself in the right way while dealing with all its stakeholders.

The Bank has a robust governance structure in place, led by an independent and diverse Board of Directors (Board). The Board believes in prompt and clear communication to its stakeholders, which reflects the internal functioning of the Bank.

The Bank believes in going beyond the law to uphold the best-in-class corporate governance practices. In order to protect the interest of all its stakeholders, the Bank has a strong compliance and risk management framework and it continuously reviews its practices and processes, considering the dynamic environment it operates in.

## SIZE AND COMPOSITION OF THE BOARD OF DIRECTORS

The Composition of the Board of Directors of the Bank is governed by the Banking Regulation Act, 1949, applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the provisions of Companies Act, 2013. The Board has an optimum combination of executive and non-executive directors with independent directors constituting more than one-half of its total strength. As on 31<sup>st</sup> March 2023, the Board has nine directors, comprising the Managing Director & CEO, six independent directors, including one women independent director, and two nominee directors by the promoters. The responsibility of the Board inter alia includes the formulation of an overall strategy for the Bank, business plan, taking new initiatives, formulating policies, performance review, and monitoring of plans.

None of the directors are related to each other. All the independent directors of the Bank have confirmed that they meet the criteria prescribed for independence under the provisions of Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations. In the opinion of the Board, all the independent directors fulfil the conditions specified under the said norms and are independent of the management.

All the independent directors of the Bank are in compliance with the provisions of the Companies (Appointment and Qualification of Directors) Rules, 2014, with respect to enrolling their names in the online databank of independent directors and qualifying the online proficiency self-assessment test for independent directors, if applicable.

A brief profile of the Directors as on 31<sup>st</sup> March 2023 is furnished as hereunder:

## BOARD OF DIRECTORS

### Board Profile

#### Shri. Ravimohan Periyakavil Ramakrishnan

(Part-Time Chairman and Non-Executive Independent Director)

Shri. Ravimohan Periyakavil Ramakrishnan is the Part-Time Chairman and Non-Executive Independent Director of the Bank. He holds a Bachelor's degree in Science and Master's degree in Science from Kerala University, and a Master's degree in Business Administration from Birmingham University. He is a Certified Associate of the Indian Institute of Bankers. He was previously employed as a Chief General Manager in the Department of Banking Supervision of the Reserve Bank of India. He was previously a resident advisor of the financial sector supervision, International Monetary Fund, AFRITAC South, Mauritius.

#### Shri. Kadambelil Paul Thomas

(Managing Director and Chief Executive Officer)

Shri. Kadambelil Paul Thomas is the Managing Director and Chief Executive Officer of the Bank. He holds a Master's degree in Business Administration from Annamalai University. He was previously the Chairman and Managing Director of ESAF Financial Holdings Private Limited. He has also served as the Founder Secretary cum Honorary Executive Director of ESAF Foundation (previously known as Evangelical Social Action Forum) for over 26 years. He was also previously a Director on the boards of Sanma Garments Private Limited, Rhema Dairy Products India Private Limited, Rhema Milk Producer Company Limited, Lahanti Homes and Infrastructure

Private Limited, ESAF Health Care Services Private Limited, ESAF Swasraya Producers Company Limited, CEDAR Retail Private Limited, ESAF Enterprise Development Finance Limited and Cedar Livelihood Services Private Limited (Formerly known as Cedar Agri Solutions Private Limited). Presently, he is the president of Kerala Association of Microfinance Institutions Entrepreneurs. He was previously the chairman of Sa-Dhan, and the chairman of Confederation of Indian Industry – Kerala. During Fiscal 2022, he received the Marketing Meister award, the Business Leader of the Year award, FE Pillar of the BFSI Industry award, the APY Big Believers (ABB) 3.0 award from PFRDA for the best performing MD & CEO, the India Banking Summit CEO of the Year Award, the Exemplary Diamond award from PFRDA and the CEO with HR orientation award at world HRD congress.

### **Dr. Joseph Vadakkekara Antony**

(Non-Executive Independent Director)

Dr. Joseph Vadakkekara Antony (Dr. V. A. Joseph) is a Non-Executive Independent Director on the Board of the Bank. He holds a Bachelor's degree in Law, a Master's degree in Personnel Management and a Doctor of Philosophy (Business Economics) from Pune University. He is a Certified Associate of the Indian Institute of Bankers. He was the Managing Director and Chief Executive Officer of South Indian Bank Limited and was also on the board of directors of Muthoot Homefin (India) Limited, SP Life Care Private Limited and ET Marlabs Private Limited. He was previously employed with Syndicate Bank. He is currently on the board of directors of Agappe Diagnostics Limited. He received the Sunday Standard Best Banker award in 2013 and IDRBT Technology Excellence Award in 2012.

### **Shri. Thomas Jacob Kalappila**

(Non-Executive Independent Director)

Shri. Thomas Jacob Kalappila is a Non-Executive Independent Director on the Board of the Bank. He holds a Bachelor's degree in Science from Kerala University. He is an associate member of the Institute of Chartered Accountants of India and holds a Diploma in Information and Systems Audit from the Institute of Chartered Accountants of India. He is a partner of Thomas Jacob & Co., a partnership firm and has 35 years of experience in statutory audit and internal and forensic audit of banks. He has previously served as an independent director on the board of directors of South Indian Bank Limited and Malabar Cements Limited.

### **Dr. Vinod Vijayalekshmi Vasudevan\***

(Non-Executive Independent Director)

Dr. Vinod Vijayalekshmi Vasudevan is a Non-Executive Independent Director on the Board of our Bank. He holds a Bachelor's degree in Technology (Computer Science and Engineering), a Master's degree in Technology (Computer Science and Engineering), and a Doctor of Philosophy (Computer Science and Engineering) from the Indian

Institute of Technology, Kharagpur. He is the group CEO of FLYTXT, Dubai and Amsterdam. He is currently on the board of directors of Flytxt Mobile Solutions International, Z3P Tech Fund and Z3P Global, Mauritius.

*\*Dr. Vinod Vijayalekshmi Vasudevan was appointed as the Non-Executive Independent Director of the Bank in the 06<sup>th</sup> Annual General Meeting of the Bank held on 13<sup>th</sup> December 2022 for a period of three consecutive years with effect from 22<sup>nd</sup> December 2021 up to 21<sup>st</sup> December 2024.*

### **Shri. Ravi Venkatraman\***

(Non-Executive Independent Director)

Shri. Ravi Venkatraman is a Non-Executive Independent Director on the Board of the Bank. He has passed the final examination held by the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India. He was the former Executive Director and Chief Financial Officer of Mahindra and Mahindra Financial Services Limited. He is currently on the board of directors of Bajaj Finserv Mutual Fund Trustee Limited, Kotak Mahindra General Insurance Company Limited, Avanse Financial Services Limited, Kotak Mahindra Prime Limited, Sarvagram Solutions Private Limited, Aditya Birla AMC Limited.

*\*Shri. Ravi Venkatraman was appointed as the Non-Executive Independent Director of the Bank in the 06<sup>th</sup> Annual General Meeting of the Bank held on 13<sup>th</sup> December 2022 for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.*

### **Smt. Kolasseril Chandramohanan Ranjani (K.C. Ranjani)\***

(Non-Executive Independent Director)

Smt. Kolasseril Chandramohanan Ranjani is a Non-Executive Independent Director on the Board of the Bank. She holds a Bachelor's degree in Science from University of Kerala and a Master's degree in Bank Management from Cochin University of Science and Technology. She has held senior management positions with SIDBI, and has more than 21 years of experience in Micro, Small and Medium Enterprises in India. She is currently on the board of directors of SM Swasthman Foundation.

*\*Smt. K. C. Ranjani was appointed as the Non-Executive Independent Director of the Bank in the 06<sup>th</sup> Annual General Meeting of the Bank held on 13<sup>th</sup> December 2022 for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.*

### **Shri. Ajayan Mangalath Gopalakrishnan Nair\***

(Non-Executive Nominee Director)

Shri. Ajayan Mangalath Gopalakrishnan Nair is a Non-Executive Nominee Director on the Board of the Bank. He holds a Bachelor's degree in Science (Horticulture) from the Kerala Agricultural University and is a certified associate of the Indian Institute of Bankers. He was previously employed as the Executive Vice President of our Bank. He was previously the General Manager of

IT and CIO, General Manager of Retail Assets, General Manager of Transaction Banking, General Manager of Pune Circle, Chief Compliance Officer and Deputy General Manager of Calicut Circle in Canara Bank. He is currently an additional director on the board of directors of ESAF Financial Holdings Private Limited.

*\*Shri. Ajayan Mangalath Gopalakrishnan Nair was appointed as the Non-Executive Nominee Director of the Bank for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.*

### Shri. John Samuel

(Non-Executive Nominee Director)

Shri. John Samuel is a Non-Executive Nominee Director on the Board of the Bank. He holds a Master's degree in Business Administration from the Cochin University of Science and Technology and a Master's degree in Commerce from Madurai University. He is an associate of the Institute of Chartered Accountants of India. He was previously a Member of the Postal Services Board and held the position of Chief Post Master General. He is currently on the board of directors of BWDA Finance Limited.

*\*Shri. John Samuel was appointed as the Non-Executive Nominee Director of the Bank for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.*

All the directors of the Bank have submitted forms / declarations / undertakings / consent as required under the extant laws. Pursuant to review of the said forms / declarations / undertakings / consent as submitted by the directors of the Bank, the Nomination, Remuneration and Compensation Committee of the Board (NRCCB) and the Board have confirmed that all the directors are in compliance with the applicable norms and are fit and proper to continue as directors of the Bank.

### Selection and Appointment of Directors and Succession Planning

The selection and appointment of directors of the Bank is done in accordance with the extant laws. The Bank has formulated and adopted Nomination Policy with respect to selection and appointment of directors.

The objective of the policy is to inter alia guide the Board in relation to appointment/ re-appointment/ removal of directors and lay down a selection criterion for appointment of directors, to ensure compliance with applicable laws, rules and regulations including compliance to the 'Fit and Proper criteria' of Directors at the time of their appointment and on a continuous basis, to devise a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors and to develop and regularly review succession plan for the Board.

The NRCCB considers the profile, skill set, experience, expertise, functional capabilities, disqualifications and other relevant information and adherence to the fit and proper norms, before making appropriate recommendations to the Board with regard to their appointment / re-appointment. The objective is to provide the Board with members who have diverse knowledge, practical experience and requisite set of skills to serve the business interests of the Bank and enhance the overall effectiveness of the Board.

The NRCCB also has discretion to engage the services of an external consultant / expert, to identify and assess the suitability of candidates for the post of director of the Bank, as deemed appropriate.

During fiscal 2023, the Board reviewed and approved amendments to the policy, in line with the extant laws.

### Board Diversity

The Bank recognises and embraces the importance of a diverse Board and is endowed with an appropriate balance of skills, expertise, experience, and perspectives thereby ensuring effective board governance. The Board has reviewed and adopted the Nomination Policy, which sets out its approach to ensure diversity, and to enhance its effectiveness while discharging its fiduciary obligations towards the stakeholders of the Bank. The Nomination Policy is available on the website of the Bank at <https://www.esafbank.com/policies/>.

In terms of Schedule V of the SEBI Listing Regulations, guidelines of Reserve Bank of India and in the context of the Bank's businesses and sector(s), the Board has identified the following core skills / expertise / competencies for it to function effectively:

- (i) Accountancy
- (ii) Agriculture and Rural Economy
- (iii) Banking
- (iv) Co-operation
- (v) Finance
- (vi) Law
- (vii) Small-Scale Industry
- (viii) Economics
- (ix) Human Resources
- (x) Payment and Settlement systems
- (xi) Business Management
- (xii) Risk Management
- (xiii) Information Technology
- (xiv) Any other matter, the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the banking company.

## Fit and proper criteria for directors of the Bank

The NRCCB assesses and confirms to the Board the 'fit and proper' status of the director as per extant laws, before considering his / her candidature for appointment / re-appointment as a director of the Bank and annually i.e. as on 31<sup>st</sup> March every financial year.

The directors of the Bank, individually sign a deed of covenant which binds them to discharge their responsibilities to the best of their abilities, in order to be eligible for being appointed / re-appointed as a director. The Bank also obtains a declaration and undertaking on the 'fit and proper' criteria, from all the directors, annually.

## MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met 14 times during the Financial Year 2022-23 on 10<sup>th</sup> May 2022, 24<sup>th</sup> May 2022, 20<sup>th</sup> June 2022, 10<sup>th</sup> August 2022, 20<sup>th</sup> September 2022, 23<sup>rd</sup> September 2022, 29<sup>th</sup> September 2022, 12<sup>th</sup> October 2022, 10<sup>th</sup> November 2022, 03<sup>rd</sup> December 2022, 08<sup>th</sup> February 2023, 06<sup>th</sup> March 2023, 14<sup>th</sup> March 2023 and 28<sup>th</sup> March 2023. The Board of Directors thus ensured the stipulations laid in the Companies Act, 2013 with respect to the conduct of Board meetings during the Financial Year.

Sl. No.	Name of the Director	No. of Board Meetings entitled to attend	No. of Board Meetings attended	Attendance of last AGM
1.	Shri. Ravimohan Periyakavil Ramakrishnan	14	14	Yes
2.	Shri. Kadambelil Paul Thomas	14	14	Yes
3.	Dr. Joseph Vadakkekara Antony	14	13	Yes
4.	Dr. Vinod Vijayalekshmi Vasudevan	14	11	No
5.	Shri. Thomas Jacob Kalappila	14	14	Yes
6.	Shri. Ravi Venkatraman*	4	4	NA
7.	Shri. Kolasseril Chandramohanan Ranjani**	4	4	NA
8.	Shri. Ajayan Mangalath Gopalakrishnan Nair***	4	4	Yes
9.	Shri. John Samuel****	4	4	NA
10.	Shri. Saneesh Singh #	3	3	NA
11.	Shri. Chandanathil Pappachan Mohan##	8	8	NA
12.	Shri. Alex Parackal George###	10	10	NA
13.	Smt. Asha Morley####	10	10	NA

\*Shri. Ravi Venkatraman was appointed as the Non-Executive Independent Director of the Bank in the 06<sup>th</sup> Annual General Meeting of the Bank held on 13<sup>th</sup> December 2022 for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.

\*Smt. K. C. Ranjani was appointed as the Non-Executive Independent Director of the Bank in the 06<sup>th</sup> Annual General Meeting of the Bank held on 13<sup>th</sup> December 2022 for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.

\*\*\*Shri. Ajayan Mangalath Gopalakrishnan Nair was appointed as the Non-Executive Nominee Director of the Bank for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.

\*Shri. John Samuel was appointed as the Non-Executive Nominee Director of the Bank for a period of three consecutive years with effect from 13<sup>th</sup> December 2022 up to 12<sup>th</sup> December 2025.

#Shri. Saneesh Singh ceased to be the Non-Executive Nominee Director of the Bank with effect from 26<sup>th</sup> July 2022 due to withdrawal of nomination by the nominating authority.

##Shri. Chandanathil Pappachan Mohan ceased to be the Non-Executive Nominee Director of the Bank with effect from 31<sup>st</sup> October 2022 due to withdrawal of nomination by the nominating authority.

###Shri. Alex Parackal George retired from directorship of the Bank on completion of his two terms as Independent Director on 12<sup>th</sup> December 2022.

####Smt. Asha Morley retired from directorship of the Bank on completion of her two terms as Independent Director on 12<sup>th</sup> December 2022.

## COMMITTEES OF THE BOARD

The Board of Directors, based on the statutory requirements has constituted several committees to deal with specific matters and has delegated powers for different functional areas. These committees monitor the activities falling within their terms of reference. The Board of Directors have formed Eleven (11) Committees as on 31<sup>st</sup> March 2023. The details of the Committees are listed in the table below:

Sl. No.	Name of the Committee
1.	Audit Committee of the Board (ACB)
2.	Risk Management Committee of the Board (RMCB)
3.	Nomination Remuneration and Compensation Committee of the Board (NRCCB)
4.	Management Committee of the Board (MCB)
5.	IT Strategy Committee of the Board (ITSCB)
6.	Customer Service Committee of the Board (CSCB)
7.	Corporate Social Responsibility and Sustainability Committee of the Board (CSRSCB)
8.	Human Resource Committee of the Board (HRCB)
9.	High Value Fraud Monitoring Committee of the Board (HVFMCB)
10.	Stakeholders' Relationship Committee of the Board (SRCB)
11.	IPO Steering Committee of the Board (IPOSCB)

### Audit Committee of the Board (ACB)

The Audit Committee was constituted by the Board of Directors in the meeting held on 13<sup>th</sup> December 2016. The Committee was reconstituted on 03<sup>rd</sup> December 2022 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Committee had Five (5) members:

Sl. No.	Name of the Member	Designation
1.	Shri. Thomas Jacob Kalappila	Chairperson
2.	Shri. Ravi Venkatraman	Member
3.	Smt. K. C. Ranjani	Member
4.	Dr. V. A. Joseph	Member
5.	Shri. John Samuel	Member

The scope and function of the Audit Committee is in accordance with Section 177 of the Companies Act, 2013, Securities and Exchange Board of India Regulations, 2015 and the guidelines issued by the Reserve Bank of India from time to time.

During the Financial Year 2022-23, six (6) meetings of the Committee were held on the following dates:

Sl. No.	Date of Meeting
1.	09 <sup>th</sup> May 2022
2.	20 <sup>th</sup> June 2022
3.	10 <sup>th</sup> August 2022
4.	09 <sup>th</sup> November 2022
5.	07 <sup>th</sup> February 2023
6.	14 <sup>th</sup> March 2023

The details regarding the constitution of the Audit Committee along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Shri. Thomas Jacob Kalappila*	Chairperson	6	6
2.	Shri. Ravi Venkatraman**	Member	2	2
3.	Smt. K. C. Ranjani***	Member	2	2
4.	Dr. V. A. Joseph	Member	6	6
5.	Shri. John Samuel ****	Member	2	2
6.	Smt. Asha Morley*****	Member	4	4
7.	Shri. C. P. Mohan*****	Member	3	3

\*Shri. Thomas Jacob Kalappila was designated as the Chairman of the Committee with effect from 03<sup>rd</sup> December 2022.

\*\*Shri. Ravi Venkatraman was appointed as the member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\* Smt. K. C. Ranjani was appointed as the member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*\*Shri. John Samuel was appointed as the member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*\*\*Smt. Asha Morley ceased to be a member of the Committee with effect from 12<sup>th</sup> December 2022, due to completion of her two terms as Independent Director of the Bank.

\*\*\*\*\*Shri. Chandanathil Pappachan Mohan ceased to be a member of the Committee with effect from 31<sup>st</sup> October 2022, due to the withdrawal of nomination authority.

### Risk Management Committee of the Board (RMCB)

The Risk Management Committee was constituted by the Board of Directors in the meeting held on 13<sup>th</sup> December 2016. The Committee was reconstituted on 03<sup>rd</sup> December 2022 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Committee had Five (5) members:

Sl. No.	Name of the Member	Designation
1.	Shri. Ravi Venkatraman	Chairman
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member
3.	Shri. Kadambelil Paul Thomas	Member
4.	Shri. Thomas Jacob Kalappila	Member
5.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member

During the Financial Year 2022-23, four (4) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	16 <sup>th</sup> June 2022
2.	20 <sup>th</sup> September 2022
3.	01 <sup>st</sup> December 2022
4.	13 <sup>th</sup> March 2023

The details regarding the constitution of the Risk Management Committee along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No. of the Committee	Name of the Members	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Shri. Ravi Venkatraman*	Chairman	1	1
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	4	4
3.	Shri. Kadambelil Paul Thomas	Member	4	4
4.	Shri. Thomas Jacob Kalappila	Member	4	4
5.	Shri. Ajayan Mangalath Gopalakrishnan Nair**	Member	1	1
6.	Shri. Alex Parackal George***	Chairman	3	3

\*Shri. Ravi Venkatraman was designated as the Chairman of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*Shri. Ajayan Mangalath Gopalakrishnan Nair was appointed as a Member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*Shri. Alex Parackal George ceased to be a member of the Committee with effect from 12<sup>th</sup> December 2022, due to completion of his two terms as Independent Director of the Bank.

### Nomination Remuneration and Compensation Committee of the Board (NRCCB)

The Nomination Remuneration and Compensation Committee of the Board was constituted by the Board of Directors in the meeting held on 13<sup>th</sup> December 2016. The Committee was reconstituted on 03<sup>rd</sup> December 2022 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Committee had five (5) members:

Sl. No.	Name of the Member	Designation
1.	Dr. V. A. Joseph	Chairman
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member
3.	Smt. K. C. Ranjani	Member
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member
5.	Shri. John Samuel	Member

The scope and function of the Nomination Remuneration and Compensation Committee are in accordance with Section 178 of the Companies Act, 2013, Securities and Exchange Board of India Regulations, 2015 and the guidelines issued by the Reserve Bank of India from time to time.

