

NOTICE OF THE 06TH ANNUAL GENERAL MEETING OF ESAF SMALL FINANCE BANK LIMITED

Notice is hereby given that the Sixth Annual General Meeting of Shareholders of ESAF Small Finance Bank Limited (the Bank) will be held on **Tuesday, December 13, 2022 at 10:30 AM** through Video Conferencing (VC)/ Other Audio-Visual Means (OAVM), to transact the following businesses. The Venue of the meeting shall be deemed to be the Registered and Corporate Office of the Bank situated at Building No. VII/83/8, ESAF Bhavan, Mannuthy, Thrissur – Palakkad National Highway, Thrissur, Kerala, PIN – 680 651.

ORDINARY BUSINESS

Item No. 1 – To consider and adopt the Audited Standalone Financial Statements of the Bank for the Financial year ended March 31, 2022, together with the schedules and annexures thereto, the reports of the Board of Director's and the Auditor's thereon.

Item No. 2 – To appoint M/s. Abarna and Ananthan, Chartered Accountants (Firm Registration Number: 000003S), as one of the Joint Statutory Auditors of the Bank to hold office for a period of 3 (Three) consecutive financial years, who shall hold office from the conclusion of the 06th Annual General Meeting until the conclusion of the 09th Annual General Meeting of the Bank and to authorize the Board of Directors of the Bank to fix their remuneration.

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification, amendment or enactment thereof, for the time being in force) and the applicable provisions of the Banking Regulation Act, 1949 including relevant circular, notification, guidelines issued in this regard and any other applicable laws (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Abarna and Ananthan, Chartered Accountants (Firm Registration Number: 000003S), be and are hereby appointed as one of the Joint Statutory Auditors of the Bank to hold the office for a period of three consecutive financial years, from the conclusion of the 06th Annual General Meeting until the conclusion of the 09th Annual General Meeting of the Bank, on such remuneration plus applicable taxes and reimbursement of out-of-pocket expenses in connection with the audit as may be mutually agreed between the Board of Directors of the Bank and the Auditors.”

“RESOLVED FURTHER THAT the Board, including the Audit Committee of the Board or any other person(s) authorized by the Board or Audit Committee in this regard, be and is hereby authorized on behalf of the Bank to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary or desirable for such purpose and with the power to the Board to settle all questions, difficulties or doubts that may arise in the regard to the implementation of the resolution, including but not limited to determination of roles and responsibilities/ scope of work of the respective Joint Statutory Auditors, negotiating,

ESAF SMALL FINANCE BANK LIMITED

RBI License No.: MUM 124, CIN: U65990KL2016PLC045669

Registered & Corporate Office: ESAF Small Finance Bank Limited, Building No. VII/83/8, ESAF Bhavan, Mannuthy, Thrissur – Palakkad National Highway, Thrissur – 680 651, Kerala.

Ph. No: 0487 7123456, 123457, Email: customercare@esafbank.com www.esafbank.com

finalizing, amending, signing, delivering, executing the terms of appointment, including any contract or document in this regard and to alter and vary the terms and conditions of remuneration arising out of increase in scope of work, amendment in Accounting Standards or regulations and such other requirements resulting in the change in scope of work etc., without being required to seek any further consent or approval of the Members of the Bank.”

SPECIAL BUSINESS

Item No. 3 – Appointment of Shri. Vinod Vijayalekshmi Vasudevan (DIN: 02503201) as Non-Executive Independent Director of the Bank