During the Financial Year 2022-23, five (5) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	09 <sup>th</sup> May 2022
2.	10 <sup>th</sup> August 2022
3.	10 <sup>th</sup> November 2022
4.	03 <sup>rd</sup> December 2022
5.	07 <sup>th</sup> February 2023

The details regarding the constitution of the Nomination Remuneration and Compensation Committee along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Dr. V. A. Joseph	Chairman	5	5
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	5	5
3.	Smt. K. C. Ranjani*	Member	1	1
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair**	Member	1	1
5.	Shri. John Samuel***	Member	1	1
6.	Smt. Asha Morley****	Member	4	4
7.	Shri. Saneesh Singh*****	Member	1	1
8.	Shri. Chandanathil Pappachan Mohan*****	Member	2	2

\*Smt. K. C. Ranjani was appointed as the member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*Shri. Ajayan Mangalath Gopalakrishnan Nair was appointed as the member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*Shri. John Samuel was appointed as the member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*\*Smt. Asha Morley ceased to be a member of the Committee with effect from 12<sup>th</sup> December 2022, due to completion of her two terms as Independent Director of the Bank.

\*\*\*\*\*Shri. Saneesh Singh ceased to be a member of the Committee with effect from 26<sup>th</sup> July 2022, due to the withdrawal of nomination by the nominating authority.

\*\*\*\*\*Shri. Chandanathil Pappachan Mohan ceased to be a member of the Committee with effect from 31<sup>st</sup> October 2022, due to withdrawal of nomination by the nominating authority.

### Management Committee of the Board (MCB)

The Management Committee of the Board was constituted by the Board of Directors in the meeting held on 17<sup>th</sup> August 2017. The Committee was reconstituted on 10<sup>th</sup> November 2022 and 03<sup>rd</sup> December 2022 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Committee had four (4) members:

Sl. No.	Name of the Member	Designation
1.	Shri. Ravimohan Periyakavil Ramakrishnan	Chairman
2.	Shri. Kadambelil Paul Thomas	Member
3.	Dr. V. A. Joseph	Member
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member

During the Financial Year 2022-23, Eleven (11) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	09 <sup>th</sup> May 2022
2.	20 <sup>th</sup> June 2022
3.	09 <sup>th</sup> August 2022
4.	19 <sup>th</sup> September 2022
5.	29 <sup>th</sup> October 2022
6.	13 <sup>th</sup> December 2022
7.	02 <sup>nd</sup> February 2023
8.	07 <sup>th</sup> February 2023
9.	09 <sup>th</sup> March 2023
10.	15 <sup>th</sup> March 2023
11.	29 <sup>th</sup> March 2023

The details regarding the constitution of the Management Committee along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Shri. Ravimohan Periyakavil Ramakrishnan	Chairman	11	11
2.	Shri. Kadambelil Paul Thomas	Member	11	11
3.	Dr. V. A. Joseph	Member	11	11
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair*	Member	6	6
5.	Shri. Chandanathil Pappachan Mohan **	Member	5	5

\*Shri. Ajayan Mangalath Gopalakrishnan Nair was appointed as the member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*Shri. Chandanathil Pappachan Mohan ceased to be a member of the Committee with effect from 31<sup>st</sup> October 2022, due to withdrawal of nomination by the nominating authority.

### IT Strategy Committee of the Board (ITSCB)

Pursuant to the guidelines of the Reserve Bank of India, the IT Strategy Committee of the Board was constituted by the Board of Directors in the meeting held on 26<sup>th</sup> May 2017. The Committee was reconstituted on 03<sup>rd</sup> December 2022 during the Financial Year 2022-23. As on 31<sup>st</sup> March 2023, there were four (4) members on the Committee:

Sl. No.	Name of the Member	Designation
1.	Dr. Vinod Vijayalekshmi Vasudevan	Chairman
2.	Shri. Thomas Jacob Kalappila	Member
3.	Shri. Kadambeli Paul Thomas	Member
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member

An organisation having a robust IT Policy will definitely enjoy more confidentiality, security and independence while implementing its managerial decisions. The formulation of the IT Strategy Committee will ensure the following benefits to the organisation:

- To formulate robust and effective software and hardware policies for the Bank.
- To recommend the IT related policies to the Board of Directors.
- To monitor the effectiveness of the existing IT Policies adopted by the Bank.

The IT Strategy Committee of the Board was convened five (5) times during the Financial Year 2022-23 on the following dates:

Sl. No.	Date of Meeting
1.	24 <sup>th</sup> May 2022
2.	19 <sup>th</sup> September 2022
3.	21 <sup>st</sup> November 2022
4.	08 <sup>th</sup> February 2023
5.	13 <sup>th</sup> March 2023

The details regarding the constitution of the IT Strategy Committee along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total No. of Meetings held	No. of meetings attended
1.	Dr. Vinod Vijayalekshmi Vasudevan *	Chairman	5	5
2.	Shri. Thomas Jacob Kalappila**	Member	5	5
3.	Shri. Kadambelil Paul Thomas	Member	5	5
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair***	Member	2	2
5.	Shri. Alex Parackal George****	Member	3	3

\*Dr. Vinod Vijayalekshmi Vasudevan was designated as the Chairman of the Committee with effect from 03<sup>rd</sup> December 2022.

\*\*Shri. Thomas Jacob Kalappila ceased to be the Chairman of the Committee with effect from 03<sup>rd</sup> December 2022 and continued to be a member of the Committee.

\*\*\*Shri. Ajayan Mangalath Gopalakrishnan Nair was appointed as a member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*\*Shri. Alex Parackal George ceased to be a member of the Committee with effect from 12<sup>th</sup> December 2022, due to completion of his two terms as Independent Director of the Bank.

### Customer Service Committee of the Board (CSCB)

Pursuant to the directives issued by the Reserve Bank of India, the Customer Service Committee of the Board was constituted by the Board of Directors in the meeting held on 17<sup>th</sup> August 2017 to bring about improvements in the quality of customer services provided by the Bank. The Committee was reconstituted on 10<sup>th</sup> November 2022 and 03<sup>rd</sup> December 2022 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Customer Service Committee comprises the following members who have adequate skills and rich experience dealing with customers belonging to different strata in society:

Sl. No.	Name of the Member	Designation
1.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Chairman
2.	Dr. Vinod Vijayalekshmi Vasudevan	Member
3.	Shri. John Samuel	Member
4.	Shri. K. C. Ranjani	Member

The Customer Service Committee of the Board was convened four (4) times during the Financial Year 2022-23 on the following dates:

Sl. No.	Date of Meeting
1.	09 <sup>th</sup> May 2022
2.	16 <sup>th</sup> September 2022
3.	03 <sup>rd</sup> December 2022
4.	08 <sup>th</sup> February 2023

The details regarding the constitution of the Customer Service Committee along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Shri. Ajayan Mangalath Gopalakrishnan Nair*	Chairman	1	1
2.	Dr. Vinod Vijayalekshmi Vasudevan	Member	4	4
3.	Shri. John Samuel **	Member	1	1
4.	Shri. K. C. Ranjani***	Member	1	1
5.	Shri. C. P. Mohan****	Chairman	2	2
6.	Shri. Thomas Jacob Kalappila*****	Chairman	3	3

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
7.	Shri. Alex Parackal George*****	Member	1	1
8.	Shri. Saneesh Singh*****	Member	1	1

\*Shri. Ajayan Mangalath Gopalakrishnan Nair was designated as the Chairman of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*Shri. John Samuel was appointed as a member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*Smt. K.C. Ranjani was appointed as the member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*\*Shri. Chandanathil Pappachan Mohan ceased to be a member of the Committee with effect from 31<sup>st</sup> October 2022, due to withdrawal of nomination by nominating authority. The Committee was reconstituted on 10<sup>th</sup> November 2022 based on the cessation of directorship of Shri. Chandanathil Pappachan Mohan and post reconstitution, Shri. Thomas Jacob Kalappila was designated as the Chairman of the Committee.

\*\*\*\*\* Shri. Thomas Jacob Kalappila ceased to be a Chairman and member of the Committee with effect from 03<sup>rd</sup> December 2022.

\*\*\*\*\* Shri. Alex Parackal George ceased to be a member of the Committee with effect from 12<sup>th</sup> December 2022, due to completion of his two terms as Independent Director of the Bank.

\*\*\*\*\* Shri. Saneesh Singh ceased to be a member of the Committee with effect from 26<sup>th</sup> July 2022, due to withdrawal of nomination by the nominating authority.

### Corporate Social Responsibility and Sustainability Committee of the Board (CSRSCB)

The Bank has constituted a Corporate Social Responsibility and Sustainability Committee of the Board pursuant to Section 135 of the Companies Act, 2013, in the meeting of the Board of Directors held on 17<sup>th</sup> August 2017. The Committee has been constituted to:

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Bank, as laid down in Schedule VII to the Companies Act, 2013.
- Recommend the amount to be expended for the CSR activities of the Bank.
- Monitor the Bank's Corporate Social Responsibility Policy and implementation of CSR Projects undertaken from time to time.

The Committee was reconstituted on 03<sup>rd</sup> December 2022 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Committee had four (4) members:

Sl. No.	Name of the Member	Designation
1.	Shri. John Samuel	Chairman
2.	Shri. Kadambelil Paul Thomas	Member
3.	Smt. K. C. Ranjani	Member
4.	Shri. Thomas Jacob Kalappila	Member

During the Financial Year 2022-23, two (2) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	09 <sup>th</sup> August 2022
2.	07 <sup>th</sup> February 2023

The details regarding the constitution of the Corporate Social Responsibility and Sustainability Committee along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total No. of Meetings held	No. of meetings attended
1.	Shri. John Samuel *	Chairman	1	1
2.	Shri. Kadambelil Paul Thomas	Member	2	2
3.	Smt. K. C. Ranjani**	Member	1	1
4.	Shri. Thomas Jacob Kalappila***	Member	1	1
5.	Dr. V. A. Joseph****	Chairman	1	1
6.	Shri. Asha Morley*****	Member	1	1

\*Shri. John Samuel was designated as the Chairman of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*Smt. K.C. Ranjani was appointed as the member of the Committee with effect 13<sup>th</sup> December 2022.

\*\*\*Shri. Thomas Jacob Kalappila was appointed as the member of the Committee with effect from 03<sup>rd</sup> December 2022.

\*\*\*\* Dr. V. A. Joseph ceased to be a Chairman and member of the Committee with effect from 03<sup>rd</sup> December 2022.

\*\*\*\*\*Smt. Asha Morley ceased to be a member of the Committee with effect from 12<sup>th</sup> December 2022, due to completion of her two terms as Independent Director of the Bank.

### High Value Fraud Monitoring Committee of the Board (HVFMCB)

A High Value Fraud Monitoring Committee of the Board was constituted in the meeting of the Board of Directors held on 03<sup>rd</sup> October 2018 to monitor and review all the frauds of Rs. 2.50 million and above, so that it can:

- Identify the systemic lacunae, if any, that facilitated perpetration of fraud and counter it by putting in place measures to plug the same.
- Identify the reasons for delay in detection, if any, and report the same to the top management of the Bank and the Reserve Bank of India.
- Monitor progress of CBI / Police Investigation and also monitor recovery position.
- Ensure that staff accountability is examined at all levels in all the cases of frauds, and staff side action, if required, is completed quickly without loss of time.

- Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening internal controls.
- Put in place other measures as may be considered relevant to strengthen preventive measures against fraud.

The Committee was reconstituted on 03<sup>rd</sup> December 2022 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Committee had five (5) members:

Sl. No.	Name of the Member	Designation
1.	Shri. Kadambelil Paul Thomas	Chairman
2.	Shri. Ravi Venkatraman	Member
3.	Shri. John Samuel	Member
4.	Shri. Thomas Jacob Kalappila	Member
5.	Shri. Ravimohan Periyakavil Ramakrishnan	Member

During the Financial Year 2022-23, one (1) meeting of the Committee was convened on the following date:

Sl. No.	Date of Meeting
1.	14 <sup>th</sup> March 2023

The details regarding the constitution of the Corporate Social Responsibility Committee along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Shri. Kadambelil Paul Thomas	Chairman	1	1
2.	Shri. Ravi Venkatraman*	Member	1	1
3.	Shri. John Samuel**	Member	1	1
4.	Shri. Thomas Jacob Kalappila	Member	1	1
5.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	1	1
6.	Smt. Asha Morley***	Member	0	0
7.	Dr. V. A. Joseph****	Member	0	0

\*Shri. Ravi Venkatraman was appointed as member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*Shri. John Samuel was appointed as member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*Smt. Asha Morley ceased to be a member of the Committee with effect from 12<sup>th</sup> December 2022.

\*\*\*\*Dr. V. A. Joseph ceased to be a member of the Committee with effect from 12<sup>th</sup> December 2022.

### IPO Steering Committee of the Board (IPOSCB)

The IPO Steering Committee of the Board was constituted by the Board of Directors in the meeting held on 06<sup>th</sup> August 2019. The Committee was reconstituted on 03<sup>rd</sup> December 2022 and 08<sup>th</sup> February 2023 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Committee had four (4) members:

Sl. No.	Name of the Member	Designation
1.	Shri. Ravimohan Periyakavil Ramakrishnan	Chairman
2.	Shri. Kadambelil Paul Thomas	Member
3.	Dr. V. A. Joseph	Member
4.	Shri. Ravi Venkatraman	Member

During the Financial Year 2022-23, two (2) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	04 <sup>th</sup> July 2022
2.	28 <sup>th</sup> March 2023

The details regarding the constitution of the IPO Steering Committee along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Shri. Ravimohan Periyakavil Ramakrishnan	Chairman	2	2
2.	Shri. Kadambelil Paul Thomas	Member	2	2
3.	Dr. V. A. Joseph	Member	2	2
4.	Shri. Ravi Venkatraman*	Member	1	1

\*Shri. Ravi Venkatraman was appointed as the Member of the Committee with effect from 08<sup>th</sup> February 2023.

### Human Resources Committee of the Board (HRCB)

The Human Resources Committee of the Board (HRCB) was constituted by the Board of Directors in the meeting held on 25<sup>th</sup> August 2021. The Committee was reconstituted on 03<sup>rd</sup> December 2022 and 08<sup>th</sup> February 2023 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Committee had four (4) members:

Sl. No.	Name of the Member	Designation
1.	Dr. V. A. Joseph	Chairman
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member
3.	Dr. Vinod Vijayalekshmi Vasudevan	Member
4.	Shri. Kadambelil Paul Thomas	Member

During the Financial Year 2022-23, four (4) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	20 <sup>th</sup> June 2022
2.	20 <sup>th</sup> September 2022
3.	03 <sup>rd</sup> December 2022
4.	09 <sup>th</sup> March 2023

The details regarding the constitution of the Human Resources Committee of the Board along with the attendance recorded in the meetings held during the Financial Year 2022-23 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Dr. V. A. Joseph	Chairman	4	4
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	4	4
3.	Dr. Vinod Vijayalekshmi Vasudevan*	Member	1	1
4.	Shri. Kadambelil Paul Thomas	Member	4	4

\*Dr. Vinod Vijayalekshmi Vasudevan was appointed as the Member of the Committee with effect from 08<sup>th</sup> February 2023.

### Stakeholders' Relationship Committee of the Board (SRCB)

The Stakeholders' Relationship Committee of the Board was constituted by the Board of Directors in the meeting held on 11<sup>th</sup> December 2019. The Committee was reconstituted on 03<sup>rd</sup> December 2022 during the year 2022-2023. As on 31<sup>st</sup> March 2023, the Committee had Four (4) members:

Sl. No.	Name of the Member	Designation
1.	Smt. K. C. Ranjani*	Chairman
2.	Shri. Kadambelil Paul Thomas	Member
3.	Shri. Ravi Venkatraman**	Member
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair***	Member

\*Smt. K. C. Ranjani was designated as Chairman of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*Shri. Ravi Venkatraman was appointed as a member of the Committee with effect from 13<sup>th</sup> December 2022.

\*\*\*Shri. Ajayan Mangalath Gopalakrishnan Nair was appointed as a member of the Committee with effect from 13<sup>th</sup> December 2022.

#Dr. V. A. Joseph ceased to be the Chairman and member of the Committee with effect from 03<sup>rd</sup> December 2022.

##Shri. Alex Parackal George ceased to be a member of the Committee with effect from 12<sup>th</sup> December 2022.

###Shri. Saneesh Singh ceased to be a member of the Committee with effect from 26<sup>th</sup> July 2022, due to withdrawal of nomination by M/s. ESAF Financial Holdings Private Limited, nominating authority.

The scope and function of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act, 2013 and the Securities and Exchange Board of India Regulations.

The Committee was constituted envisaging the listing of Equity shares of the Bank in stock exchanges. Since regulatory requirement of holding the meetings of the Committee is not applicable as on 31<sup>st</sup> March 2023, no meetings of the Committee were convened during the Financial Year 2022-23.

**The Company Secretary of the Bank acts as the Secretary of all Sub Committees of the Board of Directors.**

### Sitting Fee to Directors

All Directors except Managing Director & CEO are paid Sitting Fee as given below:

1.	Meetings of the Board of Directors	Rs. 50,000 per meeting (Till 03 <sup>rd</sup> December 2022) Rs. 60,000 per meeting (After 03 <sup>rd</sup> December 2022)
2.	Meetings of the Sub-Committees of the Board	Rs. 40,000 per meeting (Till 03 <sup>rd</sup> December 2022) Rs. 50,000 per meeting (After 03 <sup>rd</sup> December 2022)

### Fair Practices Code

The Bank has adopted the Fair Practices Code pursuant to the guidelines issued by the Reserve Bank of India in this regard, which is displayed on the official website of the Bank and at all branches of the Bank.

### Disclosures

- The particulars of transactions between the Bank and its Related Parties (as defined under Section 2(76) of the Companies Act, 2013 and in Accounting Standard 18) are set out in the Financial Statements. The Bank has a record of unqualified financial statements since inception.
- During the last three years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and/ or Securities and Exchange Board of India (SEBI) and/ or any other statutory authorities on matters relating to capital market.
- None of the Directors are related to any other Directors.
- The relevant disclosures in relation to the number of complaints under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal)

Act, 2013 have been mentioned in the Directors' Report of the Bank.

### 07<sup>th</sup> Annual General Meeting of the Bank

The day / date / time of the AGM and matters related thereto, including mode, e-voting dates and mode of participation will be decided by the Board of Directors of the Bank (the Board) in due course and the notice of the Annual General Meeting will be issued separately.

### Financial Year

The Bank follows the financial year starting from 01<sup>st</sup> April to 31<sup>st</sup> March, every year.

### Name and Address of Stock Exchange at which the Bank's Non-Convertible Debentures are listed

<b>Name of Stock Exchange</b>	BSE Limited
<b>Address of Stock Exchange</b>	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001
<b>Security Type</b>	Non-Convertible Debenture

<b>Name and Address of Registrar and Transfer Agent</b>	M/s. Link Intime India Private Limited C 101, 247 Park, L.B.S.Marg, Vikhroli (West), Mumbai – 400 083, Maharashtra Tel: 912249186270
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### Address for Correspondence

<b>Name of Contact person</b>	Mr. Ranjith Raj P.
<b>Designation</b>	Company Secretary
<b>Address</b>	Registered and Corporate Office of the Bank, Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN – 680 651

### Other Information

<b>Date of Incorporation</b>	05 <sup>th</sup> May 2016
<b>Corporate Identification Number</b>	U65990KL2016PLC045669
<b>RBI Registration Number</b>	MUM 124
<b>Registered and Corporate Office Address</b>	Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN – 680 651

# **FINANCIAL STATEMENTS**

# INDEPENDENT AUDITORS' REPORT

To

The Members of

**ESAF SMALL FINANCE BANK LIMITED**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of **ESAF SMALL FINANCE BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at March 31, 2023, 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 ("Accounting Standards") as applicable to banks and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2023, its profit 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 (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sl. No.	Key Audit Matter	Auditor's Response
1.	<p><b>Identification of Non-Performing Advances (NPA) and Provisioning for Advances</b></p> <p>(Refer Schedule 9 read with Note 4.3 of Schedule 17 to the financial statements)</p> <p>Advances constitute a significant portion of the Bank's assets, and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. The Bank has gross advances amounting to Rs. 13,924.33 crore (Previous Year Rs. 11,637 crore). The Bank has gross advances amounting to Rs. 14,118.13 crore (Previous Year Rs. 12,130.64) and the gross NPA ratio of Bank is 2.49 % (Previous Year 7.83%) as at March 31, 2023.</p>	<p>Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. In particular, our procedures include :</p> <ul style="list-style-type: none"> <li>We have evaluated and understood the Bank's internal control system in adhering to the Relevant RBI guidelines related identification of NPA including sale of NPA/Written off accounts to ARC;</li> <li>We have analysed and understood key IT systems/applications used and tested the design and implementation as well as operational effectiveness of relevant controls in relation to income recognition, asset classification, viz., standard, sub-standard, doubtful and loss with reference to relevant RBI guidelines and provisioning pertaining to advances;</li> </ul>

Sl. No.	Key Audit Matter	Auditor's Response
	<p>The Bank during the year has undertaken the transaction of transfer/sale of identified pool of stress loans comprising of non-Performing assets and technical written off accounts having gross exposure of Rs. 588.28 crore and Rs. 486.68 crore respectively, to Asset Reconstruction Company (ARC) against a consideration of Rs. 205.48 crore settled in the form of Cash and Security Receipts (SR) in terms of the RBI Master Directions on transfer of Loan exposures dated Sept. 24, 2021, and relevant Policy of the Bank.</p> <p>The Reserve Bank of India's (RBI) guidelines on income recognition, asset classification and provisioning ('IRAC norms') and other RBI guidelines (herein after referred as "Relevant RBI guidelines") prescribes the norms for identification and classification of NPAs and the minimum provision required for such assets.</p> <p>The Bank is also required to apply its judgement to determine the identification and provisioning for NPAs by applying quantitative as well as qualitative factors.</p> <p>Since the identification of NPAs and provisioning for advances is significant to the overall audit, we have ascertained this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We test checked advances to examine the recorded amounts, underlying loan documentation and statement of accounts, indicators of impairment, impairment provision for NPAs, and compliance with IRAC norms and other RBI Guidelines.</li> <li>• We had performed the walkthrough of the NPA automation process in the current financial year and tested the core functionality for selected sample and tested the identification of NPA and computation of provisions.</li> <li>• We have examined the assignment agreement and other relevant arrangement with the ARC related to the sale of NPA/Write off pools, including the Board of directors' approval for the transaction.</li> <li>• We have verified the valuation/provision for depreciation of the Investment in SR as of 31 March 2023 in compliance with the RBI Guideline.</li> <li>• With respect to contingency provision held as at March 31, 2023 towards unforeseen risk and stress emanating from certain portfolio of advances, we have tested key inputs, assumptions and methodology used by the management in estimating the provision amount (including utilisation thereof).</li> </ul>
2.	<p><b>Key Information technology (IT) systems used in financial reporting process:</b></p> <p>As a Scheduled Commercial Bank that operates on core banking solution ("CBS") and other loan applications across its branches, the reliability and security of IT systems plays a key role in the business operations. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner.</p> <p>The IT infrastructure is critical for smooth functioning of the Bank's business operations as well as for timely and accurate financial accounting and reporting.</p> <p>Due to the pervasive nature and complexity of the IT environment we have identified and tested access controls, segregating of duties and change management of relevant Information technology applications, databases and operating systems ("IT") used in financial reporting process as a key audit matter.</p>	<p>We involved our IT specialists to obtain an understanding of the Bank's IT related control environment. Furthermore, we conducted an assessment and identified key IT applications, databases and operating systems that are relevant for our audit. For the key IT systems used to prepare accounting and financial information, our areas of audit focus included access security (including controls over privileged access), program change controls, database management and network operations. In particular, our procedures include :</p> <p>We tested the design, implementation and operating effectiveness of the Bank's General IT controls over the key IT systems that are critical to financial reporting. This included evaluation of Bank's controls to evaluate segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit;</p> <p>We also tested key business cycle controls and system generated reports relevant to the audit; including testing of compensating controls or performed alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements.</p>

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

- The Bank's Board of Directors is responsible for the preparation of the other information. The other information comprises the Chairman's Statement, the Directors Report including annexures to the Directors report included in the Annual Report but does not include the financial statements and our auditors report thereon and the Basel II Disclosures under New Capital Adequacy Framework (Basel II Disclosures). The Director's report is expected to be made available to us after the date of this auditor's report.