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and 160, read with Schedule IV, and other applicable provisions, if any, of the Companies Act, 2013 (‘the Act’), the Companies (Appointment and Qualification of Directors) Rules, 2014 and the applicable provisions of the Banking Regulation Act, 1949 including relevant circular, notification, guidelines issued in this regard and any other applicable laws (including any statutory modification(s) or re-enactment thereof, for the time being in force), Articles of Association of the Bank and recommendations of the Nomination, Remuneration and Compensation Committee of the Board and the Board of Directors, Shri. Vinod Vijayalekshmi Vasudevan, holding DIN: 02503201, who was appointed as an Additional Director (Independent Director) on the Board of Directors of the Bank with effect from December 22, 2021, pursuant to provisions of Section 161 of the Companies Act, 2013, who has submitted consent to act as a Director of the Bank in Form DIR-2, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and that he meets the fit and proper criteria laid down by the Reserve Bank of India and in respect of whom the Bank has received a notice in writing under Section 160(1) of the Act from a member, signifying his intention to propose Shri. Vinod Vijayalekshmi Vasudevan’s candidature for the office of Director and who is eligible for appointment, be and is hereby appointed as the Non-Executive Independent Director of the Bank, to hold office for a period of three (3) consecutive years with effect from December 22, 2021 and whose office shall not be liable to retire by rotation.”

Item No. 4 – Appointment of Shri. Ravi Venkatraman (DIN: 00307328) as Non-Executive Independent Director of the Bank

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and 160, read with Schedule IV, and other applicable provisions, if any, of the Companies Act, 2013 (‘the Act’) the Companies (Appointment and Qualification of Directors) Rules, 2014 and the applicable provisions of the Banking Regulation Act, 1949 including relevant circular, notification, guidelines issued in this regard and any other applicable laws (including any statutory modification(s) or re-enactment thereof, for the time being in force), Articles of Association of the Bank and recommendations of the Nomination, Remuneration and Compensation

Committee of the Board and the Board of Directors, Shri. Ravi Venkatraman, holding DIN: 00307328, who has submitted consent to act as a Director of the Bank in Form DIR-2, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and that he meets the fit and proper criteria laid down by the Reserve Bank of India and in respect of whom the Bank has received a notice in writing under Section 160(1) of the Act from a member, signifying his intention to propose Shri. Ravi Venkatraman's candidature for the office of Director and who is eligible for appointment, be and is hereby appointed as the Non-Executive Independent Director of the Bank, to hold office for a period of three (3) consecutive years with effect from December 13, 2022 and whose office shall not be liable to retire by rotation."

Item No. 5 – Appointment of Smt. Kolasseril Chandramohan Ranjani (DIN: 01735529) as Non-Executive Independent Director of the Bank

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and 160, read with Schedule IV, and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') the Companies (Appointment and Qualification of Directors) Rules, 2014 and the applicable provisions of the Banking Regulation Act, 1949 including relevant circular, notification, guidelines issued in this regard and any other applicable laws (including any statutory modification(s) or re-enactment thereof, for the time being in force), Articles of Association of the Bank and recommendations of the Nomination, Remuneration and Compensation Committee of the Board and the Board of Directors, Smt. Kolasseril Chandramohan Ranjani, holding DIN: 01735529, who has submitted consent to act as a Director of the Bank in Form DIR-2, who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Act and that he meets the fit and proper criteria laid down by the Reserve Bank of India and in respect of whom the Bank has received a notice in writing under Section 160(1) of the Act from a member, signifying his intention to propose Smt. Kolasseril Chandramohan Ranjani's candidature for the office of Director and who is eligible for appointment, be and is hereby appointed as the Non-Executive Independent Director of the Bank, to hold office for a period of three (3) consecutive years with effect from December 13, 2022 and whose office shall not be liable to retire by rotation."

Item No. 6 – Re-Appointment of Shri. Ravimohan Periyakavil Ramakrishnan (DIN: 08534931) as Non-Executive Independent Director of the Bank

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and 160, read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules, 2014 and Section 10A and other applicable provisions of the Banking Regulation Act, 1949 including relevant circular, notification, guidelines issued in this regard and any other applicable laws (including any statutory modification(s) or re-enactment thereof, for the time being in force), Shri.