- Our opinion on the financial statements does not cover the other information and Basel II Disclosures and we do not and will not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- When we read the other information identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'

### Responsibilities of Management and Those Charged with Governance 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 gives 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, Accounting Standards and other accounting principles generally accepted in India and the circulars, guidelines and the directions issued by the Reserve Bank of India, from time to time. This responsibility also includes 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 statement that give a true and fair view and is free from material misstatement, whether due to fraud or error.

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

The Bank's Board of Directors are also responsible for overseeing the Bank's financial reporting process.

### 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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) evaluating the effect of any identified misstatements in the financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matter

The comparative financial information of the Bank for the previous reporting periods included in the Financial Statements have been audited by Deloitte Haskins & Sells, Chartered Accountants, one of the joint statutory auditors of the Bank, who have expressed an unmodified opinion. Accordingly, Abarna & Ananthan, Chartered Accountants, do not express any opinion on the comparative figures.

Our Opinion on the Financial Statements is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

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

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.
- b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the bank.
- c) As explained in the paragraph 2 below, the financial accounting system of the Bank is centralised and, therefore, accounting returns are not required to be submitted by branches.
- d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
- e) The Balance Sheet, 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 the Banks.
- g) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 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 with reference to financial statements of the Bank 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 the Bank's internal financial controls with reference to financial statements.
- 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, the entity being a banking company, section 197 of the Act related to the managerial remuneration is not applicable by virtue of Section 35B(2A) of the Banking Regulation Act, 1949.
- 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:

- i. The Bank has disclosed the impact of pending litigations on its financial position as at the yearend in its financial statements - Refer Schedule 12 to the financial statements;
- ii. The Bank did not have any long-term contracts including derivative contracts as at the yearend 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.
- iv. (a) The Management has represented that, to the best of it's knowledge and belief, as disclosed in Note B.16 of Schedule 18 to the financial statements no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (b) The Management has represented, that, to the best of it's knowledge and belief, as disclosed in Note B.16 of Schedule 18 to the financial statements, no funds have been received by the Bank from any person(s)

or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- (c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
  - v. The Bank has not declared or paid any dividend during the year and has not proposed final dividend for the year.
  - vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Bank w.e.f. April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.
2. We report that during the course of our audit we have visited and performed select relevant procedures at 24 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the Core Banking System, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at Head Office based on the records and data required for the purpose of Audit being made available to us.

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

**G. K. Subramaniam**  
Partner  
Membership No. 109839  
UDIN: 23109839BGXPXR8925  
Place: Mannuthy  
Date: May 10, 2023

For **Abarna & Ananthan**  
Chartered Accountants  
(Firm Registration No. 000003S)

**Mohan Rao G.**  
Partner  
Membership No. 203737  
UDIN: 23203737BGZDDX2771  
Place: Bengaluru  
Date: May 10, 2023

## **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 with reference to Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls with reference to financial statements of ESAF SMALL FINANCE BANK LIMITED (the “Bank”) as of March 31, 2023 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 issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank’s policies, the safeguarding of its assets, the prevention and detection of fraud and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Bank based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial

controls over financial reporting included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

#### **Meaning of Internal Financial Controls with Reference to Financial Statements**

A Bank’s internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank’s internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and 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 control with reference to financial statements**

Because of the inherent limitations of internal financial control with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls 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 with reference to financial statements and such internal financial controls with reference to financial

statements were operating effectively as at March 31, 2023, 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 Registration No. 117365W)

For **Abarna & Ananthan**  
Chartered Accountants  
(Firm Registration No. 000003S)

**G. K. Subramaniam**  
Partner  
Membership No. 109839  
UDIN: 23109839BGXPXR8925  
Place: Mannuthy  
Date: May 10, 2023

**Mohan Rao G.**  
Partner  
Membership No. 203737  
UDIN: 23203737BGZDDX2771  
Place: Bengaluru  
Date: May 10, 2023

# Balance Sheet

As at 31 March 2023

Rs. In Thousands

	Schedule No.	As At 31 March 2023	As At 31 March 2022
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	4,494,738	4,494,738
Employee Stock options Outstanding		58,752	48,058
Reserves and Surplus	2	12,596,545	9,573,214
Deposits	3	146,656,237	128,150,725
Borrowings	4	33,541,956	29,528,333
Other Liabilities and Provisions	5	4,888,329	5,280,573
<b>Total</b>		<b>202,236,557</b>	<b>177,075,641</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	7,395,480	13,006,682
Balances with Banks and Money at Call and Short Notice	7	275,009	2,112,364
Investments	8	48,885,274	40,702,983
Advances	9	139,243,307	116,370,048
Fixed Assets	10	1,879,269	1,594,747
Other Assets	11	4,558,218	3,288,817
<b>Total</b>		<b>202,236,557</b>	<b>177,075,641</b>
Contingent Liabilities	12	18,984	20,519
Bills for collection		-	-
Significant Accounting Policies and notes to accounts forming part of financial statements	17 & 18		

Schedules referred to above form an integral part of the Financial statements.

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

In terms of our report attached  
 For **Deloitte Haskins & Sells**  
 Chartered Accountants  
 Firm's Registration  
 Number: 117365W

For **Abarna & Ananthan**  
 Chartered Accountants  
 Firm's Registration  
 Number: 000003S

For and on behalf of the Board of Directors

Sd/-  
**P. R. Ravi Mohan**  
 Chairman  
 DIN: 08534931

Sd/-  
**Kadambelil Paul Thomas**  
 Managing Director & CEO  
 DIN: 00199925

Sd/-  
**G. K. Subramaniam**  
 Partner  
 Membership No. : 109839

Sd/-  
**Mohan Rao G.**  
 Partner  
 Membership No. : 203737

Sd/-  
**Thomas Jacob Kalappila**  
 Director  
 DIN: 00812892

Sd/-  
**Gireesh C. P.**  
 Chief Financial Officer

Sd/-  
**Ranjith Raj P.**  
 Company Secretary

Place : Mannuthy  
 Date : 10 May 2023

Place : Bengaluru  
 Date : 10 May 2023

Place : Mannuthy  
 Date : 10 May 2023

# Profit and Loss Account

For the year ended 31 March 2023

	Schedule No.	Year ended 31 March 2023	Year ended 31 March 2022
Rs. In Thousands			
<b>I. INCOME</b>			
Interest Earned	13	28,536,596	19,399,255
Other Income	14	2,879,126	2,075,828
<b>Total</b>		<b>31,415,722</b>	<b>21,475,083</b>
<b>II. EXPENDITURE</b>			
Interest expended	15	10,173,185	7,927,866
Operating Expenses	16	12,305,412	8,628,711
Provisions and Contingencies		5,913,794	4,371,188
<b>Total</b>		<b>28,392,391</b>	<b>20,927,765</b>
<b>III. PROFIT</b>			
Net Profit for the year (I - II)		3,023,331	547,318
Add: Balance in Profit and Loss account brought forward from Previous Year		3,214,961	3,062,432
		<b>6,238,292</b>	<b>3,609,750</b>
<b>IV. APPROPRIATIONS</b>			
Transfer to Statutory Reserve		755,833	136,830
Transfer to Capital Reserve		2,763	37,293
Transfer to/(from) Investment Fluctuation Reserve		59,475	220,666
Balance carried over to Balance Sheet		5,420,221	3,214,961
<b>Total</b>		<b>6,238,292</b>	<b>3,609,750</b>
Earnings per share (face value of Rs. 10/- each) (Refer Note B.1 of schedule 18)			
Basic (Rs.)		6.73	1.22
Diluted (Rs.)		6.71	1.22
Significant Accounting Policies and notes to accounts forming part of financial statements	17 & 18		

Schedules referred to above form an integral part of the Financial statements The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants  
Firm's Registration  
Number: 117365W

For **Abarna & Ananthan**  
Chartered Accountants  
Firm's Registration  
Number: 000003S

For and on behalf of the Board of Directors

Sd/-  
**P. R. Ravi Mohan**  
Chairman  
DIN: 08534931

Sd/-  
**Kadambelil Paul Thomas**  
Managing Director & CEO  
DIN: 00199925

Sd/-  
**G. K. Subramaniam**  
Partner  
Membership No. : 109839

Sd/-  
**Mohan Rao G.**  
Partner  
Membership No. : 203737

Sd/-  
**Thomas Jacob Kalappila**  
Director  
DIN: 00812892

Sd/-  
**Gireesh C. P.**  
Chief Financial Officer

Sd/-  
**Ranjith Raj P.**  
Company Secretary

Place : Mannuthy  
Date : 10 May 2023

Place : Bengaluru  
Date : 10 May 2023

Place : Mannuthy  
Date : 10 May 2023

# Cash Flow Statement

For the year ended 31 March 2023

Particulars	Rs. In Thousands	
	Year ended 31 March 2023	Year ended 31 March 2022
<b>Cash Flow from Operating Activities</b>		
Net Profit before tax	4,060,448	738,497
<b>Adjustments for:</b>		
Depreciation on Bank's Property	417,889	327,740
Amortisation of Premium on HTM Investments	62,701	80,345
Profit on sale of investments (net)	(156,351)	(435,138)
(Profit)/Loss on sale of Fixed Assets	3,379	(60)
Provision for Non Performing Advances	6,157,908	3,206,745
Provision for Standard Advances	(1,281,080)	936,222
Expense on Employee Stock Option	10,694	48,058
Provision for Depreciation on Investments	913,883	233,065
Provision for Other Contingencies	54,517	34,099
	<b>10,243,988</b>	<b>5,169,573</b>
(Increase)/ Decrease in Investments (other than HTM Investments)	(3,976,139)	(11,979,401)
(Increase)/ Decrease in Advances	(29,031,166)	(37,900,938)
(Increase)/ Decrease in Fixed Deposit with Bank (Original Maturity greater than 3 months)	-	(2,940)
(Increase)/ Decrease in Other Assets	(1,693,473)	(497,394)
Increase/ (Decrease) in Deposits	18,505,512	38,156,465
Increase/ (Decrease) in Other liabilities and provisions	834,319	1,378,629
Direct taxes paid (net)	(613,045)	(169,016)
<b>Net Cash Flow used in Operating Activities (A)</b>	<b>(5,730,004)</b>	<b>(5,845,022)</b>
<b>Cash Flow from/(Used in) Investing Activities</b>		
Purchase of Fixed Assets	(716,506)	(540,140)
Proceeds from Sale of Fixed Assets	10,716	2,832
(Increase)/ Decrease in Held to Maturity Investments	(5,026,386)	(9,281,162)
<b>Net Cash Used in Investing Activities (B)</b>	<b>(5,732,176)</b>	<b>(9,818,470)</b>
<b>Cash Flow from/(Used in) Financing Activities</b>		
Increase/(Decrease) in Borrowings	4,013,623	12,588,333
<b>Cash Flow from Financing Activities (C)</b>	<b>4,013,623</b>	<b>12,588,333</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(7,448,557)</b>	<b>(3,075,159)</b>
<b>Cash and Cash Equivalents at the beginning of year</b>	<b>15,112,796</b>	<b>18,187,955</b>
<b>Cash and Cash Equivalents at the end of year</b>	<b>7,664,239</b>	<b>15,112,796</b>
<b>Note:</b>		
Cash in Hand	1,544,464	1,466,218
Balance with RBI in Current Account	5,851,016	5,200,464
Balance with Banks in India in Current Account	268,759	356,114
Money at Call and Short Notice (Schedule 7 I (ii) a)	-	1,750,000
Lending Under Reverse Repo Notice	-	6,340,000
Cash and cash equivalents at the end of the year	<b>7,664,239</b>	<b>15,112,796</b>

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3 - Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with the Companies (Account) Rules, 2014 .

In terms of our report attached  
 For **Deloitte Haskins & Sells**  
 Chartered Accountants  
 Firm's Registration  
 Number: 117365W

For **Abarna & Ananthan**  
 Chartered Accountants  
 Firm's Registration  
 Number: 0000035

For and on behalf of the Board of Directors

Sd/-  
**P. R. Ravi Mohan**  
 Chairman  
 DIN: 08534931

Sd/-  
**Kadambelil Paul Thomas**  
 Managing Director & CEO  
 DIN: 00199925

Sd/-  
**G. K. Subramaniam**  
 Partner  
 Membership No. : 109839

Sd/-  
**Mohan Rao G.**  
 Partner  
 Membership No. : 203737

Sd/-  
**Thomas Jacob Kalappila**  
 Director  
 DIN: 00812892

Sd/-  
**Gireesh C. P.**  
 Chief Financial Officer  
 Place : Mannuthy  
 Date : 10 May 2023

Sd/-  
**Ranjith Raj P.**  
 Company Secretary

Place : Mannuthy  
 Date : 10 May 2023

Place : Bengaluru  
 Date : 10 May 2023

Place : Mannuthy  
 Date : 10 May 2023

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## SCHEDULE 1 - CAPITAL

	Rs. In Thousands	
	As At 31 March 2023	As At 31 March 2022
<b>Authorised Capital</b>		
60,00,00,000 Equity Shares of Rs. 10/- each (60,00,00,000 Equity Shares of Rs. 10/- each)	6,000,000	6,000,000
<b>Issued, Subscribed and Paid up Capital #</b>		
44,94,73,798 Equity Shares of Rs. 10/- each (44,94,73,798 Equity Shares of Rs. 10/- each)	4,494,738	4,494,738
<b>Total</b>	<b>4,494,738</b>	<b>4,494,738</b>

## SCHEDULE 2 - RESERVES AND SURPLUS

	Rs. In Thousands	
	As At 31 March 2023	As At 31 March 2022
<b>I. Statutory Reserve</b>		
Opening balance	1,171,397	1,034,567
Additions during the year	755,833	136,830
	<b>1,927,230</b>	<b>1,171,397</b>
<b>II. Capital Reserves</b>		
(a) Revaluation Reserve		
Opening balance	-	-
Additions during the year	-	-
(b) Others		
Opening balance	37,293	-
Additions during the year *	2,763	37,293
	<b>40,056</b>	<b>37,293</b>
<b>III. Share premium</b>		
Opening balance	4,887,628	4,887,628
Additions during the year	-	-
Deductions during the year	-	-
	<b>4,887,628</b>	<b>4,887,628</b>
<b>IV. Revenue and Other Reserves</b>		
Investment Fluctuation Reserve		
Opening balance	261,935	41,269
Additions during the year	59,475	220,666
	<b>321,410</b>	<b>261,935</b>
<b>V. Balance in Profit and Loss Account</b>	<b>5,420,221</b>	<b>3,214,961</b>
<b>Total (I to V)</b>	<b>12,596,545</b>	<b>9,573,214</b>

\* Includes appropriations made by the Bank for profit on sale of investments in held-to-maturity category, net of taxes and transfer to Statutory Reserve.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## SCHEDULE 3 - DEPOSITS

		Rs. In Thousands	
		As At 31 March 2023	As At 31 March 2022
A.	I. Demand Deposits		
	i. From Banks	78,783	66,879
	ii. From Others	2,558,746	2,131,029
		<b>2,637,529</b>	<b>2,197,908</b>
	II. Savings Bank Deposits	28,736,938	27,076,067
	III. Term Deposits		
	i. From Banks	11,820,265	19,374,605
	ii. From Others	103,461,505	79,502,145
		<b>115,281,770</b>	<b>98,876,750</b>
	<b>Total (I to III)</b>	<b>146,656,237</b>	<b>128,150,725</b>
B.	I. Deposits of branches in India	146,656,237	128,150,725
	II. Deposits of branches outside India	-	-
	<b>Total (I to II)</b>	<b>146,656,237</b>	<b>128,150,725</b>

## SCHEDULE 4 - BORROWINGS

		Rs. In Thousands	
		As At 31 March 2023	As At 31 March 2022
I.	Borrowings in India		
	i. Reserve Bank of India	6,740,000	6,960,000
	ii. Other Banks	-	-
	iii. Other institutions and agencies	24,871,956	20,488,333
	iv. Subordinated Debt	1,450,000	1,600,000
	v. Perpetual Debt Instrument	480,000	480,000
		<b>33,541,956</b>	<b>29,528,333</b>
	II. Borrowings outside India	-	-
	<b>Total (I to II)</b>	<b>33,541,956</b>	<b>29,528,333</b>
	Secured Borrowings included in I and II above	<b>12,129,456</b>	<b>10,385,833</b>

## SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

		Rs. In Thousands	
		As At 31 March 2023	As At 31 March 2022
I.	Bills Payable	49,674	36,481
II.	Inter - office adjustments (Net)	-	-
III.	Interest accrued	556,441	407,917
IV.	Provision for Standard Assets	896,566	2,177,647
V.	Others (including Provisions)	3,385,648	2,658,528
	<b>Total (I to V)</b>	<b>4,888,329</b>	<b>5,280,573</b>

## SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

		Rs. In Thousands	
		As At 31 March 2023	As At 31 March 2022
I.	Cash in hand	1,544,464	1,466,218
II.	Balance with Reserve Bank of India		
	i. in Current Accounts	5,851,016	5,200,464
	ii. in Other Accounts	-	6,340,000
	<b>Total (I to II)</b>	<b>7,395,480</b>	<b>13,006,682</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

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

Rs. In Thousands

	As At 31 March 2023	As At 31 March 2022
I. In India		
i. Balances with Banks		
a. in Current Accounts	268,759	356,114
b. in Other Deposit Accounts	6,250	6,250
<b>Total</b>	<b>275,009</b>	<b>362,364</b>
ii. Money at Call and Short Notice		
a. With Banks	-	1,750,000
b. With Other Institutions	-	-
c. Lending under Reverse Repo (RBI)	-	-
<b>Total</b>	<b>-</b>	<b>1,750,000</b>
<b>Total (I)</b>	<b>275,009</b>	<b>2,112,364</b>
II. Outside India		
i. in Current Accounts	-	-
ii. in Other Deposit Accounts	-	-
iii. Money at call and short notice	-	-
<b>Total (II)</b>	<b>-</b>	<b>-</b>
<b>Total (I to II)</b>	<b>275,009</b>	<b>2,112,364</b>

## SCHEDULE 8 - INVESTMENTS (NET OF PROVISIONS)

Rs. In Thousands

	As At 31 March 2023	As At 31 March 2022
I. Investments in India in :		
i. Government Securities	47,421,020	39,940,959
ii. Other approved Securities	-	-
iii. Shares	116,613	153,935
iv. Debentures and Bonds	-	-
v. Subsidiaries/ Joint Ventures	-	-
vi. Others [Certificate of Deposits (CDs), Mutual Funds, Security Receipts (SRs) etc.]	1,347,641	608,089
<b>Total (I)</b>	<b>48,885,274</b>	<b>40,702,983</b>
II. Investments outside India	-	-
<b>Total (II)</b>	<b>-</b>	<b>-</b>
<b>Total (I to II)</b>	<b>48,885,274</b>	<b>40,702,983</b>
Gross Investments	49,905,267	40,942,929
Less: Depreciation/ Provision for Investments	1,019,993	239,946
<b>Net Investments</b>	<b>48,885,274</b>	<b>40,702,983</b>

## SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)

Rs. In Thousands

	As At 31 March 2023	As At 31 March 2022
A. i. Bills purchased and discounted	427,181	254,289
ii. Cash credits, overdrafts and loans repayable on demand	2,051,139	1,207,807
iii. Term loans	136,764,987	114,907,952
<b>Total</b>	<b>139,243,307</b>	<b>116,370,048</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

		Rs. In Thousands	
		As At 31 March 2023	As At 31 March 2022
B.	i. Secured by tangible assets (Includes advances against book debts)	34,316,693	19,095,619
	ii. Covered by Bank/Government guarantees	-	-
	iii. Unsecured	104,926,614	97,274,429
<b>Total (Net of Provisions)</b>		<b>139,243,307</b>	<b>116,370,048</b>
C.	I. Advances in India		
	i. Priority Sectors	111,500,635	87,215,566
	ii. Public Sector	-	-
	iii. Banks	-	-
	iv. Others	27,742,672	29,154,482
<b>Total (I)</b>		<b>139,243,307</b>	<b>116,370,048</b>
	II. Advances outside India		
	i. Due from Banks	-	-
	ii. Due from Others		
	a) Bills purchased and discounted	-	-
	b) Syndicated Loans	-	-
	c) Others	-	-
<b>Total (II)</b>		-	-
<b>Total (I to II)</b>		<b>139,243,307</b>	<b>116,370,048</b>

## SCHEDULE 10 - FIXED ASSETS

		Rs. In Thousands	
		As At 31 March 2023	As At 31 March 2022
<b>I</b>	<b>OWNED ASSETS</b>		
	<b>a. Premises</b>		
	<b>Gross Block</b>		
	At the beginning of the year	-	-
	Additions during the year	-	-
	Deductions during the year	-	-
	Closing Balance	-	-
	<b>Depreciation</b>		
	As at the beginning of the year	-	-
	Charge for the Year	-	-
	Deductions during the year	-	-
	Depreciation to date	-	-
	<b>Net Block</b>	-	-
	<b>b. Other fixed assets</b>		
	(including furniture and fixtures)		
	<b>Gross Block</b>		
	At the beginning of the year	2,672,878	2,086,929
	Additions during the year	714,866	598,463
	Deductions during the year	37,662	12,514
	Closing Balance	<b>3,350,082</b>	<b>2,672,878</b>
	<b>Depreciation</b>		
	As at the beginning of the year	1,078,859	760,861
	Charge for the year	417,889	327,740
	Deductions during the year	23,567	9,742
	Depreciation to date	1,473,181	1,078,859
	<b>Net Block</b>	<b>1,876,901</b>	<b>1,594,019</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

	Rs. In Thousands	
	As At 31 March 2023	As At 31 March 2022
<b>II ASSETS GIVEN ON LEASE</b>		
<b>Gross Block</b>		
At the beginning of the year	-	-
Additions during the year	-	-
Deductions during the year	-	-
Closing Balance	-	-
Depreciation		
As at the beginning of the year	-	-
Charge for the year	-	-
Deductions during the year	-	-
Depreciation to date	-	-
<b>Net Block</b>	-	-
<b>III. Capital Work in progress</b>	2,368	728
<b>Total (I to III)</b>	<b>1,879,269</b>	<b>1,594,747</b>

## SCHEDULE 11 - OTHER ASSETS

	Rs. In Thousands	
	As At 31 March 2023	As At 31 March 2022
I. Inter - office adjustments (net)	-	-
II. Interest accrued	2,140,800	1,091,550
III. Tax paid in advance/Tax Deducted at source (Net of provision)	117,580	275,709
IV. Stationery and Stamps	449	534
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred tax asset (net)	384,180	650,123
VII. Others	1,915,209	1,270,901
<b>Total (I to VII)</b>	<b>4,558,218</b>	<b>3,288,817</b>

## SCHEDULE 12 - CONTINGENT LIABILITIES

	Rs. In Thousands	
	As At 31 March 2023	As At 31 March 2022
I. Claims against the Bank not acknowledged as debts	-	-
II. Liability on account of outstanding forward exchange contracts	-	-
III. Guarantees given on behalf of constituents - in India	13,984	15,519
IV. Acceptances, endorsements and other obligations	-	-
V. Other items for which the Bank is contingently liable	5,000	5,000
<b>Total (I to V)</b>	<b>18,984</b>	<b>20,519</b>

## SCHEDULE 13 - INTEREST EARNED

	Rs. In Thousands	
	Year ended 31 March 2023	Year ended 31 March 2022
I. Interest/discount on advances/bills	25,320,449	17,267,116
II. Income on investments	3,120,441	1,883,083
III. Interest on balances with Reserve Bank of India and other inter-bank funds	95,706	249,056
IV. Others	-	-
<b>Total (I to IV)</b>	<b>28,536,596</b>	<b>19,399,255</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## SCHEDULE 14 - OTHER INCOME

	Rs. In Thousands	
	Year ended 31 March 2023	Year ended 31 March 2022
I. Commission, exchange and brokerage	1,994,828	1,507,225
II. Profit on sale of investments (Net)	156,351	435,138
III. Profit on revaluation of investments (Net)	(913,883)	(233,065)
IV. Profit on sale of land, buildings and other assets (Net)	(3,379)	60
V. Profit on foreign exchange transactions (Net)	11,117	9,239
VI. Income earned by way of dividends etc. from companies	2,041	1,565
VII. Miscellaneous income *	1,632,051	355,666
<b>Total (I to VII)</b>	<b>2,879,126</b>	<b>2,075,828</b>
* includes Income from :		
Recovery of written off Accounts	691,972	79,857
Cash received on sale of technical written of portfolio (Refer Note A. 4.6 (i) of Schedule 18)	380,900	-

## SCHEDULE 15 - INTEREST EXPENDED

	Rs. In Thousands	
	Year ended 31 March 2023	Year ended 31 March 2022
I. Interest on deposits	8,377,179	6,788,463
II. Interest on Reserve Bank of India/Inter bank borrowings	330,068	204,159
III. Others	1,465,938	935,244
<b>Total (I to III)</b>	<b>10,173,185</b>	<b>7,927,866</b>

## SCHEDULE 16 - OPERATING EXPENSES

	Rs. In Thousands	
	Year ended 31 March 2023	Year ended 31 March 2022
I. Payments to and provisions for employees	2,779,981	2,321,366
II. Rent, taxes and lighting	748,007	600,209
III. Printing and stationery	73,800	67,422
IV. Advertisement and publicity	154,680	60,216
V. Depreciation on Bank's property	417,889	327,740
VI. Directors' fees, allowances and expenses	16,280	14,795
VII. Auditors' fees and expenses	14,213	7,486
VIII. Law charges	10,414	4,334
IX. Postage, Telegrams, Telephones etc	189,499	109,418
X. Repairs and maintenance	46,978	17,624
XI. Insurance	150,897	127,333
XII. Other expenditure *	7,702,774	4,970,768
<b>Total (I to XII)</b>	<b>12,305,412</b>	<b>8,628,711</b>

\* includes expenditure towards

	Rs. In Thousands	
	Year ended 31 March 2023	Year ended 31 March 2022
Corporate Social Responsibility	82,600	87,600
Business Correspondent expenses	5,442,357	3,486,579

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1 Background

ESAF Small Finance Bank Limited ("the Bank") is a public limited company incorporated on 5 May 2016 in India, after receiving in principal approval from the Reserve Bank of India ("RBI") to establish a small finance bank in the private sector under section 22 of the Banking Regulation Act, 1949 on 16 September 2015. The Bank received the license from the Reserve Bank of India on 18 November 2016 and commenced its banking operations from 10 March 2017. As per RBI Approval, the name of the Bank is included in the Second Schedule to the Reserve Bank of India Act, 1934 w. e. f. 12 November 2018. The Bank provides micro, retail and corporate banking, para banking activities such as debit card, third party financial product distribution, in addition to treasury and permitted foreign exchange business.

In order to get the shares listed in stock exchange, the Bank is in the process of filing of Draft Red herring prospectus.

### 2 Basis of Preparation

The financial statements have been prepared in accordance with the requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform in all material aspects with Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by RBI from time to time and Accounting Standards prescribed under Section 133 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 to the extent applicable and other relevant provisions of the Companies Act, 2013 ("Act") and current practices prevailing within the Banking industry in India. The Bank follows historical cost convention and accrual basis of accounting in the preparation of the financial statements, except otherwise stated. The accounting policies adopted in the presentation of financial statements are consistent with those followed in the previous year.

### 3 Use of Estimation

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Bank's Management believes that the estimates used in the preparation of the financial statements

are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

## 4 Significant Accounting Policies

### 4.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

- i. Interest Income is recognized in the Profit and Loss Account on accrual basis, except in the case of non-performing assets. Interest on non-performing assets is recognized on realization basis as per the prudential norms issued by the RBI. Interest is not charged on the delayed remittances for the overdue period on microloans.
- ii. Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, the profit on sale of investments in the 'Held to Maturity' category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve) to 'Capital Reserve'.
- iii. Income on non-coupon bearing discounted instruments is recognized over the tenure of the instrument on a straight line basis. In case of coupon bearing discounted instruments, discount income is recognized over the tenure of the instrument on yield basis.
- iv. Dividend on Investments in shares and units of Mutual Funds are accounted when the Bank's right to receive the dividend is established.
- v. Processing fee/ upfront fee, handling charges and similar charges collected at the time of sanctioning or renewal of loan/ facility are recognised at the inception/ renewal of loan on upfront basis.
- vi. Other fees and Commission income (including commission income on third party products) are recognised when due, except in cases where the Bank is uncertain of ultimate collection and in case of Non performing assets.
- vii. Interest income on deposits with banks and other financial institutions are recognised on a time proportion accrual basis taking into account the amounts outstanding and the rates applicable.

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- viii Guarantee commission is recognised on a straight line basis over the period of contract.
- ix Locker rent is recognised on realisation basis.
- x. For a securitization or direct assignment transaction, the Bank recognizes profit upon receipt of the funds and loss is recognized at the time of sale. The unrealised gains, associated with expected future margin income is recognised in profit and loss account on receipt of cash, after absorbing losses, if any.
- xi. Fee received on sale of priority sector lending certificates is considered as Miscellaneous Income, while fee paid for purchase is expended as other expenditure in accordance with the guidelines issued by RBI on the date of purchase/sale on an upfront basis.

## 4.2 Investments

### i. Classification:

Investments are classified into three categories, viz Held to Maturity ("HTM"), Available for Sale ("AFS") and Held for Trading ("HFT") at the time of purchase as per the guidelines issued by RBI.

However for disclosure in the Balance Sheet, Investments in India are classified under six groups - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Others.

Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting.

### ii. Basis of classification

Investments that the Bank intends to hold till maturity are classified as HTM category.

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which are not classified in either of the above two categories are classified under AFS category.

### iii. Acquisition Cost :

The cost of investments is determined on weighted average basis. Broken period interest in debt instruments and government securities is treated as a revenue item. The transaction cost including brokerage commission etc. paid at the time of acquisition of investments is charged to the Profit and Loss account.

### iv. Disposal of investments:

Investments classified as HFT or AFS - Profit or loss on sale or redemption is recognised in the Profit and Loss Account. 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 recognised in the Profit and Loss Account.

### v. Valuation:

HTM securities are carried at their acquisition cost. Any premium on acquisition of government securities is amortised over the remaining maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.

AFS and HFT securities are valued periodically as per RBI guidelines.

The market/ fair value for the purpose of periodical valuation 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/ quotes on the stock exchanges, SGL account transactions, price list of RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. [FBIL], based on relevant RBI circular.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the YTM rates, shall be with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FBIL. Securities are valued scrip wise and depreciation/appreciation aggregated for each category. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.

Treasury bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.

Non Performing investments are identified and valued based on RBI guidelines.

### vi. Repo Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in government securities are reflected as borrowings and lending transactions respectively. Borrowing cost on repo transaction is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

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## vii. Investment Fluctuation Reserve ("IFR")

With a view to building up of adequate reserves to protect against increase in yields in accordance with RBI guideline bank started to create an IFR with effect from the Financial Year 2018-19.

Amount appropriated from Net Profit to IFR is not less than lower of the following:

- (i) Net profit on sale of investments during the year or
- (ii) Net profit for the year less mandatory appropriations, until the amount of IFR is at least 2 per cent of the HFT and AFS portfolio, on a continuing basis.

The amount held in the IFR shall be utilized by way of draw down, in accordance with the provisions of the Reserve Bank of India guidelines

## viii. Short Sales

The short sale transactions in Central Government dated securities undertaken by the Bank shall be accounted in the following manner in accordance with RBI guidelines.

- The short position is categorised under HFT category and netted off from investments in the Balance Sheet.
- The short position is marked to market at periodical intervals and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored.
- Profit / Loss on settlement of the short position is recognised in the Profit and Loss Account

## ix. Transfer of Securities between Categories:

The transfer/shifting of securities between categories of investments is accounted in accordance with the RBI guidelines.

## 4.3 Advances

- i. Advances are classified into performing assets ("Standard") and non-performing assets ("NPA") as per the RBI guidelines and are stated net of unrealised interest/charges in suspense for non performing advances and provisions made towards NPAs and principal portion of advance prepaid by customer, if any. Interest/ other charges on Non-performing advances are not recognised in Profit and Loss Account and is transferred to an unrealised interest suspense account till the actual realisation. Interest portion of advance prepaid by the customer is disclosed

as other liability and recognised to profit and loss account on due basis. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at /or above the minimum required level in accordance with the provisioning policy adopted by the Bank and as per the guidelines and circulars of the RBI on matters relating to prudential norms.

- ii. Provision for standard advances is made as per the extant RBI guidelines. Additional Provision on standard assets is made as per the policy decided by the Board.
- iii. The Bank transfers advances through interbank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating; the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.
- iv. Non Performing Advances are written off as per the Bank's policy. Amounts recovered against debts written off/ technically written off are recognised in the Profit and Loss account and included under "Other Income".
- v. The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances/ securities, which would generally include, among others, alteration of repayment period/ repayable amount/ the amount of instalments/ rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines, as amended from time to time. In accordance with RBI guidelines on the prudential framework for restructure of

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stressed assets and the resolution framework for Covid 19 related stress, the Bank in accordance with its Board approved policy, carried out one time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.

- vi. Priority Sector Lending Certificate (PSLC): The Bank enters into transactions for the sale and/or purchase of priority sector lending certificates (PSLC). In case of a sale transaction, the Bank sells the fulfillment of priority sector obligations and in the case of a purchase transaction, the Bank buys the fulfillment of priority sector obligations through the RBI trading platform. There is no transfer of loan assets or risks. The fees received for the sale of PSLC is recorded as other income and fees paid for purchase of PSLC is recorded as other expenditure in profit and loss account.
- vii. Securitisation Transaction and Direct Assignments:

The Bank transfers its loan receivables through Direct Assignment route as well as transfer to Special Purpose Vehicle (SPV).

The transferred loans and such securitised receivables are de-recognised as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Sales/ transfer that do not meet true sale criteria are accounted for as borrowings. For a securitization or direct assignment transaction, the Bank recognizes profit upon receipt of that funds and loss is recognized at the time of sale.

The unrealised gains, associated with expected future margin income are recognised in profit and loss account on receipt of cash, after absorbing losses, if any.

On sale of stressed assets, if the sale is at a price below the net book value (i.e., funded outstanding less specific provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year when the sum of cash received by way of initial consideration and / or redemption or transfer of security receipts issued by SC / RC exceeds the net book value of the loan at the time of transfer.

In respect of stressed assets sold under an asset securitisation, where the investment by the bank in security receipts (SRs) backed by the assets sold by it is more than 10 per cent of such SRs, provisions held are higher of the provisions required in terms of net asset value declared by the Securitisation Company ('SC') / Reconstruction Company ('RC') and provisions as per the extant norms applicable to the underlying loans, notionally treating the book value of these SRs as the corresponding stressed loans assuming the loans remained in the books of the Bank.

Investments in Pass Through Certificates (PTCs) issued by other Special Purpose Vehicles (SPVs), are accounted at acquisition cost and are classified as investments. Loans bought through the direct assignment route which are classified as advances and are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on effective interest rate method.

## 4.4 Fixed Assets (Property Plant & Equipment and Intangible Assets) and Depreciation / Amortization

Fixed Assets have been stated at cost less accumulated depreciation and amortisation and adjusted for impairment, if any.

Cost includes cost of purchase inclusive of freight, duties, incidental expenses and all expenditures like site preparation, installation costs and professional fees incurred on the asset before it is ready to put to use.

Gains or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets, based on technical evaluation done by the management are given below:

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Class of Asset (Tangible and Intangible)	Estimated Useful Life as assessed by the Bank (in Years)	Estimated Useful Life specified under Schedule II of the Companies Act, 2013. (in Years)
Office Equipment	4-5	5
Computers	2- 3	3
Furniture & Fixtures	9-10	10
Motor Vehicles	2-5	8
Servers	5	6

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets comprising software are amortised on straight line basis over a period of 4 years, unless it has a shorter useful life.

For assets purchased/ sold during the Year, depreciation is being provided on prorata basis by the Bank.

Capital work-in-progress includes costs incurred towards creation of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

## 4.5 Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

## 4.6 Retirement and Employee Benefits

### i. Short Term Employee Benefit

The undiscounted amount of short-term employee benefits which are expected to be paid in exchange for the services rendered by employees are recognised during the Year when the employee renders the service.

### ii. Long Term Employee Benefit

#### a. Defined contribution Plan:

Provident Fund: In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre-determined rate. Contribution to provident fund are recognized as expense as and when the services are rendered. The Bank has no liability for future provident fund benefits other than its fixed contribution.

#### b. Defined Benefit Plan:

Gratuity: The Bank provides for Gratuity, covering employees in accordance with the Payment of Gratuity Act, 1972. The Bank's liability is actuarially determined (using Projected Unit Credit Method) as at the Balance Sheet date. The actuarial gain or loss arising during the Year is recognised in the Profit and Loss Account.

Compensated Absences: The Bank accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Bank's obligation is actuarially determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the Year in which they arise.

## 4.7 Share issue expenses

Share issue expenses are adjusted from Share Premium Account as permitted by Section 52 of the Companies Act, 2013 on issue of underlying securities pending which is recognised as "other assets" in Balance sheet.

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## 4.8 Income Taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one Year and are capable of reversal in one or more subsequent Year(s).

Deferred tax assets on account of timing differences are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of carry forward losses and unabsorbed depreciation, under tax laws, the deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each reporting date, the Bank re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each reporting date. The Bank writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account

of changes in enacted tax rates are given effect to in the Profit and Loss Account in the Year of change.

## 4.9 Cash and Cash equivalent

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice with an original maturity of three months or less (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

## 4.10 Segment Information

In accordance with guidelines issued by RBI and Accounting Standard 17 (AS-17) on "Segment Reporting", the Bank's business has been segregated into Treasury, Wholesale Banking, Retail Banking Segments and Other Banking Operations:

- a) Treasury: The treasury segment revenue primarily consists of interest earnings on investments portfolio of the bank, gains or losses on investment operations and earnings from foreign exchange business. The principal expenses of the segment consist of interest expense allocated on funds borrowed/ deposits received and other expenses. Treasury segment liability includes allocation on deposits received from customers.
- b) Wholesale Banking: Wholesale Banking segment provides loans to corporate segment identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on Loans made to corporate customers and the charges/ fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/ deposits received and other expenses.
- c) Retail Banking: The Retail Banking segment provides loans to non-corporate customers identified on the basis of RBI guidelines and also include deposits from customers. Revenues of this segment consist of interest earned on Loans made to non-corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/ deposits received and other expenses.
- d) Other Banking Operations: This segment includes income from para banking activities such as debit cards, third party product distribution and associated costs.

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Segment revenues consist of earnings from external customers and other allocated revenues. Segment expenses consist of allocated interest expenses, operating expenses and provisions. Segment results are net of segment revenues and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth.

Unallocated: All items which are reckoned at an enterprise level are classified under this segment. This includes capital, reserves and other unallocable assets and liabilities such as fixed assets, deferred tax, tax paid in advance and income tax provision etc.

## Geographical Segment

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment."

## 4.11 Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the Year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the Year. The weighted average number of equity shares outstanding during the Year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the Year attributable to equity shareholders and the weighted average number of shares outstanding during the Year are adjusted for the effects of all dilutive potential equity shares. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the Year.

## 4.12 Provisions and contingent assets/liabilities

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 beyond the control of the Bank or a present obligation that is not recognized because it is not probable that outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the Financial Statements.