Ravimohan Periyakavil Ramakrishnan, holding DIN: 08534931, who has submitted consent to act as a Director of the Bank in Form DIR-2, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act, who has submitted declaration that he meets the fit and proper criteria laid down by the Reserve Bank of India and in respect of whom the Bank has received a notice in writing under Section 160(1) of the Act from a member, signifying his intention to propose Shri. Ravimohan Periyakavil Ramakrishnan's candidature for the office of Director and who is eligible for re-appointment, be and is hereby re-appointed as a Non-Executive Independent Director of the Bank to hold office for a term up to three consecutive years with effect from December 21, 2022 and whose office shall not be liable to retire by rotation."

Item No. 7 – Revision of Remuneration of Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 196, 197 and 198 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder (including any statutory modifications or re-enactment thereof, for the time being in force), Section 35B and other applicable provisions of the Banking Regulation Act, 1949, Articles of Association of the Bank and subject to the approval of the Reserve Bank of India, the approval of the shareholders, be and is hereby accorded for payment of remuneration of an aggregate sum not exceeding Rs. 478 Lakhs per annum to Shri. Kadambelil Paul Thomas, Managing Director and CEO of the Bank, with effect from April 01, 2021."

"RESOLVED FURTHER THAT the Board of Directors of the Bank including Nomination, Remuneration and Compensation Committee of the Board, be and is hereby authorized to do all such acts, deeds, matters and things, as may be necessary, to give effect to the above resolution, including making changes to the remuneration based upon the approval from Reserve Bank of India within the overall limit approved by the Shareholders."

Item No. 8 – To raise funds through Private Placement of Unsecured, Rated, Redeemable Non-Convertible Debentures (NCDs)

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 42, 71 and 179 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 18 of the Companies (Share Capital and Debenture) Rules 2014 and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the relevant rules / regulations / guidelines, if any, prescribed by the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and/or any other regulatory authority, the relevant provisions of Memorandum and Articles of Association of the Bank and subject to the rules, regulations, guidelines and circulars issued thereunder

from time to time by any Regulatory Authorities, the consent of members of the Bank be and is hereby accorded to the Board of Directors (herewith referred to as the Board which expression shall also include a Committee thereof) of the Bank, to offer, issue and allot, in one or more tranches, Unsecured, Rated, Redeemable Non-Convertible Debentures until the conclusion of the Seventh Annual General Meeting, on a private placement basis, for an amount not exceeding in aggregate Rs. 500,00,00,000/- (Rupees Five Hundred Crores Only) on such terms and conditions and at such times at par or at such premium/discount, as may be decided by the Board, to such person or persons, including but not limited to, one or more companies, bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, pension/ provident funds and individuals, as the case may be or such other person/persons as the Board may decide so, for the purpose of meeting long term requirements of funds.”

“RESOLVED FURTHER THAT the Board of the Bank, be and are hereby authorized to do all such acts, deeds and things to give effect to the above resolution including appointment of trustees, registrar and share transfer agents or such other intermediaries, fixing the terms and conditions for the issue of NCDs including but not limited to the price, coupon, premium, discount, tenor, etc., preparation and authentication of offer letters, issue and allotment of debentures, authorizing officers of the Bank or such other intermediaries in connection with the issue of NCDs or any other matter incidental or ancillary thereto.”