The Bank creates a provision when there is a present obligation as a result of a past event that probably requires outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the reporting date if it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are neither recognized nor disclosed in the Financial Statements.

## 4.13 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating lease. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term in accordance with AS 19 - Leases.

## 4.14 Transaction involving Foreign Exchange

All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transfer.

Foreign currency monetary items are reported using the exchange rate prevailing at the Balance Sheet date.

Non-monetary items which are measured in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction. Non-monetary items which are measured at fair value or other similar value denominated in a foreign currency are translated using the exchange rate at the date when such value is determined.

Exchange differences arising on settlement of monetary items or on reporting of such monetary items at rates different from those at which they were initially recorded during the Year, or reported in previous Financial Statements, are recognised as income or expense in the Year in which they arise.

## 4.15 Employee Share based payments

The Employee Stock Option Schemes (ESOSs) of the Bank are in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Schemes provide for grant of options on equity shares to employees of the Bank to acquire the equity shares of the Bank that vest in a

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cliff vesting or in a graded manner and that are to be exercised within a specified period.

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognized for

equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding. Fair market value of an equity share, as determined by a Category I Merchant Banker registered with SEBI, based on the Board Approved Financial Statements within one Year prior to the date of Grant.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to Profit & Loss Account.

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## SCHEDULE 18 - NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### A. DISCLOSURES AS LAID DOWN BY RBI CIRCULARS:

#### 1. Regulatory Capital:

The Bank is subject to the Basel II Capital Adequacy guidelines (NCAF) stipulated by RBI. The Capital Adequacy Ratio (CRAR) of the Bank is calculated as per the Standardized approach for Credit Risk.

As per RBI circular "DBR.NBD.No. 4502/16.13.218/2017-18" dated 8 November 2017, no separate capital charge is prescribed for market and operational risk. The total Capital Adequacy ratio of the Bank at 31 March 2023 is 19.83% (Previous Year 18.64%) against the regulatory requirement of 15.00% prescribed by RBI.

No Capital Conservation Buffer and Counter - Cyclical Capital Buffer is applicable on Small Finance Bank (SFB) as per operating guidelines issued on SFB by RBI.

#### 1.1 Composition of Regulatory Capital

Particulars	(Rs. in Crore)	
	As at 31 March 2023	As at 31 March 2022
i) Common Equity Tier I Capital (CET1)	1,661.64	1,367.55
ii) Additional Tier 1 Capital	48.00	48.00
iii) Tier I Capital - A	1,709.64	1,415.55
iv) Tier II Capital - B	161.72	216.62
v) Total Capital (A)+(B)	1,871.36	1,632.17
vi) Total Risk Weighted Assets (RWAs)	9,437.25	8,757.82
<b>Capital Ratios:</b>		
vii) CET I Capital (%) [CET 1 as a percentage of RWAs]	17.61%	15.62%
viii) Tier I Capital (%) [Tier I Capital as a percentage of RWAs]	18.12%	16.16%
ix) Tier II Capital (%) [Tier II Capital as a percentage of RWAs]	1.71%	2.47%
x) Total CRAR % [Total Capital as a percentage of RWAs]	19.83%	18.64%
xi) Leverage Ratio	8.45%	7.99%
(xii) Percentage of the shareholding of the Government of India in Public Sector Banks	NA	NA
(xiii) Amount of paid up capital raised during the year (Including Share Premium)	-	-
(xiv) Amount of non- equity Tier I capital raised during the year	-	-
(xv) Amount of Tier II Capital raised during the year of which	-	-
Basel III Compliant Subordinated debt Instruments	-	20.00

#### 1.2 Draw Down from Reserves

There has been no draw down from reserves as disclosed in Schedule 2.

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## 2. Asset Liability Management

### 2.1 Maturity Pattern of certain items of assets and liabilities

#### a. As at 31 March 2023:

Particulars	(Rs. in Crore)										
	Day - 1	2-7 Days	8-14 Days	15-30 Days & up to 2 Months	31 Days & up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 3 Years	Over 3 Years and up to 5 Years	Over 5 Years	Total
Advances	6.81	40.88	47.69	109.01	500.43	500.43	5,548.24	4,230.36	752.88	594.98	13,924.33
Investments	2,046.47	-	-	74.84	68.97	84.59	443.53	1,966.08	3.01	9.66	4,888.53
Deposits	139.88	477.94	265.43	380.80	350.94	245.44	2,134.09	10,003.45	15.29	49.15	14,665.62
Borrowings	-	662.95	-	-	38.67	116.45	465.74	1,709.52	-	68.00	3,354.20
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-

#### b. As at 31 March 2022

Particulars	(Rs. in Crore)										
	Day - 1	2-7 Days	8-14 Days	15-30 Days & up to 2 Months	31 Days & up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 3 Years	Over 3 Years and up to 5 Years	Over 5 Years	Total
Advances	28.51	171.08	199.60	456.23	474.88	474.88	3,239.66	4,372.21	588.97	132.98	11,637.00
Investments	1.96	2.59	1.48	2.20	141.09	100.64	22.16	21.92	698.25	3,057.86	4,070.30
Deposits	138.25	323.51	302.37	524.45	742.31	769.07	4,117.33	3,558.65	79.80	53.27	12,815.07
Borrowings	-	293.60	48.98	-	-	54.75	492.25	1,683.25	40.00	68.00	2,952.83
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by the Bank's Management for compiling the returns submitted to RBI, which has been relied upon by the auditors.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 2.2 Liquidity Coverage Ratio a. Year ended 31 March 2023

(Rs. in Crore)

Particulars	Q1 2022-23			Q2 2022-23			Q3 2022-23			Q4 2022-23		
	Unweighted Value (average)	Weighted Value (average)	Total Value	Unweighted Value (average)	Weighted Value (average)	Total Value	Unweighted Value (average)	Weighted Value (average)	Total Value	Unweighted Value (average)	Weighted Value (average)	Total Value
<b>High Quality Liquid Assets (HQLA)</b>												
1 Total High Quality Liquid Assets (HQLA)		3,532.97		4,542.95		3,967.94						3,156.56
<b>Cash Outflows</b>												
2 Retail deposits and deposits from small business customers, of which:												
i Stable deposits	8,305.39	415.27	9,044.26	452.21	9,637.01	481.85	10,070.89	503.54				
ii Less stable deposits	1,059.70	105.97	543.00	54.30	960.84	96.08	1,054.59	105.46				
3 Unsecured wholesale funding, of which												
i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-				
ii Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-				
iii Unsecured debt	2,646.14	2,448.42	3,102.67	2,424.00	2,356.57	2,138.02	1,860.07	1,673.09				
4 Secured wholesale funding												
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	45.56	8.35	65.13	11.39	94.80	24.47	101.07	17.36				
6 Other Contractual funding obligations	176.78	176.78	302.06	302.06	444.76	444.76	366.16	366.16				
7 Other contingent funding obligations	1.55	0.05	1.40	0.04	1.40	0.04	1.40	0.04				
<b>Total Cash Outflows</b>	<b>3,154.84</b>	<b>3,154.84</b>	<b>3,244.00</b>	<b>3,185.22</b>	<b>2,665.65</b>	<b>2,665.65</b>	<b>2,665.65</b>	<b>2,665.65</b>				
<b>Cash Inflows</b>												
8 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-				
9 Inflows from fully performing exposures	515.02	257.51	551.97	275.99	534.81	267.41	583.42	291.71				
10 Other cash inflows	23.70	23.70	50.75	50.75	58.87	58.87	-	-				
<b>Total Cash Inflows</b>	<b>538.72</b>	<b>281.21</b>	<b>602.72</b>	<b>326.74</b>	<b>593.68</b>	<b>326.28</b>	<b>583.42</b>	<b>291.71</b>				
11 Total HQLA (a)	-	3,532.97	-	4,542.95	-	3,967.94	-	3,156.56				
12 Total Net Cash inflows (b)	-	2,873.63	-	2,917.26	-	2,858.94	-	2,373.94				
<b>Liquidity Coverage Ratio (%) (a/b)</b>		<b>122.94%</b>		<b>155.73%</b>		<b>138.79%</b>		<b>132.97%</b>				

The average weighted and unweighted amounts are calculated taking simple average based on daily observations from the respective quarters.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## b. Year ended 31 March 2022

Particulars	(Rs. in Crore)											
	Q1 2021-22			Q2 2021-22			Q3 2021-22			Q4 2021-22		
	Unweighted Value (average)	Weighted Value (average)	Total	Unweighted Value (average)	Weighted Value (average)	Total	Unweighted Value (average)	Weighted Value (average)	Total	Unweighted Value (average)	Weighted Value (average)	Total
<b>High Quality Liquid Assets (HQLA)</b>												
1 Total High Quality Liquid Assets (HQLA)		3,052.45	3,074.15		3,095.95							3,327.10
<b>Cash Outflows</b>												
2 Retail deposits and deposits from small business customers, of which:												
i Stable deposits	6,575.91	328.80	7,019.45	350.97	7,385.02	369.25	7,806.68	390.33				
ii Less stable deposits	706.45	70.64	728.48	72.85	736.28	73.63	910.81	91.08				
3 Unsecured wholesale funding, of which												
i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-				
ii Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-				
iii Unsecured debt	1,587.50	1,423.69	1,735.56	1,553.94	2,236.16	1,989.57	2,425.48	2,196.36				
4 Secured wholesale funding	-	-	-	-	-	-	-	-				
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	33.32	10.99	32.15	10.95	25.66	8.04	10.51	2.15				
6 Other Contractual funding obligations	137.88	137.88	153.45	153.45	126.08	126.08	163.88	163.88				
7 Other contingent funding obligations	1.30	0.04	1.30	0.04	1.25	0.04	1.41	0.04				
<b>Total Cash Outflows</b>	<b>1,972.04</b>	<b>2,142.20</b>	<b>2,566.61</b>	<b>2,843.84</b>								
<b>Cash Inflows</b>												
8 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-				
9 Inflows from fully performing exposures	584.37	292.18	462.76	231.38	442.28	221.14	471.77	235.89				
10 Other cash inflows	11.57	11.57	11.62	11.62	7.50	7.50	41.67	41.67				
<b>Total Cash Inflows</b>	<b>595.94</b>	<b>303.75</b>	<b>474.38</b>	<b>243.00</b>	<b>449.78</b>	<b>228.64</b>	<b>513.44</b>	<b>277.56</b>				
11 Total HQLA (a)	-	3,052.45	-	3,074.15	-	3,095.95	-	3,327.10				
12 Total Net Cash inflows (b)	1,668.29	1,899.20	2,337.97	2,566.28	129.65%							
<b>Liquidity Coverage Ratio (%) (a/b)</b>	<b>182.97%</b>	<b>161.87%</b>	<b>132.42%</b>	<b>129.65%</b>								

The average weighted and unweighted amounts are calculated taking simple average based on daily observations from the respective quarters.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## Qualitative disclosure around LCR

The Reserve Bank of India has prescribed monitoring of sufficiency of Bank's liquid assets using Basel III – Liquidity Coverage Ratio (LCR). The LCR is aimed at measuring and promoting short-term resilience of Banks to potential liquidity disruptions by ensuring maintenance of sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

The LCR requirement has been introduced in a phased manner and the Bank is required to maintain minimum ratio of 100% from 1 April 2021.

The ratio comprises high quality liquid assets (HQLAs) as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises of primarily cash, excess CRR, SLR securities in excess of minimum SLR requirement and a portion of mandatory SLR as permitted by the RBI (under MSF) and Level 2 HQLA which comprises of investments in highly rated non-financial corporate bonds and listed equity investments considered at prescribed haircuts. Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

The Bank monitors the LCR periodically and has maintained LCR well above the regulatory threshold. Average LCR for Quarter ended 31 March 2023 is 132.97% (Previous Year: 129.65%).

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management, Risk Management Department (RMD), Finance and Treasury. Treasury is the central repository of funds within the Bank and is vested with the responsibility of managing liquidity risk within the risk appetite of the Bank. Bank has incorporated Basel Liquidity Standards - LCR for liquidity risk. In computing the above information, certain estimates and assumptions have been made by the Bank's management which have been relied upon by auditors.

## 2.3 Net Stable Funding Ratio

As at 31 March 2023

(Rs. in Crore)

ASF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1 Capital: (2+3)	1,846.78	-	-	145.00	1,991.78
2 Regulatory capital	1,846.78	-	-	145.00	1,991.78
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers: (5+6)	-	1,598.04	1,123.59	8,961.81	12,459.22
5 Stable deposits	-	790.21	1,123.59	6,555.34	11,643.61
6 Less stable deposits	-	807.83	-	2,406.47	815.61
7 Wholesale funding: (8+9)	-	574.31	1,310.17	2,662.04	2,526.76
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	-	574.31	1,310.17	2,662.04	2,526.76
10 Other liabilities: (11+12)	405.05	1,402.24	72.97	121.66	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	405.05	1,402.24	72.97	121.66	-
<b>13 Total ASF (1+4+7+10)</b>	<b>2,251.83</b>	<b>3,574.58</b>	<b>2,506.73</b>	<b>11,890.51</b>	<b>16,977.76</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

(Rs. in Crore)

RSF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
14 Total NSFR high-quality liquid assets (HQLA)	739.55	-	-	4,742.10	1,477.56
15 Deposits held at other financial institutions for operational purposes	26.88	-	-	-	13.44
16 Performing loans and securities: (17+18+19+21+23)	10.39	2,895.60	5,572.33	4,806.43	8,258.82
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	101.32	109.32	-	69.86
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	2,794.21	5,462.97	4,636.55	8,069.66
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21 Performing residential mortgages, of which:	-	0.07	0.04	169.88	110.47
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	10.39	-	-	-	8.83
24 Other assets: (sum of rows 25 to 29)	816.07	-	-	614.32	1,430.40
25 Physical traded commodities, including gold					
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27 NSFR derivative assets					
28 NSFR derivative liabilities before deduction of variation margin posted					
29 All other assets not included in the above categories	816.07	-	-	614.32	1,430.40
30 Off-balance sheet items					
<b>31 Total RSF (14+15+16+24+30)</b>	<b>1,592.89</b>	<b>2,895.60</b>	<b>5,572.33</b>	<b>10,162.85</b>	<b>11,180.22</b>
<b>32 Net Stable Funding Ratio (%)</b>					<b>151.86%</b>

## As at 31 December 2022

(Rs. in Crore)

ASF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1 Capital: (2+3)	1,820.04	-	-	145.00	1,965.04
2 Regulatory capital	1,820.04	-	-	145.00	1,965.04
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers: (5+6)	-	2,083.92	916.53	8,547.79	11,129.63
5 Stable deposits	-	1,556.21	871.04	6,316.05	8,605.18
6 Less stable deposits	-	527.71	45.49	2,231.74	2,524.45
7 Wholesale funding: (8+9)	-	432.74	607.17	1,155.00	1,674.96
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	-	432.74	607.17	1,155.00	1,674.96
10 Other liabilities: (11+12)	312.65	2,324.07	-	-	-
11 NSFR derivative liabilities					
12 All other liabilities and equity not included in the above categories	312.65	2,324.07	-	-	-
<b>13 Total ASF (1+4+7+10)</b>	<b>2,132.69</b>	<b>4,840.73</b>	<b>1,523.70</b>	<b>9,847.79</b>	<b>14,769.63</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

(Rs. in Crore)

RSF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
14 Total NSFR high-quality liquid assets (HQLA)	669.75	-	-	4,759.91	1,254.14
15 Deposits held at other financial institutions for operational purposes	41.04	-	-	-	20.52
16 Performing loans and securities: (17+18+19+21+23)	11.56	3,863.88	3,769.00	3,567.51	6,826.99
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	27.12	121.36	-	64.75
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	3,836.76	3,647.64	3,456.61	6,680.32
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21 Performing residential mortgages, of which:	-	-	-	110.90	72.09
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	11.56	-	-	-	9.83
24 Other assets: (sum of rows 25 to 29)	1,106.54	-	-	555.73	1,662.28
25 Physical traded commodities, including gold					
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27 NSFR derivative assets					
28 NSFR derivative liabilities before deduction of variation margin posted					
29 All other assets not included in the above categories	1,106.54	-	-	555.73	1,662.28
30 Off-balance sheet items					
<b>31 Total RSF (14+15+16+24+30)</b>	<b>1,828.89</b>	<b>3,863.88</b>	<b>3,769.00</b>	<b>8,883.15</b>	<b>9,763.93</b>
<b>32 Net Stable Funding Ratio (%)</b>					<b>151.27%</b>

## As at 30 September 2022

(Rs. in Crore)

ASF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1 Capital: (2+3)	1,817.19	-	-	145.00	1,962.19
2 Regulatory capital	1,817.19	-	-	145.00	1,962.19
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers: (5+6)	-	2,484.24	1,374.25	6,945.37	10,305.88
5 Stable deposits	-	1,960.06	1,317.02	4,258.86	7,364.75
6 Less stable deposits	-	524.18	57.23	2,686.51	2,941.13
7 Wholesale funding: (8+9)	-	537.05	868.62	1,267.00	1,969.83
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	-	537.05	868.62	1,267.00	1,969.83
10 Other liabilities: (11+12)	350.06	2,459.35	-	-	-
11 NSFR derivative liabilities					
12 All other liabilities and equity not included in the above categories	350.06	2,459.35	-	-	-
<b>13 Total ASF (1+4+7+10)</b>	<b>2,167.25</b>	<b>5,480.64</b>	<b>2,242.87</b>	<b>8,357.37</b>	<b>14,237.90</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

(Rs. in Crore)

RSF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
14 Total NSFR high-quality liquid assets (HQLA)	683.00	125.00	-	5,263.27	1,309.20
15 Deposits held at other financial institutions for operational purposes	57.95	-	-	-	28.98
16 Performing loans and securities: (17+18+19+21+23)	11.73	3,921.27	3,283.33	3,103.11	6,222.71
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	21.78	81.87	-	44.20
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	3,899.49	3,201.46	3,005.22	6,104.91
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21 Performing residential mortgages, of which:	-	-	-	97.89	63.63
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	11.73	-	-	-	9.97
24 Other assets: (sum of rows 25 to 29)	1,121.16	-	-	678.32	1,799.49
25 Physical traded commodities, including gold					
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27 NSFR derivative assets					
28 NSFR derivative liabilities before deduction of variation margin posted					
29 All other assets not included in the above categories	1,121.16	-	-	678.32	1,799.49
30 Off-balance sheet items					
<b>31 Total RSF (14+15+16+24+30)</b>	<b>1,873.84</b>	<b>4,046.27</b>	<b>3,283.33</b>	<b>9,044.70</b>	<b>9,360.38</b>
<b>32 Net Stable Funding Ratio (%)</b>					<b>152.11%</b>

## As at 30 June 2022

(Rs. in Crore)

ASF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1 Capital: (2+3)	1,794.34	-	-	145.00	1,939.34
2 Regulatory capital	1,794.34	-	-	145.00	1,939.34
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers: (5+6)	-	2,539.97	2,267.55	5,181.70	9,445.19
5 Stable deposits	-	1,827.89	2,149.57	2,630.22	6,401.81
6 Less stable deposits	-	712.08	117.98	2,551.48	3,043.38
7 Wholesale funding: (8+9)	-	616.54	1,626.11	1,476.50	2,597.82
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	-	616.54	1,626.11	1,476.50	2,597.82
10 Other liabilities: (11+12)	344.52	2,111.88	-	-	-
11 NSFR derivative liabilities					
12 All other liabilities and equity not included in the above categories	344.52	2,111.88	-	-	-
<b>13 Total ASF (1+4+7+10)</b>	<b>2,138.86</b>	<b>5,268.39</b>	<b>3,893.66</b>	<b>6,803.20</b>	<b>13,982.35</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

(Rs. in Crore)

RSF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
14 Total NSFR high-quality liquid assets (HQLA)	694.50	263.00	0.00	4,793.41	994.65
15 Deposits held at other financial institutions for operational purposes	49.71	-	-	-	24.86
16 Performing loans and securities: (17+18+19+21+23)	13.50	3,627.87	3,474.58	3,438.05	6,427.04
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	120.12	10.21	-	23.12
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	3,507.75	3,464.36	3,358.33	6,340.63
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21 Performing residential mortgages, of which:	-	-	0.01	79.72	51.82
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	13.50	-	-	-	11.47
24 Other assets: (sum of rows 25 to 29)	978.37	-	-	771.10	1,749.48
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	978.37	-	-	771.10	1,749.48
30 Off-balance sheet items	-	-	-	-	-
<b>31 Total RSF (14+15+16+24+30)</b>	<b>1,736.08</b>	<b>3,890.87</b>	<b>3,474.58</b>	<b>9,002.56</b>	<b>9,196.03</b>
<b>32 Net Stable Funding Ratio (%)</b>					<b>152.05%</b>

## As at 31 March 2022

(Rs. in Crore)