**By the order of the Board
For ESAF Small Finance Bank Limited**

**Sd/-
Ranjith Raj P
Company Secretary
Membership No. A 30388**

**Place: Thrissur
Date: November 21, 2022**

NOTES

- In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs (“MCA”) vide its General Circular nos. 14/2020 dated April 08, 2020, 17/2020 dated April 13, 2020, 20/2020 dated May 05, 2020 and 2/2022 dated May 05, 2022 and the Securities and Exchange Board of India (“SEBI”) vide its Circular no. SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022 (collectively referred to as the “Circulars”), has permitted companies to hold annual general meetings through Video Conferencing (“VC”) or Other Audio Visual Means (“OAVM”) without the physical presence of the members at a common venue, till December 31, 2022. Accordingly, 06th Annual General Meeting (“AGM”) of the members of ESAF Small Finance Bank Limited (“Bank”) will be convened through VC. The registered office of the Bank shall be deemed to be the venue for the AGM.
- Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is also entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a Member of the Bank. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice. However, the Body Corporates are entitled to appoint authorised representatives to attend the AGM through VC/ OAVM and participate there at and cast their votes.
- Owing to unavoidable circumstances, the Board of Directors of the Bank decided to extend the holding of the AGM of the Bank and the Bank made an application on September 09, 2022 to the Registrar of Companies, Kerala (ROC), seeking extension of time for holding Annual General Meeting of the Bank for the Financial Year 2021-22 upto December 31, 2022. The ROC vide Order dated September 13, 2022, accorded its approval on the said application and allowed extension of time by three months from September 30, 2022 to hold the AGM. Accordingly, the Board of Directors on November 10, 2022, approved holding of the 06th Annual General Meeting of the Bank on December 13, 2022.
- The explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 read with the relevant Rules made thereunder (“Act”), the Secretarial Standard on General Meetings (SS-2), in respect of item nos. 3 – 8 of this notice, is annexed herewith.
- In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.
- Institutional/ Corporate shareholders (i.e. other than individuals/ HUF, NRI, etc.) intending to participate and vote during the AGM, are requested to send a scanned copy (pdf/ jpg format) of its Board or Governing Body's resolution/ authorization etc., authorizing their representative to attend and vote in the AGM on their behalf, to the scrutinizers by sending an e-mail to secretarial@esafbank.com quoting their DP ID and Client ID or folio number.

- Members may note that attendance of members through VC shall be counted for the purpose of reckoning quorum under Section 103 of the Companies Act, 2013.
- All documents referred to in the Notice and the Explanatory Statement, and requiring Members' approval, and such statutory records and registers, as are required to be kept open for inspection under the Companies Act, 2013, shall be available for inspection by the Members at the Registered and Corporate Office of the Bank during business hours and shall be accessible to the person attending the meeting. In accordance with the MCA Circulars, the said documents have been made accessible for inspection through electronic mode and shall remain open and be accessible to any member till conclusion of the meeting. Any member intending to inspect the documents through electronic mode shall make a request by sending an e-mail to ranjith.raj@esafbank.com.
- In accordance with the Circulars, notice of 06th AGM along with the annual report for the Financial Year 2021-22 is being sent only through electronic mode to the members who have registered their e-mail addresses with the Bank / their respective depository participant ("DP"). Accordingly, no physical copy of the notice of 06th AGM and the Annual Report for the Financial Year 2021-22 is being sent to members who have not registered their e-mail addresses with the Bank / DP. The members will be entitled to a physical copy of the Annual Report for the Financial Year 2021-22, free of cost, upon sending a request to the Bank. Members may note that the notice of 06th AGM and the annual report are also available on the Bank's website at www.esafbank.com.
- The members are requested to register their e-mail or new e-mail ID which has already been registered with the Depository Participant.
- Members/ proxies should fill the attendance slip for attending the meeting and bring the attendance slips to the meeting.
- Members are requested to write their DP ID and Client ID No.(s) in their attendance slip for attending the meeting to facilitate identification of membership at the meeting.
- Members will be able to attend the Annual General Meeting through VC provided by clicking on the link given below and entering the login credentials:
 - Video Conferencing Solution: CISCO Webex Meeting
 - Meeting Access Code: 2518 575 4160
 - Meeting Access Link:
<https://esafbank.webex.com/esafbank/j.php?MTID=m87d8e7bc8c3304082da34f28c600d2a0>
- The facility of joining the AGM through VC will be opened 15 minutes before and will be open up to 15 minutes after the scheduled start time of the AGM, i.e., from 10:15 A.M. to 10:45 A.M.
- For ease of conduct, members who would like to ask questions/ express their views on the items of the businesses to be transacted at the meeting can send in their questions/ comments in advance by sending an email to ranjith.raj@esafbank.com before 05:00 PM IST on December 12, 2022 mentioning their name, demat account no./ Folio no., e-mail Id, mobile number etc. The queries may be raised precisely and in brief to enable the Bank to answer the same suitably depending on the availability

of time at the meeting. Please note that only questions of the members holding the shares as on cut-off date will be considered.

- Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.
- During the meeting, where a poll on any item is required, the members participating through VC shall cast their vote on the resolutions only by sending e-mails from their registered e-mail id registered with the Bank to ranjith.raj@esafbank.com.
- Further, members will be required to use camera, if any, and hence require to use internet with a good speed to avoid any disturbance during the meeting.
- Members who need technical assistance before or during the 06th Annual General Meeting can contact the Bank at secretarial@esafbank.com or helpline – 0487-7123548.

EXPLANATORY STATEMENT IN TERMS OF SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 3 – Appointment of Shri. Vinod Vijayalekshmi Vasudevan (DIN: 02503201) as Non-Executive Independent Director of the Bank

Shri. Vinod Vijayalekshmi Vasudevan (DIN: 02503201) was appointed as an Additional Director of the Bank by the Board of Directors of the Bank in the meeting held on December 22, 2021. In terms of Section 161 of the Companies Act, 2013, he holds office up to the conclusion of the 06th Annual General Meeting of the Bank.

Shri. Vinod Vijayalekshmi Vasudevan comes with extensive experience in the field of Information Technology and Business Management. Shri. Vinod Vijayalekshmi Vasudevan is currently the Group CEO of Flytxt BV, Dubai and Amsterdam, a company which pioneers in Artificial Intelligence and Analytics solutions for customer lifetime value management for subscription and usage business. Prior to Flytxt, he has held technology and business leadership roles in Japan, Singapore, USA, and India. He was an early hire at the green field Telecom venture 'Reliance Infocom' (subsequently Reliance Communications), where he was responsible for nation-wide data and content services and wireless ATM and POS services. These innovative services received national and international awards such as the "Best IT implementation" from PC-Quest and "SOA award" from IDC.

He has served as a keynote speaker and panelist at global events, a key participant in ISO standards, has several patents and has authored many papers. He holds a Bachelors, Masters and Doctorate in Computer Science and Engineering from IIT Kharagpur, where he specialized in artificial intelligence.

Whilst considering the appointment of Shri. Vinod Vijayalekshmi Vasudevan as an Independent Director, the Nomination Remuneration and Compensation Committee of the Board (NRCCB) and the Board confirmed that:

- He conforms to the fit and proper norms prescribed by the Reserve Bank of India ("RBI"), provisions of Companies Act, 2013, applicable SEBI Regulations and Internal Policies of the Bank;
- The Bank has received a declaration from Shri. Vinod Vijayalekshmi Vasudevan that he meets the criteria of independence as prescribed under Section 149(6) of the Act;
- He is not disqualified from being appointed as a Director of the Bank, in terms of Section 164 of the Act and has given his consent to act as an Independent Director of the Bank. In the opinion of the Board, he fulfils the conditions relating to his appointment as prescribed under the relevant provisions of the Act, the relevant Rules made thereunder, the SEBI Listing Regulations, the Banking Regulation Act, 1949 and the guidelines issued by the RBI, in this regard, from time to time;
- He has the requisite skills, capabilities and expertise in functional areas namely Information Technology and Business Management etc. through qualification and diverse experience, which are beneficial to the Bank.

Given his extensive knowledge, background, experience and expertise in the field of Information Technology and Business Management, the Nomination, Remuneration and

Compensation Committee of the Board and the Board of Directors of the Bank are of the view that the appointment of Shri. Vinod Vijayalekshmi Vasudevan as an Independent Director shall be of immense benefit to the Bank and accorded its recommendation to the members to appoint Shri. Vinod Vijayalekshmi Vasudevan as an Independent Director of the Bank for a term of three (3) consecutive years with effect from December 22, 2021.

The period of office of Shri. Vinod Vijayalekshmi Vasudevan as the Independent Director of the Bank shall not be liable to determination by retirement of directors by rotation, in terms of Section 152 of the Companies Act, 2013. The Bank has received a notice in writing pursuant to Section 160 of the Companies Act, 2013 from a member proposing the candidature of Shri. Vinod Vijayalekshmi Vasudevan.