ASF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1 Capital: (2+3)	1,672.56	-	-	145.00	1,817.56
2 Regulatory capital	1,672.56	-	-	145.00	1,817.56
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers: (5+6)	-	2,596.18	2,628.52	4,041.02	8,744.99
5 Stable deposits	-	2,137.26	2,509.42	2,010.21	6,397.04
6 Less stable deposits	-	458.92	119.10	2,030.81	2,347.95
7 Wholesale funding: (8+9)	-	586.96	1,955.51	1,598.25	2,869.49
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	-	586.96	1,955.51	1,598.25	2,869.49
10 Other liabilities: (11+12)	315.10	2,168.46	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	315.10	2,168.46	-	-	-
<b>13 Total ASF (1+4+7+10)</b>	<b>1,987.66</b>	<b>5,351.60</b>	<b>4,584.03</b>	<b>5,784.27</b>	<b>13,432.04</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

		(Rs. in Crore)				
		Unweighted value by residual maturity			Weighted	
		No	< 6	6 months	≥ 1yr	value
		Maturity	months	to < 1yr		
<b>RSF Item</b>						
14	Total NSFR high-quality liquid assets (HQLA)	666.67	634.00	-	3,994.10	1,234.95
15	Deposits held at other financial institutions for operational purposes	36.24	-	-	-	18.12
16	Performing loans and securities: (17+18+19+21+23)	14.62	3,537.60	3,239.66	3,679.36	6,418.47
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	237.11	7.89	-	39.51
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	3,300.38	3,231.45	3,491.62	6,233.80
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21	Performing residential mortgages, of which:	-	0.11	0.32	187.74	132.73
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	14.62	-	-	-	12.43
24	Other assets: (sum of rows 25 to 29)	946.46	-	-	958.83	1,905.30
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR derivative assets	-	-	-	-	-
28	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	946.46	-	-	958.83	1,905.30
30	Off-balance sheet items	-	-	-	-	-
<b>31</b>	<b>Total RSF (14+15+16+24+30)</b>	<b>1,663.99</b>	<b>4,171.60</b>	<b>3,239.66</b>	<b>8,632.29</b>	<b>9,576.84</b>
<b>32</b>	<b>Net Stable Funding Ratio (%)</b>					<b>140.26%</b>

## As at 31 December 2021

		(Rs. in Crore)				
		Unweighted value by residual maturity			Weighted	
		No	< 6	6 months	≥ 1yr	value
		Maturity	months	to < 1yr		
<b>ASF Item</b>						
1	Capital: (2+3)	1,618.42	-	-	140.00	1,758.42
2	Regulatory capital	1,618.42	-	-	140.00	1,758.42
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	2,142.74	2,518.56	4,211.28	8,458.75
5	Stable deposits	-	1,756.74	2,440.07	3,630.16	7,517.70
6	Less stable deposits	-	386.00	78.49	581.12	941.05
7	Wholesale funding: (8+9)	-	510.72	1,755.29	1,358.49	2,482.62
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	510.72	1,755.29	1,358.49	2,482.62
10	Other liabilities: (11+12)	262.47	1,012.99	-	-	-
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in the above categories	262.47	1,012.99	-	-	-
<b>13</b>	<b>Total ASF (1+4+7+10)</b>	<b>1,880.89</b>	<b>3,666.45</b>	<b>4,273.85</b>	<b>5,709.77</b>	<b>12,699.79</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

(Rs. in Crore)

RSF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
14 Total NSFR high-quality liquid assets (HQLA)	581.98	670.00	-	3,552.69	874.99
15 Deposits held at other financial institutions for operational purposes	28.11	-	-	-	14.06
16 Performing loans and securities: (17+18+19+21+23)	10.66	3,128.86	2,778.36	2,543.60	5,086.74
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	32.48	2.51	-	6.13
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	3,096.37	2,775.79	2,410.43	4,984.95
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21 Performing residential mortgages, of which:	-	0.01	0.06	133.17	86.60
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	10.66	-	-	-	9.06
24 Other assets: (sum of rows 25 to 29)	683.17	-	-	1,553.52	2,236.69
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	683.17	-	-	1,553.52	2,236.69
30 Off-balance sheet items	-	-	-	-	-
<b>31 Total RSF (14+15+16+24+30)</b>	<b>1,303.92</b>	<b>3,798.86</b>	<b>2,778.36</b>	<b>7,649.81</b>	<b>8,212.48</b>
<b>32 Net Stable Funding Ratio (%)</b>					<b>154.64%</b>

## Qualitative Disclosure

As per the RBI guideline on Net Stable Funding Ratio (NSFR) dated May 17, 2018, the Bank is required to maintain the NSFR on an ongoing basis. The minimum NSFR requirement set out in the RBI guideline effective Oct 1, 2021 is 100%. The Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) to ensure resilience over a longer time horizon by requiring banks to fund their activities with more stable sources of funding. NSFR is defined as the amount of Available Stable Funding relative to the amount of Required Stable Funding. "Available Stable Funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by NSFR, which extends to one year. The amount of "Required Stable Funding" (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by the institution as well as those of its off-balance sheet (OBS) exposures.

In computing the above information, certain estimates and assumptions have been made by Bank's management which have been relied upon by the auditors.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 3. Investments

### 3.1 Composition of Investment Portfolio

#### a) As at 31 March 2023

(Rs. in Crore)

Sl. No.	Particulars	Investments in India					Total Investments in India	
		Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or joint ventures		Others
<b>I.</b>	<b>Held to Maturity</b>							
	Gross	3,281.48	-	-	-	-	3,281.48	
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	
	Net	3,281.48	-	-	-	-	3,281.48	
<b>II.</b>	<b>Available for sale</b>							
	Gross	1,454.50	-	13.12	-	-	206.23*	1,673.85
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	29.05	-	1.46	-	-	71.46*	101.97
	Net	1,425.45	-	11.66	-	-	134.77	1,571.88
<b>III.</b>	<b>Held for Trading</b>							
	Gross	35.20	-	-	-	-	-	35.20
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	0.03	-	-	-	-	-	0.03
	Net	35.17	-	-	-	-	-	35.17
<b>IV.</b>	<b>Total Investments</b>	<b>4,771.18</b>	<b>-</b>	<b>13.12</b>	<b>-</b>	<b>-</b>	<b>206.23</b>	<b>4,990.53</b>
	Less: Provision for non-performing investments	-	-	-	-	-	-	-
	Less: Provision for depreciation	29.08	-	1.46	-	-	71.46	102.00
	Net	<b>4,742.10</b>	<b>-</b>	<b>11.66</b>	<b>-</b>	<b>-</b>	<b>134.77</b>	<b>4,888.53</b>

As on 31 March 2023, the bank does not have Investments outside India. Hence corresponding disclosures are not made.

\* This includes Security Receipts issued by ARC on account of transfer of NPA and technical write off pool. Investments in SRs are valued at Nil/ fully provided for in the books of account on a prudent basis (Refer Note A.4.6 (i) of Schedule 18).

#### a) As at 31 March 2022

(Rs. in Crore)

Sl. No.	Particulars	Investments in India					Total Investments in India	
		Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or joint ventures		Others
<b>I.</b>	<b>Held to Maturity</b>							
	Gross	2,784.62	-	-	-	-	-	2,784.62
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Net	2,784.62	-	-	-	-	-	2,784.62
<b>II.</b>	<b>Available for sale</b>							
	Gross	1,060.62	-	16.29	-	-	60.82	1,137.73
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	21.34	-	0.89	-	-	0.02	22.25
	Net	1,039.28	-	15.40	-	-	60.80	1,115.48
<b>III.</b>	<b>Held for Trading</b>							
	Gross	171.94	-	-	-	-	-	171.94
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	1.74	-	-	-	-	-	1.74
	Net	170.20	-	-	-	-	-	170.20
<b>IV.</b>	<b>Total Investments</b>	<b>4,017.18</b>	<b>-</b>	<b>16.29</b>	<b>-</b>	<b>-</b>	<b>60.82</b>	<b>4,094.29</b>
	Less: Provision for non-performing investments	-	-	-	-	-	-	-
	<b>Less: Provision for depreciation</b>	<b>23.08</b>	<b>-</b>	<b>0.89</b>	<b>-</b>	<b>-</b>	<b>0.02</b>	<b>23.99</b>
	<b>Net</b>	<b>3,994.10</b>	<b>-</b>	<b>15.40</b>	<b>-</b>	<b>-</b>	<b>60.80</b>	<b>4,070.30</b>

As on 31 March 2022, the bank does not have Investments outside India. Hence corresponding disclosures are not made.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve :

Particulars	Rs. in Crore	
	As At 31 March 2023	As At 31 March 2022
<b>1 Movement of provisions held towards depreciation on investments</b>		
i. Opening Balance	23.99	0.69
ii. Add : Provisions made during the year	103.74	28.74
iii. Less : Write off/ Write back of excess provisions made during the year	25.73	5.44
iv. Closing Balance	102.00	23.99
<b>2 Movement of Investment Fluctuation Reserve</b>		
i. Opening Balance	26.19	4.13
ii. Add : Amount transferred during the year	5.95	22.06
iii. Less : Drawdown	-	-
iv. Closing Balance	32.14	26.19
<b>3 Closing balance in IFR as a percentage of closing balance of Investments in AFS and HFT Category</b>	2.00%	2.04%

## 3.3 Sale/ transfer of securities to/from HTM category

During the years ended 31 March 2023 and 31 March 2022 there was no sale/transfer of securities to/from HTM category in excess of 5% of book value of investments held in HTM category at the beginning of the year.

In accordance with the RBI guidelines, sales from, and transfers to / from, HTM category exclude the following from the 5% cap

- One-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with approval of the Board of Directors;
- Sales to the RBI under pre-announced open market operation auctions and the Government securities acquisition program;
- Additional shifting of securities explicitly permitted by the RBI from time to time;
- Direct sales from HTM for bringing down SLR holdings in the HTM category consequent to a downward revision in SLR investments by the RBI.
- Repurchase of state development loans by respective state governments under buyback/ switch operations.

## 3.4 Disclosure in respect of Non-SLR Investment Portfolio:

### a) Non-performing Non-SLR investments:

The Bank does not have any non performing non-SLR Investments during the years and as at 31 March 2023 and 31 March 2022.

### b) i. Issuer Composition of Non SLR Investments as at 31 March 2023

Sl. No.	Issuer	(Rs. in Crore)				
		Amount	Extent of Private placement <sup>1</sup>	Extent of 'Below Investment grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
[1]	[2]	[3]	[4] <sup>1</sup>	[5] <sup>1</sup>	[6] <sup>1,2</sup>	[7] <sup>1,2</sup>
1.	PSUs	2.52	-	-	-	-
2.	FIs	0.50	-	-	-	-
3.	Banks	122.93	72.52	-	-	-
4.	Private Corporates	8.78	0.77	-	-	0.77
5.	Subsidiaries / Joint ventures	-	-	-	-	-
6.	Others	84.62	71.46	-	-	12.50
7.	Provision held towards depreciation	(72.92)				
	<b>Total</b>	<b>146.43</b>	<b>144.75</b>	<b>-</b>	<b>-</b>	<b>13.27</b>

<sup>1</sup> Amount reported under Columns 4,5,6 and 7 above are not mutually exclusive.

<sup>2</sup> Excludes Investments in Equity shares, Equity Oriented Mutual Funds, Certificate of Deposits and Security Receipts issued by ARCs registered with Reserve Bank in line with extant RBI guidelines.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## ii. Issuer Composition of Non SLR Investments as at 31 March 2022

(Rs. in Crore)

Sl. No.	Issuer	Amount	Extent of Private placement	Extent of 'Below Investment grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
[1]	[2]	[3]	[4] 1	[5] 1	[6] 1 2	[7] 1 2
1.	PSUs	1.30	-	-	-	-
2.	FIs	-	-	-	-	-
3.	Banks	62.31	-	-	-	-
4.	Private Corporates	12.10	0.77	-	-	0.77
5.	Subsidiaries / Joint ventures	-	-	-	-	-
6.	Others	1.40	-	-	-	-
7.	Provision held towards depreciation	(0.91)	-	-	-	-
<b>Total</b>		<b>76.20</b>	<b>0.77</b>	<b>-</b>	<b>-</b>	<b>0.77</b>

<sup>1</sup> Amount reported under Columns 4,5,6 and 7 above are not mutually exclusive.

<sup>2</sup> Excludes Investments in Equity shares, Equity Oriented Mutual Funds and Certificate of Deposits in line with extant RBI guidelines.

## 3.5 Details of Repo /Reverse Repos including Liquidity Adjustment Facility (LAF) Transactions in (face value terms) As at 31 March 2023

(Rs. in Crore)

Issuer	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year *	Outstanding as on 31 March 2023
Securities sold under repos				
i. Government securities	696.00	1,799.15	1,019.56	1,088.95
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	-	988.00	205.78	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

\* Daily average is considered for entire year including the days when outstanding were nil.

## As at 31 March 2022

(Rs. in Crore)

Issuer	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year *	Outstanding as on 31 March 2022
Securities sold under repos				
i. Government securities	146.00	1,060.46	493.15	1,038.58
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	50.00	1,270.00	689.97	634.00
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

\* Daily average is considered for entire year including the days when outstanding were nil.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 4. Asset Quality

### 4.1 Classification of Advances and Provision held

As at 31 March 2023

(Rs. in Crore)

Particulars	Standard	Non-performing			Total NPA	Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss		
<b>Gross Standard Advances and NPAs</b>						
Opening Balance	11,181.04	641.93	307.67	-	949.60	12,130.64
Add: Additions during the year					719.05	
Less: Reductions during the year *					1,316.96	
Closing balance	13,766.44	333.43	14.51	3.75	351.69	14,118.13
* Reductions in Gross NPAs due to:						
i) Recoveries (excluding recoveries made from upgraded accounts)					29.46	
ii) Upgradations					202.62	
iii) Technical / Prudential Write-offs					494.75	
iv) Write-offs other than those under (iii) above					1.85	
v) Sale of NPA to Asset Reconstruction company (ARC)					588.28	
<b>Provisions (excluding floating provisions)</b>						
Opening balance of provision held	217.76	185.97	307.67	-	493.64	711.40
Add: Fresh provisions made during the year					735.60	
Less: Excess provision reversed/ written of loans #					1,035.44	
Closing balance of provisions held	89.66	175.54	14.51	3.75	193.80	283.46
# includes provision utilised towards technical write off Rs. 494.75 Crore and Sale to ARC Rs. 453.16 Crore (Refer Note A. 4.6 (i) of Schedule 18)						
<b>Net NPAs</b>						
Opening Balance		455.96	-	-	455.96	
Add: Fresh Additions during the year					288.65	
Less: Reductions during the year					586.72	
Closing balance		157.89	-	-	157.89	
<b>Floating Provisions</b>						
Opening balance						-
Add: Additional provisions during the year						-
Less: Amount draw down during the year						-
Closing balance of floating provisions						-
<b>Technical write- offs and the recoveries made thereon</b>						
Opening balance of Technical/ prudential write off accounts						172.80
Add: Technical/ prudential write off accounts during the year						494.75
Less: Recoveries made from previously technical/ prudential written off accounts during the year						69.20
Less: Sacrifice made from previously technical/ prudential written off accounts during the period						98.96
Less: Sale of Technical/ prudential written off accounts to Asset Reconstruction company (ARC)						486.68
Closing Balance						12.71

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

As at 31 March 2022

Particulars	Standard		Non-performing		(Rs. in Crore)	
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA	Total
<b>Gross Standard Advances and NPAs</b>						
Opening Balance	7,851.00	473.31	90.69	-	564.00	8,415.00
Add: Additions during the year					642.46	
Less: Reductions during the year *					256.86	
Closing balance	11,181.04	641.93	307.67		949.60	12,130.64
* Reductions in Gross NPAs due to:						
i) Recoveries (excluding recoveries made from upgraded accounts)					21.01	
ii) Upgradations					161.39	
iii) Technical / Prudential Write-offs					74.46	
iv) Write-offs other than those under (iii) above					-	
* includes provision utilised towards technical write off Rs. 74.46 Crore.						
<b>Provisions (excluding floating provisions)</b>						
Opening balance of provision held	124.14	156.73	90.69	-	247.42	371.56
Add: Fresh provisions made during the year					381.53	
Less: Excess provision reversed/ written off loans #					135.31	
Closing balance of provisions held	217.76	185.97	307.67	-	493.64	711.40
# includes provision utilised towards technical write off Rs. 74.46 Crore and Sale to ARC Rs. 453.16 Crore (Refer Note A. 4.6 (i) of Schedule 18)						
<b>Net NPAs</b>						
Opening Balance		316.58	-	-	316.58	
Add: Fresh Additions during the year					456.35	
Less: Reductions during the year					316.97	
Closing balance		455.96	-	-	455.96	
<b>Floating Provisions</b>						
Opening balance						-
Add: Additional provisions during the year						-
Less: Amount draw down during the year						-
Closing balance of floating provisions						-
<b>Technical write- offs and the recoveries made thereon</b>						
Opening balance of Technical/ prudential write off accounts						106.33
Add: Technical/ prudential write off accounts during the year						74.46
Less: Recoveries made from previously technical/ prudential written off accounts during the year						7.99
Closing Balance						172.80

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## Asset Quality Ratios

Particulars	As At	As At
	31 March 2023	31 March 2022
Gross NPA to Gross Advances (%)	2.49%	7.83%
Net NPA to Net advances (%)	1.13%	3.92%
Provision Coverage ratio (%)	56.67%	59.38%

## 4.2 Sector-wise Advances and Gross NPAs

(Rs. in Crore)

Sl. No	Sector	31 March 2023		
		Gross Advances	Gross NPAs	Percentage of Gross NPAs to Gross Advances in that Sector
<b>A. Priority Sector</b>				
1.	Agricultural and Allied Activities	7,995.52	173.54	2.17%
2.	Advances to Industries Sector eligible as Priority sector lending	682.77	35.12	5.14%
3.	Services	1,861.01	92.72	4.98%
4.	Personal Loans	794.21	37.74	4.75%
	<b>Sub-Total (A)</b>	<b>11,333.51</b>	<b>339.12</b>	<b>2.99%</b>
<b>B. Non Priority Sector</b>				
1.	Agricultural and Allied Activities	1,650.06	-	-
2.	Industry	-	-	-
3.	Services	591.50	3.94	0.67%
4.	Personal loans	543.06	8.63	1.59%
	<b>Sub-Total (B)</b>	<b>2,784.62</b>	<b>12.57</b>	<b>0.45%</b>
	<b>Total (A+B)</b>	<b>14,118.13</b>	<b>351.69</b>	<b>2.49%</b>

(Rs. in Crore)

Sl. No	Sector	31 March 2022		
		Gross Advances	Gross NPAs	Percentage of Gross NPAs to Gross Advances in that Sector
<b>A. Priority Sector</b>				
1.	Agricultural and Allied Activities	5,245.88	373.55	7.12%
2.	Advances to Industries Sector eligible as Priority sector lending	849.82	137.54	16.18%
3.	Services	1,601.50	194.97	12.17%
4.	Personal Loans	1,507.54	229.77	15.24%
	<b>Sub-Total (A)</b>	<b>9,204.74</b>	<b>935.83</b>	<b>10.17%</b>
<b>B. Non Priority Sector</b>				
1.	Agricultural and Allied Activities	950.00	-	-
2.	Industry	-	-	-
3.	Services	859.94	-	-
4.	Personal loans	1,115.96	13.77	1.23%
	<b>Sub-Total (B)</b>	<b>2,925.90</b>	<b>13.77</b>	<b>0.47%</b>
	<b>Total (A+B)</b>	<b>12,130.64</b>	<b>949.60</b>	<b>7.83%</b>

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 4.3 Overseas Assets, NPAs and Revenue:

The Bank does not have any overseas assets during the years ended 31 March 2023 and 31 March 2022

## 4.4 Resolution of stressed assets- Revised frame work

The Bank is having Nil loan account for resolution of stressed asset (revised framework) as on 31 March 2023 (Previous Year : Nil) as per the RBI Circular DBR.No. BP.BC.45/21.04.048/ 2018-19 dated 7 June 2019, as amended.

## 4.5 Divergence in asset classification and provisioning

RBI vide circular no. DOR.ACC.REC.No.74/21.04.018/2022-23 dated 11 October 2022, has directed that banks shall make suitable disclosures, wherever (a) the additional provisioning requirement assessed by the RBI exceeds 5 per cent of the reported profit before provisions and contingencies for the reference period, or (b) the additional Gross NPA identified by the RBI exceeds 5 per cent of the published incremental Gross NPA for the reference period, or both. Based on the annual inspection conducted with respect to the Bank's position as at 31 March 2022 there are no reportable matters under (a) and (b) of the above-mentioned circular during the year ended 31 March 2023 .

## 4.6 Disclosure of transfer of loan exposures

Details of loans transferred / acquired during the year ended 31 March 2023 under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021 is given below:

### i) Details of Stressed loans transfers are given below:

Sl. No.	Particulars	Rs. in Crore		
		To Asset Reconstruction Company (ARC)	To Permitted Transferees	To other transferees
1.	No. of Accounts	417,648	-	-
2.	Aggregate principal outstanding of loans transferred *	1,074.95	-	-
3.	Weighted average residual tenure of loans transferred (in Years) #	0.83	-	-
4.	Net Book Value of Loans transferred (at the time of transfer)	135.12	-	-
5.	Aggregate Consideration	205.48	-	-
6.	Additional Consideration realised in respect of accounts transferred in earlier years	-	-	-

\* Includes advances which had been technically written off and fully provided thereof.

# Not applicable to technically write off pool.

The Bank has received Security Receipts (SRs) as part of the consideration for transfer of stress loans to ARC. The recovery ratings of the SRs would be obtained within 6 months as per relevant RBI guidelines. Investments in SRs are valued at Nil/ fully provided for in the books of account on a prudent basis.

The Bank has recognised the other income to the extent of cash received, with respect to the technical written off portfolio amounting to Rs. 38.09 Crore

The Bank has not transferred any stressed assets during year ended 31 March 2022.

- ii) The bank has not transferred any Special Mention Account (SMA) and loan not in default, except reported in (i) above (Previous Year : Nil).
- iii) The Bank has not acquired any loans not in default from other entities through assignment (Previous Year: Nil)
- iv) The Bank has not acquired any stressed loan (Previous Year: Nil)

## 4.7 Fraud Accounts

Particulars	As At	As At
	31 March 2023	31 March 2022
Number of frauds reported	86	39
Amount involved in fraud (Rs. Crore)	1.44	0.85
Amount of provision made for such frauds *	0.79	0.65
Amount of unmortised provision debited from 'other reserves' as at the end of the year	-	-

\*Provision is made net of recovery.

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Forming Part of the Financial Statements for the year ended 31 March 2023

## 4.8 Disclosure under Resolution framework for Covid-19 related stress

Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per the RBI circular dated 6 August 2020 (Resolution Framework 1.0) and 5 May 2021 (Resolution framework 2.0) are given below.

(Rs. in Crore)

Particulars	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of the previous half year ended 30 September 2022 (A)	of (A) aggregate debt that slipped into NPA during the half year ended 31 March 2023	of (A) amount written off during the half - year	of (A) amount paid by the borrowers during the half year	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of this half year ended 31 March 2023
Personal Loans	57.51	9.40	-	24.16	23.95
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	196.43	23.60	-	116.33	56.50
<b>Total</b>	<b>253.94</b>	<b>33.00</b>	<b>-</b>	<b>140.49</b>	<b>80.45</b>

## 5. Exposures

### 5.1 Exposure to Real Estate Sector:

(Rs. in Crore)

Particulars	31 March 2023	31 March 2022
<b>Direct exposure</b>		
i Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	270.40	156.95
of which individual Housing loans eligible for inclusion in priority sector advances	179.72	140.24
ii Commercial Real Estate - Lending secured by mortgages on commercial real estate's (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure also includes non-fund based (NFB) limits	-	-
iii Investments in Mortgage Backed Securities (MBS) and other securitized exposures		
- Residential	-	-
- Commercial Real Estate	-	-
<b>Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	49.32	-
<b>Total Exposure to Real Estate Sector</b>	<b>319.72</b>	<b>156.95</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 5.2 Exposure to Capital Market

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
i Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	11.29	17.69
ii Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
iii Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
v Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii Bridge loans to companies against expected equity flows / issues;	-	-
viii Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix Financing to stockbrokers for margin trading;	-	-
x All exposures to Venture Capital Funds (both registered and unregistered)	-	-
<b>Total Exposure to Capital Market</b>	<b>11.29</b>	<b>17.69</b>

## 5.3 Risk category wise country exposure

The Bank does not have any country exposure other than "home country" exposures and accordingly, no provision is maintained with regard to country risk exposure.

## 5.4 Unsecured Advances

During the years ended 31 March 2023 and 31 March 2022, the Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc.

## 5.5 Details of factoring exposure:

The factoring exposure of the Bank as at 31 March 2023 is Nil (Previous Year: Nil).

## 5.6 Intra Group Exposures

The Bank does not have any intra group exposures for the years ended 31 March 2023 and 31 March 2022. Exposure is computed as per the RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July 1, 2015.

## 5.7 Unhedged foreign currency exposure

The Bank held Rs. 0.12 Crore towards unhedged foreign currency exposure as on 31 March 2023 (Previous Year: Nil). The bank held no incremental capital on advances to borrowers with unhedged foreign currency as on 31 March 2023 (Previous Year: Nil).

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Forming Part of the Financial Statements for the year ended 31 March 2023

## 6. Concentration of deposits, advances, exposures and NPAs

### 6.1 Concentration of deposits:

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
Total deposits of twenty largest depositors	1,432.80	2,034.12
Percentage of deposits of twenty largest depositors to total deposits of the Bank	9.77%	15.87%

### 6.2 Concentration of advances:

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
Total advances to twenty largest borrowers	481.74	390.22
Percentage of advances to twenty largest borrowers to total advances of the bank	3.44%	3.24%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

### 6.3 Concentration of exposures:

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
Total exposure to twenty largest borrowers/customers	481.74	390.22
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	3.44%	3.23%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July 1, 2015.

The Bank has compiled the data for the purpose of disclosure in Note No. 6.1 to 6.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

### 6.4 Concentration of NPAs:

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
Total Exposure to top twenty NPA Accounts	7.02	6.96
Total Exposure to top twenty NPA accounts to Gross NPA	2.00%	0.73%

## 7. Derivatives

The Bank did not have any transactions in derivative instruments. Hence the disclosure is not applicable with respect to Forward rate agreement / interest rate swap, exchange traded interest rate derivatives, risk exposure in derivatives and credit default swaps for the years ended 31 March 2023 and 31 March 2022.

## 8. Disclosures relating to Securitization

The Bank has not undertaken any Securitised transaction during the years ended 31 March 2023 and 31 March 2022 and has no outstanding as on 31 March 2023. Hence the disclosure is not applicable to the Bank.

## 9. Off Balance Sheet SPVs sponsored

There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) during the years ended 31 March 2023 and 31 March 2022.

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Forming Part of the Financial Statements for the year ended 31 March 2023

## 10. Transfer to Depositor Education and Awareness Fund (DEAF)

During the years ended 31<sup>st</sup> March 2023 and 31<sup>st</sup> March 2022, the bank was not required to transfer any amount to Depositor Education and Awareness Fund

## 11. Disclosure of Complaints

### a. Customer Complaints

Particulars	31 March 2023	31 March 2022
(a) No. of complaints pending at the beginning of the Year	84	218
(b) No. of complaints received during the Year	7,658	12,894
(c) No. of complaints disposed during the Year	7,522	13,028
Of which, number of complaints rejected by the bank	2	1
(d) No. of complaints pending at the end of the Year	220	84

Customer Complaints above includes:

### i. ATM transaction disputes relating to Banks customers on Banks ATM

Particulars	31 March 2023	31 March 2022
(a) No. of complaints pending at the beginning of the Year	1	12
(b) No. of complaints received during the Year	362	818
(c) No. of complaints disposed during the Year	361	829
Of which, number of complaints rejected by the bank	-	-
(d) No. of complaints pending at the end of the Year	2	1

### ii. ATM transaction disputes relating to Banks customers on other Banks ATM

Particulars	31 March 2023	31 March 2022
(a) No. of complaints pending at the beginning of the Year	38	101
(b) No. of complaints received during the Year	2,692	5,580
(c) No. of complaints disposed during the Year	2,692	5,643
Of which, number of complaints rejected by the bank	-	-
(d) No. of complaints pending at the end of the Year	38	38

### b. Maintainable complaints received by the bank from Office of Ombudsman

Particulars	31 March 2023	31 March 2022
(a) Number of maintainable complaints received by the bank from Office of Ombudsman	51	32
Of (a) , number of complaints resolved in favour of the bank by Office of Ombudsman	51	32
Of (a) , number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	-	-
Of (a) , number of complaints resolved after passing of Awards by Office of Ombudsman against	-	-
(b) Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-
	-	-

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## C. Top five grounds of complaints received by the bank from customers

### Year ended 31 March 2023

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
(1)	(2)	(3)	(4)	(5)	(6)
ATM Cards/ Debit Cards	43	3,475	-51.06%	42	-
Internet banking/ Mobile banking/ Electronic banking	40	4,122	-28.25%	178	-
Account opening/difficulty in operation of accounts	1	28	21.74%	-	-
Loans and advances	-	14	7.69%	-	-
Levy of charges without prior notice/excessive charges/ foreclosure charges	-	8	100.00%	-	-
Others	-	11	10.00%	-	-
<b>Total</b>	<b>84</b>	<b>7,658</b>	<b>-40.61%</b>	<b>220</b>	<b>-</b>

### Year ended 31 March 2022

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
(1)	(2)	(3)	(4)	(5)	(6)
ATM Cards/ Debit Cards	150	7,101	40.61%	43	-
Internet banking/ Mobile banking/ Electronic banking	68	5,745	153.53%	40	1
Account opening/difficulty in operation of accounts	-	23	-59.65%	1	-
Loans and advances	-	13	-18.75%	-	-
Levy of charges without prior notice/ Para Banking / excessive charges/foreclosure charges	-	2	100.00%	-	-
Others	-	10	233.33%	-	-
<b>Total</b>	<b>218</b>	<b>12,894</b>	<b>74.41%</b>	<b>84</b>	<b>1</b>

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

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Forming Part of the Financial Statements for the year ended 31 March 2023

## 12. Disclosure of penalties imposed by the RBI

During the year ended 31 March 2023, Reserve Bank of India imposed a penalty of Rs. 60,000/- (Previous year: Nil) on RBI Circular DCM (RMMT) No.S153/11.01.01/2021-22 dated August 10, 2021 and addendum dated January 03, 2022 on cash out at ATM of more than ten hours in a month by the Bank under the provision of (i) Banking Regulation Act, 1949. During the years ended 31 March 2023 and 31 March 2022 no penalty has been imposed by Reserve Bank of India on the Bank under (ii) the provision of Payment and Settlement system act, 2007 and (iii) Government Securities Act, 2006 (for bouncing of SGL) .

## 13. Disclosure of Remuneration

### A. Qualitative Disclosures:

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

The Nomination, Remuneration and Compensation committee ("NRC") comprises of 5 directors, majority being independent directors of the Bank. Key mandate of the NRC is to oversee the overall design and operation of the compensation policy of the Bank, formalising criteria for appointment of Directors based on qualification, experience, track record and integrity.

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

Objective of Bank's Compensation Policy is:

- To establish guidelines for the fair and equitable administration of salary and benefits in accordance with the policies of the Bank;
- To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking;
- To have mechanisms in place for effective supervisory oversight and Board engagement in compensation. 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, the Bank has a policy to set apart a portion of the total compensation of senior and middle management as variable. In addition, remuneration process provides for 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ Bank.

#### d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration:

All bonus (performance linked pay) pay-outs are capped at 70% of the fixed pay . The Head of Control functions will be evaluated independent of business results by the Chairman of the respective Board Committee and their compensation and rewards will be approved by the Board NRC. The Bank does not have any guaranteed bonus as part of any contract with employees or any severance pay other than what is stipulated by Law; However, any bonus at the time of joining/ sign on bonus will be limited only to the first year and would need to be approved by the Board NRC.

#### e) A discussion of the banks' 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:

Nil

#### 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:

Variable remuneration in the form of Cash or in the form ESOP is paid periodically.

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.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## B. Quantitative Disclosures

Particulars	31 March 2023	31 March 2022
1 Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members.	5 Remuneration paid: Rs. 0.09 Crore	9 Remuneration paid: Rs. 0.18 Crore
2 (i) Number of employees having received a variable remuneration awards during the financial year	Five ( MD& CEO and one level below MD & CEO.)	Four (disclosure covering MD& CEO and one level below.)
(ii) Number and total amount of sign in/ joining bonus made during the financial year	Nil	Nil
(iii) Details of severance pay, in addition to accrued benefits, if any	Nil	Nil
3 i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms	Remuneration Payable in cash to MD& CEO as on 31-03-2023 - Rs. 0.69 crore	Remuneration Payable in cash to MD& CEO as on 31-03-2022- Rs. 0.62 Crore
ii) Total amount of deferred remuneration paid out in the financial year	0.11 Crore	Nil
4 Breakdown of amount of remuneration awards for the financial year to show fixed, variable, deferred and non deferred	Fixed Salary : Rs. 4.56 Crore Variable pay : Rs. 0.87 Crore Deferred Variable Pay : Rs. 0.11 Crore	Fixed Salary : Rs. 2.59 Crore Variable pay : Rs. 0.80 Crore Deferred Variable Pay : Rs. 0.62 Crore
5 (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil
ii) Total amount of reductions during the financial year due to ex post explicit adjustments		
iii) The amount of reductions during the financial year due to ex post implicit adjustments		
6 Number of Material Risk Takers (MRTs) identified	1	1
7 (i) Number of cases where malus has been exercised	Nil	Nil
(ii) Number of cases where clawback has been exercised		
(iii) Number of cases where both malus and clawback have been exercised		
8 The mean pay for the bank as a whole ( excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay	The mean of the Pay of the Bank as a whole is Rs. 0.05 Crore as on 31 March 2023. The Ratio of the Remuneration of the Managing Director to the mean pay of the Bank as a whole is 52:1 as on 31 March 2023. For the purpose this calculation CTC of the employees is considered	The mean pay of the Bank as a whole is Rs. 0.05 Crore as on 31 March 2022. The Ratio of the Remuneration of the Managing Director to the mean pay of the Bank as a whole is 48:1 as on 31 March 2022

# Schedules

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## 14. Other Disclosures

### 14.1 Business ratios / information:

Particulars	31 March 2023	31 March 2022
Interest income as a percentage to working funds *	15.42%	13.75%
Non interest income as a percentage of Working Funds*	1.56%	1.47%
Cost of deposits &	6.24%	6.45%
Net interest margin@@	10.44%	8.86%
Operating profit # as a percentage of Working Funds*	4.83%	3.49%
Return on assets ## *	1.63%	0.39%
Business ^ (deposit plus advance) per employee (Rs. in Crore)\$	5.44	5.44
Profit per employee \$ (Rs. in Crore)	0.06	0.01

\* For the purpose of computing the ratio, Working Fund represents the average of total assets as reported in Form X to RBI under Section 27 of the Banking Regulation Act, 1949.

& Cost of deposits is calculated as a percentage of Interest expense on deposits to Average deposits.

@@ Net interest Margin is calculated as percentage of Net Interest Income to Average Earning Assets. Average earning assets consist of Net Advances, Investments, Balances with other banks in Deposit Accounts and Balances with Bank and Money at call and short notice. Average represents monthly average.

# For the purpose of this ratio, Operating profit is net profit for the year before provisions and contingencies.

## Return on Assets is computed as a percentage of Profit after tax to the working fund.

\$ For the purpose of computing the ratio, number of employees (excluding part-time employees) as on Balance Sheet Date is considered.

^ Business is sum of net advances and deposits as reported to the RBI under section 27 of the Banking Regulation Act, 1949. Interbank deposits are excluded for the purposes of computation of this ratio.

### 14.2 Bancassurance Business

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
Fees/remuneration received from Bancassurance business:		
- For selling life insurance policies	18.05	13.38
- For selling non-life insurance policies	1.23	1.29
- For selling pension products	0.28	0.20
- For Mutual Fund business	*	*
<b>Total</b>	<b>19.56</b>	<b>14.87</b>

\* Amount is below Rs. 50,000

### 14.3 Marketing and distribution

The Bank does not receive any fees/remuneration in respect of Marketing and Distribution function (excluding bancassurance business) during the year ended March 31, 2023 (Previous year: Nil).

### 14.4 Priority sector lending certificates

The amount of PSLCs (Category wise) sold/ purchased

Sl. No.	Type of PSLCs	(Rs. in Crore)			
		31 March 2023		31 March 2022	
		Purchase	Sale	Purchase	Sale
1.	Agriculture	-	-	-	-
2.	Micro enterprises	-	-	-	850.00
3.	General	-	-	-	-
4.	Small and Marginal Farmer	-	1,650.00	-	950.00

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 14.5 Provisions and Contingencies

Breakup of "Provisions and Contingencies" (including write-offs; net of write-backs) shown under the head Expenditure in Profit and Loss Account:

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
Provision towards NPA / Write offs	610.81	320.84
Provision towards Standard Assets #	(128.11)	93.62
Provision made towards income tax		
- Current Tax expense	77.12	48.50
- Deferred Tax	26.59	(29.38)
Other Provision and Contingencies	4.97	3.54
<b>Total Provisions and Contingencies</b>	<b>591.38</b>	<b>437.12</b>

# Refer Note A.16 of the schedule 18

## 14.6 Implementation of IFRS converged Indian Accounting Standards (INDAS)

The Bank submits its Proforma Ind-AS financials on half yearly basis to the RBI based on the GAP assessment carried out by the Bank. The Bank is currently handling the impact analysis and reporting offline by using excel based models. However, the Bank is in the process of implementing system solutions (IndAS 109 and 116) and hiring skilled resources to implement Ind-AS accounting.

## 14.7 Payment of DICGC Insurance Premium

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
i) Payment of DICGC Insurance Premium (Including taxes)	16.15	12.56
ii) Arrears in payment of DICGC Premium	Nil	Nil

## 14.8 Unamortised Pension and Gratuity Liabilities

There are no unamortised pension and gratuity liabilities as at 31 March 2023 and 31 March 2022.

## 15. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Bank

During the years ended 31 March 2023 and 31 March 2022, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by the RBI.

- 16.** During the year ended 31 March 2023 the impact of disruptions resulting from Covid 19 has eased substantially, however the Bank continues to monitor the developments/ ongoing impact resulting from Covid-19 Pandemic and any action to contain its spread or mitigate its impact. The Bank was carrying an additional contingency provision of Rs. 66.07 Crore as on 31 March 2022 and further made a provision of Rs. 13.42 Crore during the year, which has been utilised to the extent of Rs. 66.25 Crore in the current year and consequently provision as at 31 March 2023 is Rs. 13.24 crore.

## 17. Details of Non Performing Financial Assets Purchased

The Bank did not purchase any Non Performing Financial Assets during the years ended March 31, 2023 and March 31, 2022.

## 18. Details of Special Mention Account (SMA) or Stressed Financial Assets Purchased

The Bank did not purchase any Special Mention Account (SMA) or Stressed Financial Assets during the years ended March 31, 2023 and March 31, 2022.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 19. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has restructured accounts in accordance with the RBI Circular on 'Micro, Small and Medium Enterprises (MSME) sector — Restructuring of Advances' - DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018, DBR.No.BP.BC.108/21.04.048/2017-18 dated June 06, 2018, DBR.No.BP.BC.18/21.04.048/2018-19 January 01, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No. BP.BC/4/21.04.048/2020-21 dated August 6, 2020.

Particulars	(Rs. in Crore)	
	As at 31 March 2023	As at 31 March 2022
Number of Accounts Restructured	60	111
Amount	0.65	1.82

## B. OTHER DISCLOSURES:

### 1. Earnings per Equity Share:

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
Net Profit attributable to equity Shareholders(A)	302.33	54.73
Weighted average number of equity shares used in computation of basic earnings per share (B) (in Crore)	44.95	44.95
Add: Effect of dilution - Stock options granted to employees	0.08	0.06
Weighted average number of equity shares used in computation of diluted earnings per share (C)(in Crore)	45.03	45.01
Basic (Rs.)[A/B]	6.73	1.22
Diluted (Rs.)[A/C]	6.71	1.22
Nominal value per share (Rs.)	10.00	10.00

### 2. Segment Reporting:

#### Part A- Business Segments

The business of the Bank has been segregated into four Segments as per the RBI guidelines : Treasury, Wholesale Banking, Retail Banking and Other Banking Operations:

Segment Revenue	31 March 2023				
	Treasury	Wholesale Banking	Retail Banking	Other Banking Operations	Total
Segment Revenue	247.19	57.67	2,787.06	49.65	3,141.57
Segment Results (Operating Profit)	(27.65)	28.31	359.16	46.22	406.04
Income Tax Expenses					103.71
Net Profit					302.33
Segment Assets	5,578.35	660.87	13,746.34	-	19,985.56
Unallocated Assets					238.10
<b>Total Assets</b>				-	<b>20,223.66</b>
Segment Liabilities	3,810.87	2.64	14,356.58	-	18,170.09
Unallocated Liabilities					344.44
Share Capital and Reserves and Surplus					1,709.13
<b>Total Liabilities</b>					<b>20,223.66</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

(Rs. in Crore)

Segment Revenue	31 March 2022				Total
	Treasury	Wholesale Banking	Retail Banking	Other Banking Operations	
<b>Segment Revenue</b>	234.22	34.41	1,842.73	36.15	2,147.51
Segment Results (Operating Profit)	(6.13)	15.08	30.28	34.62	73.85
Income Tax Expenses					19.12
Net Profit					54.73
Segment Assets	5,503.91	409.76	11,541.83	-	17,455.50
Unallocated Assets					252.06
<b>Total Assets</b>				-	<b>17,707.56</b>
<b>Segment Liabilities</b>	3,320.82	1.62	12,707.66	-	16,030.10
Unallocated Liabilities					270.66
Share Capital and Reserves and Surplus					1,406.80
<b>Total Liabilities</b>					<b>17,707.56</b>

Segmental information is provided as per the MIS/reports available for internal reporting purposes, which includes certain estimates and assumptions.

The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

The RBI vide its circular dated April 7, 2022 on establishment of Digital Banking Units (DBUs), has prescribed reporting of Digital Banking Segment as a sub-segment of Retail Banking Segment. Indian Banks' Association (IBA) has formed DBU Working Group which include representatives of banks and RBI. The reporting of Digital Banking as a separate sub-segment of Retail Banking Segment will be implemented by the Bank based on the decision of the DBU Working Group. The Bank has not formed any DBU as at 31 March 2023 and is in the process of setting up DBUs in the future and hence the same has not been disclosed as a segment.