Shri. Vinod Vijayalekshmi Vasudevan is entitled to sitting fees for attending the meetings of the Board and its Committee(s).

Hence, the Board recommends Resolution No. 03 as an Ordinary Resolution for approval by the Members. The disclosures as per Secretarial Standards – 2 is enclosed herewith.

Except Shri. Vinod Vijayalekshmi Vasudevan, no directors or key managerial personnel of the Bank or any of their relatives, is concerned or interested in Item No. 03 as specified in the Notice.

Disclosures as per Secretarial Standards – 2

Name of the proposed Director	Vinod Vijayalekshmi Vasudevan
Age	55 Years
Qualification	• Doctorate in Philosophy from Indian Institute of Technology, Kharagpur (1994), in Artificial Intelligence with specialization in artificial neural networks. • M.Tech from Indian Institute of Technology, Kharagpur (1990) in Computer Science and Engineering with specialization in Artificial Intelligence. • B.Tech (Hons) from Indian Institute of Technology, Kharagpur (1988) in Computer Science and Engineering.
Expertise in specific functional areas	Information Technology and Business Management etc.

Experience	• He is currently the Group CEO of Flytxt BV, Dubai and Amsterdam, a company which pioneers in Artificial Intelligence and Analytics solutions for customer lifetime value management for subscription and usage business. • He has worked as the Chief Technology Officer in Reliance Communications for a period of six years with responsibility to conceptualize and launch mobile data network and services at the Greenfield Telco. • He has worked as the Chief Technology Officer in Newstake Inc., USA which is a Silicon Valley startup.
Terms and Conditions of appointment	As per the resolution set forth in item no. 03 of the notice read with explanatory statement thereto.
Details of remuneration sought to be paid	No remuneration will be paid except Sitting Fees for attending meetings of the Board and Committees
Remuneration last drawn	NIL
Date of First appointment on the Board	December 22, 2021
Shareholding in the Bank	NIL
Relationship with other Directors, Manager and other Key Managerial Personnel	NIL
Number of meetings of the Board attended during the year.	04
Directorships held in other companies	• M/s. Flytxt Mobile Solutions International, UAE. • M/s. Z3P Tech Fund, Mauritius. • M/s. Z3P Global, Mauritius

Memberships/ Chairmanship of Committees of other Companies

Sl. No.	Name of the Company	Board Committees in which he is a member	Board Committees in which he is a Chairperson
NIL			

Item No. 4 – Appointment of Shri. Ravi Venkatraman (DIN: 00307328) as Non-Executive Independent Director of the Bank

Based on the recommendations of the Nomination, Remuneration and Compensation Committee of the Board (NRCCB) and in compliance with the provisions of Sections 149, 150, 152 and 160 of the Companies Act, 2013, the rules framed thereunder read with Schedule IV to the Companies Act, 2013, the directions of the Reserve Bank of India and the Nomination Policy of the Bank, the Board of Directors of the Bank accorded its recommendation to the members of the Bank to appoint Shri. Ravi Venkatraman, holding DIN: 00307328, as an

Independent Director of the Bank in the 06th Annual General Meeting of the Bank for a period of three (3) consecutive years.

Shri. Ravi Venkatraman is an Associate Member of the Institute of Chartered Accountants of India, New Delhi and has completed Cost and Management Accountancy Course from Institute of Cost and Management Accountants of India, Kolkata. He is a B.Com. Graduate from the University of Madras. He has undergone multiple robust trainings which strengthened his overall professional skills which includes Mahindra Universe Program conducted by Harvard Business School, Managing by Results conducted by Homi Mulla, Achieving Outstanding Leadership Program by Mahindra and Mahindra Limited and MMDC Training Institute, Relationship Management Programme by Homi Mulla, IIMC Global Managers Program by IIM Kolkata, Strategic Management Program by IMD, Switzerland and Global Managers Program by IIM Bangalore.