## Part B - Geographical Segments

The business of the Bank is in India only. Accordingly, geographical segment is not applicable.

### 3. Lease Disclosures:

The Bank has taken premises under operating lease for period ranging from 11 months to 120 months. The lease expenses recognised in the profit and loss account is Rs. 60.13 Crore (year ended 31 March 2022 - Rs. 49.91 Crore).

The future minimum lease payments under non cancellable operating leases is given below

(Rs. in Crore)

Particulars	31 March 2023	31 March 2022
Not later than one year	57.67	47.58
Later than one year but not later than five years	286.17	215.62
Later than five years	85.93	81.56

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 4. Deferred Taxes:

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
<b>Deferred Tax Asset</b>		
Provision for Employee Benefits	2.14	1.87
Provision for Standard assets	22.57	54.81
Fixed Assets : on differences between book balances and tax balance of fixed asset	4.77	2.96
Other Provisions	8.94	5.37
<b>Deferred Tax Asset</b>	<b>38.42</b>	<b>65.01</b>

## 5. Credit card reward points:

The Bank does not have credit card products. Hence reward points are not applicable.

## 6. Fixed Assets as per Schedule 10 include intangible assets relating to purchased software and system development expenditure which are as follows:

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	29.54	20.82
Additions during the year	12.88	8.72
Deductions during the year	-	-
<b>Total</b>	<b>42.42</b>	<b>29.54</b>
<b>Depreciation / Amortization</b>		
As at 31 <sup>st</sup> March of the preceding year	15.97	12.61
Charge for the year	5.62	3.36
Deductions during the year	-	-
<b>Depreciation to date</b>	<b>21.59</b>	<b>15.97</b>
<b>Net Block</b>	<b>20.83</b>	<b>13.57</b>

## 7. Related Party Disclosures:

Related Party #	Nature of Relationship
ESAF Financial Holdings Private Limited ("erstwhile ESAF Microfinance and Investments Private Ltd.")(“EFHL”)	Significant Investor *
Cedar Retail Private Limited ("erstwhile ESAF Retail Private Ltd.") ("CEDAR Retail")	Entities in which Key Managerial Person (KMP) is a member (shareholder)
Lahanti Homes and Infrastructure (P) Ltd. [Erstwhile ESAF Homes and Infrastructure Private Ltd] ("Lahanti Homes")	Entities in which KMP is a member (shareholder)
ESAF Swaraya Producers Company Ltd. ("ESAF Producer Company")	Entities in which KMP is a member (shareholder)
K. Paul Thomas	Key Managerial Person (MD and CEO)
Mereena Paul	Relative of KMP
Emy Acha Paul	Relative of KMP
Alok Paul Thomas	Relative of KMP
Abhishek Joe Paul	Relative of KMP
Ashish Krish Paul	Relative of KMP
Beena George	Relative of KMP
ESAF Foundation ("ESAF Foundation") [erstwhile Evangelical Social Action Forum]	Enterprises over which KMP has significant influence
Prachodhan Development services ("Prachodhan")	Enterprises over which KMP has significant influence through relative

#Related parties are identified and disclosed as per Accounting Standard 18 - Related Party Disclosures specified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

\*EFHL holds 62.46% of the equity share capital of the Bank. However, since the voting rights of any investor in Banks are restricted to 26% pursuant to the provisions of RBI guidelines, EFHL has been considered as Significant Investor.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## Transactions during the year with the Related Party

		(Rs. in Crore)	
Nature of Transaction	Related Party	31 March 2023	31 March 2022
<b>Liabilities</b>			
Term Deposit placed			
	ESAF Foundation	3.15	0.61
	Emy Acha Paul	0.05	0.05
	Beena George	0.11	0.02
	Cedar Retail	-	0.50
	EFHL	-	72.42
Term Deposit Matured			
	EFHL	-	108.92
	Cedar Retail	0.50	-
	K. Paul Thomas	-	0.29
	Beena George	0.01	0.01
	ESAF Foundation	1.30	0.36
	Emy Acha Paul	0.05	0.07
Transactions in Demand Deposit (net)			
	Cedar Retail	0.94	2.43
	ESAF Foundation	*	*
	EFHL	0.99	0.04
	Lahanti Homes	-	(0.19)
	Prachodan	0.01	0.01
Transactions in Savings Deposit(net)			
	K. Paul Thomas	0.14	0.28
	Mereena Paul	0.08	0.35
	Emy Acha Paul	0.09	0.01
	Alok Paul Thomas	0.01	*
	ESAF Foundation	1.38	2.95
	Prachodhan	(0.16)	(0.48)
	Abhishek Joe Paul	*	*
	Ashish Krish Paul	*	*
	Beena George	*	(0.03)
	ESAF Producer Company	*	(0.01)
Interest accrued and due on Deposits			
	Cedar Retail	*	0.01
	EFHL	0.23	4.94
	ESAF Foundation	0.63	0.49
	K. Paul Thomas	0.07	0.08
	Mareena Paul	0.01	0.01
	Emy Acha Paul	0.01	0.01
	Alok Paul Thomas	*	*
	Abhishek Joe Paul	*	*
	Ashish Krish Paul	*	*
	Beena George	0.01	*
	Prachodan	0.03	0.08
Interest expenses on Sub Debt			
	EFHL	2.25	0.01
Issue of Sub debt			
	EFHL	-	20.00
Contingent Liability			
Bank Guarantee Given/ renewed (Closed)		(0.15)	0.45
<b>Assets</b>			
Advances			
	EFHL	-	21.58
Advances repaid			
	EFHL	-	32.40

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

(Rs. in Crore)

Nature of Transaction	Related Party	31 March 2023	31 March 2022
<b>Expenses</b>			
Rent paid	Lahanti Homes	2.41	2.10
	ESAF Foundation	0.02	0.02
Interest paid on deposits	ESCO	-	-
	Cedar Retail	*	0.01
	EFHL	0.23	4.94
	ESAF Foundation	0.63	0.49
	K. Paul Thomas	0.07	0.08
	Mereena Paul	0.01	0.01
	Emy Acha Paul	0.01	0.01
	Alok Paul Thomas	*	*
	Abhishek Joe Paul	*	*
	Ashish Krish Paul	*	*
	Beena George	0.01	*
	Prachodan	0.03	0.08
Interest paid on Sub Debt	EFHL	2.25	0.01
Remuneration	K. Paul Thomas	3.13	2.45
Reimbursement of expenses	K. Paul Thomas	0.23	-
Contribution towards Corporate Responsibility expense	ESAF Foundation	4.25	8.76
	Prachodan	3.01	-
Royalty	ESAF Foundation	8.50	1.44
Interest received on advances	EFHL	-	1.78

Figures in brackets indicate net outflow

\* Amounts are below Rs. 50,000/-

The remuneration to KMP does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Bank as a whole.

Balance outstanding as at :

(Rs. in Crore)

Items/Related Party	Significant Investor		KMP and Enterprises over which KMP/Relative of KMP have control / significant influence	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
<b>Liabilities</b>				
Term Deposits	3.50	3.50	4.03	2.55
Demand Deposit (Including Savings Deposits)	1.47	0.48	13.68	11.15
Equity Shares (Including share premium)	283.90	283.90	32.44	32.44
Borrowings	20.00	20.00	-	-
Other Liabilities	-	0.01	7.72	-
<b>Contingent Liability</b>				
Bank Guarantee	-	-	1.24	1.39
<b>Assets</b>				
Advances	-	-	-	-
Others	-	-	-	-

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

Maximum Balance outstanding during the year

(Rs. in Crore)

Items/Related Party	Significant Investor		KMP and Enterprises over which KMP/Relative of KMP have control / significant influence	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
<b>Liabilities</b>				
Term Deposits	3.59	35.26	4.58	2.67
Demand Deposit (Including Savings Deposits)	1.47	2.08	17.33	17.38
Equity Shares (Including share premium)	283.90	283.90	32.44	32.44
Borrowings	20.00	20.00	-	-
<b>Assets</b>				
Advances	-	20.00	-	-

## 8. Employee Stock Option Scheme ("ESOS")

### i) ESAF Small Finance Bank Employee Stock Option Plan 2019

The Bank, pursuant to the resolutions passed by the Board on December 23, 2019 and Shareholders on January 3, 2020, adopted the ESAF ESOP Plan 2019. The ESAF ESOP Plan 2019 has been framed in compliance with the SEBI Regulations. The ESOP grant is of two types (i) loyalty grant and (ii) performance grant. As on 31 March 2023 and 31 March 2022 no options under performance grant have been granted by the Bank under the ESAF ESOP Plan 2019. The Nomination and Remuneration Committee of the Bank on June 28, 2021 granted loyalty grant to its eligible employees. The details of the options granted under the ESAF ESOP Plan 2019 as loyalty grant are as follows:

Particulars	31 March 2023	31 March 2022
Outstanding at the beginning of the year	1,125,590	-
Surrendered during the year	-	-
Granted during the year	-	1,125,590
Exercised during the year	-	-
Forfeited/ lapsed during the year	81,107	-
Outstanding at the end of the year	1,044,483	1,125,590
Options exercisable	1,044,483	-

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period."

### ii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by Rs. 0.32 crore (Previous Year: Rs. 0.03 crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be Rs. 6.72 and Rs. 6.71 (Previous Year: Rs. 1.22 and Rs. 1.22) respectively.

### iii) As per the RBI circular RBI/2021-22/9 OR.GOV.REC.44/29.67.001/2021-22 "Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff – Clarification" dated 30 August 2021 (the "RBI Guidelines on Compensation"), the Bank has identified material risk taker and submitted to the RBI. During the years ended 31 March 2023 and 31 March 2022 no ESOP has been granted to the aforesaid eligible personnel, hence there is no impact on the results for the years ended 31 March 2023 and 31 March 2022 on account of fair valuation of options in accordance with the RBI guidelines on compensation to the key risk taker.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 9. Employee Benefits

- i. The Bank has recognized the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds:

(Rs. in Crore)		
Particulars	31 March 2023	31 March 2022
Provident Fund	9.79	8.56

## ii. Gratuity

The gratuity plan provides a lump sum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank subject to maximum of Rs. 0.20 crore.

Reconciliation of opening and closing balance of present value of defined benefit obligation for gratuity benefits is given below.

### Reconciliation of Defined Benefit Obligation (DBO)

(Rs. in Crore)		
Particulars	31 March 2023	31 March 2022
<b>Present value of DBO at start of Year</b>	11.05	8.42
Current Service Cost	3.42	2.87
Interest Cost	0.65	0.46
Benefits Paid	(0.83)	(0.26)
Actuarial (Gain)/Loss	(0.80)	(0.44)
<b>Present value of DBO at end of Year</b>	<b>13.49</b>	<b>11.05</b>

### Reconciliation of Fair Value of Plan Assets

(Rs. in Crore)		
Particulars	31 March 2023	31 March 2022
<b>Fair value of Plan assets at start of Year</b>	<b>10.56</b>	<b>5.83</b>
Contributions by employer	2.47	4.49
Benefits Paid	(0.83)	(0.26)
Expected return on plan assets	0.59	0.41
Actuarial Gain/(Loss)	0.13	0.09
<b>Fair value of Plan assets at end of year</b>	<b>12.92</b>	<b>10.56</b>
Actual Return on plan assets	0.72	0.50
Expected Employer Contributions for the coming year	0.60	0.50

### Expense recognized in the Profit and Loss account

(Rs. in Crore)		
Particulars	31 March 2023	31 March 2022
Current Service Cost	3.42	2.87
Interest Cost	0.65	0.46
Expected return on plan assets	(0.59)	(0.41)
Actuarial (Gain)/Loss	(0.93)	(0.53)
<b>Employer Expense/( Income)</b>	<b>2.55</b>	<b>2.39</b>

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## Net Liability/(Asset) recognized in the Balance Sheet

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
Present value of DBO	13.49	11.05
Fair value of plan assets	12.92	10.56
<b>Net liability/(Asset)</b>	<b>0.57</b>	<b>0.49</b>
<b>Liability/(Asset) recognized in the Balance sheet</b>	<b>0.57</b>	<b>0.49</b>

## Category of Plan Assets

Particulars	31 March 2023	31 March 2022
Insurer managed fund	99.90%	99.90%
Bank Balance	0.10%	0.10%

## Actuarial assumptions used

Particulars	31 March 2023	31 March 2022
Salary Growth Rate	7.5% p.a	7.5% p.a
Discount Rate	7.10% p.a	5.90% p.a
Withdrawal/Attrition Rate	20% p.a	20% p.a
Expected return on plan assets	5.90%	5.50%
Mortality Rate	IALM 2012-14 (Ult)	IALM 2012-14 (Ult)
Expected average remaining working lives of employees	4 Years	4 Years

## Experience adjustments

Particulars	(Rs. in Crore)				
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019
Defined benefit obligation	13.49	11.05	8.42	5.69	3.54
Fair value of Plan assets	12.92	10.56	5.83	4.19	1.30
Surplus / (Deficit)	(0.57)	(0.49)	(2.59)	(1.50)	(2.24)
Experience adjustment on plan liabilities : (gain)/loss	0.07	(0.19)	0.68	(0.42)	0.21
Experience adjustment on plan assets : gain/(loss)	0.08	0.02	(0.03)	(0.11)	0.01

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

### iii. Leave Encashment

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence for a maximum of 30 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

The Actuarial liability of compensated absences of accumulated privilege leave of the employees of the Bank is given below:

(Rs. in Crore)		
Assumptions	31 March 2023	31 March 2022
Privilege leave	30 days	30 days
Sick leave	30 days	30 days
Discount rate (Privilege/ Sick leave)	7.10%	5.90%
Salary escalation rate (Privilege/ Sick leave)	7.50%	7.50%
Attrition Rate (Privilege/ Sick leave)	20%	20%
<b>Actuarial liability - Privilege leave</b>	<b>4.75</b>	<b>4.15</b>
Charged in Profit and Loss account- Privilege Leave	0.60	0.36
<b>Actuarial liability - Sick Leave</b>	<b>3.2</b>	<b>2.79</b>
Charged in Profit and Loss account- Sick leave	0.41	0.47

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases, takes into account the inflation, seniority, promotion, increments and other relevant factors. The above information is as certified by the actuary and relied upon by the auditors.

## 10. Corporate Social Responsibility (CSR)

(Rs. in Crore)		
Particulars	31 March 2023	31 March 2022
a) Gross amount required to be spend including deficit of previous year	12.99#	12.82#
b) Amount spent during the year		
i) Construction / acquisition of any asset	2.97##	0.26
ii) Any other projects	3.95###	7.83##
<b>Total</b>	<b>6.92</b>	<b>8.09</b>
c) Shortfall at the year end	6.07	4.73
d) Previous year shortfall	-	-
e) Reason for shortfall	ongoing projects	ongoing projects

# Gross amount required to be spent by the Bank during the year include Rs. 4.73 crore being the unspent amount for the Financial year ended 31 March 2022 . (March 2022 - Rs. 4.06 crore relating to March 2021)

As per Bank's CSR Policy up to 5% of the average net profit of the last 3 preceeding years is allocated for CSR activities. During the year the Bank has set aside 5% as CSR funds. (Previous year : 5%)

## Amount spent/ incurred during the year include Rs. 2.67 Crore out of the unspent amount during the year ended 31 March 2022 (Previous Year :Nil).

### Amount spent/ incurred during the year include Rs. 2.05 Crore out of the unspent amount during the year ended 31 March 2022 and during previous year include for Rs. 4.06 crore related to Financial year ended 31 March 2021 out of the unspent amount during the said year.

Nature of CSR Activities during March 2023 & March 2022 is given below :

Education, sustainable village development, waste management, liveable city projects, community school infrastructure, skill training for rural artisans and rural youth, flood rehabilitation, Covid-19 response programme, sustainable development initiatives, health development, etc.

Pursuant to Section 135(5) & (6) of Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014(Amended), Bank transferred Rs. 5.80 Crore in "Unspent CSR Account" on 31 March 2023 for the CSR Ongoing projects for spending over the following 3 years period on ongoing CSR sub Committee projects (Previous Year: Rs. 3.44 Crore). Amount paid to Implementing Agencies is Rs. 0.27 Crore as at March 2023 (March 2022 : Rs. 1.29 Crore).

Refer Note B.7 of Schedule 18 for the related parties involved in activities relating to Corporate Social Responsibility.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 11. Subordinated Debt and Perpetual Debt

- a. The Bank has an outstanding subordinated debt of Rs. 145 Crore (As at 31 March 2022 : Rs. 160 Crore). This has been considered as part of Tier 2 Capital for capital adequacy computation after discounting in accordance with the RBI guidelines.

During the year the Bank has repaid subordinated debt of Rs. 15 Crore as per the terms (Previous Year: Nil)  
During the year ended 31 March 2022, the Bank raised a Subordinated debt of Rs. 20 Crore by way of private placement. The Bank has an outstanding Perpetual Debt Instrument of Rs. 48 Crore ( As at 31 March 2022: Rs. 48 Crore)

During the year the Bank has repaid subordinated debt of Rs. 15 Crore as per the terms (Previous Year: Nil)

- b. Interest Expended-Others includes interest of Rs. 18.29 Crore (Previous year : Rs. 22.33 Crore) on Subordinated Debt and includes interest of Rs. 6.24 Crore (Previous Year: Rs. 6.24 Crore) on perpetual Debt instrument

## 12. Details of payments of audit fees (Exclusive of Goods and Service Tax)

Particulars	(Rs. in Crore)	
	31 March 2023	31 March 2022
Statutory Audit fees	0.55	0.40
Other Attestation work	0.55	0.13
Other Certification	0.15	0.15
Certification fees relating to DRHP for the Proposed IPO and Other Documentation	0.10	0.45
Out of pocket expenses (Including IPO related services)	0.02	0.03
<b>Total</b>	<b>1.37</b>	<b>1.16</b>

## 13. Description of Contingent Liabilities:

The Bank has contingent liability of Rs. 0.50 Crore (Previous year Rs. 0.50 Crore) for proprietary transactions and other Court matters and Rs. 1.39 Crore (Previous Year: 1.55 Crore) towards guarantees given on behalf of constituents in India.

14. The Bank has a process whereby periodically all long term contracts are assessed for material foreseeable losses. As on 31 March 2023 and 31 March 2022, the Bank has reviewed and recorded adequate provision as required under any law /accounting standards for material foreseeable losses on such long term contracts in the books of account and disclosed the same under the relevant notes in the financial statements.
15. The Bank has received few intimations from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. Based on the information received and available with the Bank, there are no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended 31 March 2023 and 31 March 2022. Further, there are no outstanding against those suppliers as on 31 March 2023 and 31 March 2022. The above is based on information available with the Bank and relied upon by the Auditors.
16. As a part of the normal banking business, the Bank grants loan and advances to its borrowers with permission to lend/ invest or provide guarantees/ securities in other entities identified by such borrowers or on the basis of the security/ guarantee provided by the co-borrower. Similarly, the Bank may accept funds from its customers who may instruct the bank to lend/ invest/ provide guarantee or security or the like against such deposits in other entities identified by such customers. These transactions are part of the Bank’s normal banking business, which is conducted after exercising proper due diligence including adherence to “Know Your customer” guidelines.

Other than the nature of the transactions described above:- No funds have been advanced or loaned or invested by the Bank to or in any other person(s) or entity(ies) (“intermediaries”) with the understanding that the intermediary shall lend or invest in party identified by or on behalf of the Bank (ultimate beneficiary).  
- The Bank has not received any funds from any party(s) (funding party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities by or on behalf of the Bank (“ultimate beneficiaries”) or provide any guarantee or security or the like on behalf of the ultimate beneficiary.

# Schedules

Forming Part of the Financial Statements for the year ended 31 March 2023

## 17. IPO Expenses

As on 31 March 2023, the Bank has incurred expenses in connection with ongoing Initial Public Offer (IPO), which include payments made to Merchant Bankers, Legal Counsel, Statutory Auditors and other incidental expenses amounting to Rs. 15.35 Crore (Previous Year : Rs. 13.05 Crore). In accordance with the accounting policy approved by the Board, the provisions of the Companies Act, 2013 and Banking Regulation Act, 1949 the Share Issue Expenses are eligible to be drawn from share premium account. As the process of IPO is still in progress the said expenses are included under "others" in other assets (Schedule 11 [vii]) of the balance sheet.

## 18. Comparitives

The comparative financial information of the Bank for the previous year/ quarter included in the Statement have been audited by one of the Joint auditor M/s. Deloitte Haskins & Sells(DHS) which expressed an unmodified opinion.

## 19. Previous Year's figures

Previous year figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

### For and on behalf of the Board of Directors

Sd/-

**P. R. Ravi Mohan**

Chairman

DIN: 08534931

Sd/-

**Kadambelil Paul Thomas**

Managing Director & CEO

DIN: 00199925

Sd/-

**Thomas Jacob Kalappila**

Director

DIN: 00812892

Sd/-

**Gireesh C. P.**

Chief Financial Officer

Sd/-

**Ranjith Raj P.**

Company Secretary

Place : Mannuthy

Date : 10 May 2023



[www.esafbank.com](http://www.esafbank.com)