Shri. Ravi Venkatraman is the former Executive Director and Chief Financial Officer of Mahindra and Mahindra Financial Services Limited. He was a core member of the team who was instrumental in setting up and scaling five companies of the Mahindra Group. During his professional journey, he worked with esteemed organizations such as Mahindra and Mahindra Financial Services, Mahindra Ugine Steel Company Limited, and many more companies across the sector. He has been responsible for long-term fund raising, equity capital raising and allocation, investor relations, internal audit, corporate strategy, budgeting, and other consultative guidance. He is a member of key industry committees such as Finance Industry Development Council, Corporate Finance Committee of Federation of Indian Chambers of Commerce and Industry, Capital Markets Group of Banking, Finance and Economics Committee of the Bombay Chamber of Commerce and Industry, CII National Committee for CFOs, Association of Finance Professionals of India (AFPI), Academic Council of NMIMS, Bangalore, Asia Council of the Conference Board, USA and the Informal Advisory Group of the RBI. During his professional stint, he has been conferred with multiple marquee awards and recognitions.

Whilst considering the appointment of Shri. Ravi Venkatraman as an Independent Director, the Nomination Remuneration and Compensation Committee of the Board (NRCCB) and the Board reviewed and confirmed that:

- He conforms to the fit and proper norms prescribed by the Reserve Bank of India ("RBI"), provisions of Companies Act, 2013, applicable SEBI Regulations and Internal Policies of the Bank;
- The Bank has received a declaration from Shri. Ravi Venkatraman that he meets the criteria of independence as prescribed under Section 149(6) of the Act;
- He is not disqualified from being appointed as a Director of the Bank, in terms of Section 164 of the Act and has given his consent to act as an Independent Director of the Bank. In the opinion of the Board, he fulfils the conditions relating to his appointment as prescribed under the relevant provisions of the Act, the relevant Rules made thereunder, the SEBI Listing Regulations, the Banking Regulation Act, 1949 and the Guidelines issued by the RBI, in this regard, from time to time;
- He has the requisite skills, capabilities and expertise in functional areas namely Agriculture and Rural Economy, Risk Management, Accountancy, Finance, Information

Technology etc. through qualification and diverse experience, which are beneficial to the Bank.

Considering the knowledge, background, experience and expertise of Shri. Ravi Venkatraman, the Nomination, Remuneration and Compensation Committee of the Board and the Board of Directors of the Bank are of the view that the appointment of Shri. Ravi Venkatraman as an Independent Director of the Bank shall be of immense benefit to the Bank and accorded its recommendation to the members to appoint Shri. Ravi Venkatraman as an Independent Director of the Bank for a term of three (3) consecutive years with effect from December 13, 2022.

The period of office of Shri. Ravi Venkatraman as the Independent Director of the Bank shall not be liable to determination by retirement of directors by rotation, in terms of Section 152 of the Companies Act, 2013. The Bank has received a notice in writing pursuant to Section 160 of the Companies Act, 2013 from a Member proposing the candidature of Shri. Ravi Venkatraman.

Shri. Ravi Venkatraman is entitled to sitting fees for attending the meetings of the Board and its Committee(s).

Hence, the Board recommends Resolution No. 04 as an Ordinary Resolution for approval by the Members. The disclosures as per Secretarial Standards – 2 is enclosed herewith.

None of the Directors or Key Managerial Personnel of the Bank or any of their relatives, is concerned or interested in Item No. 04 as specified in the Notice.

Disclosures as per Secretarial Standards – 2

Name of the proposed Director	Ravi Venkatraman
Age	63 Years
Qualification	• Associate Member of the Institute of Chartered Accountants of India, New Delhi. (1983) (Membership No.: 038743) • Completed Cost and Management Accountancy Course from Institute of Cost and Management Accountants of India, Kolkata. (1984) • Bachelor of Commerce from University of Madras. (1979)
Expertise in specific functional areas	Agriculture and Rural Economy, Risk Management, Accountancy, Finance, Information Technology etc.

Experience	July, 2020 – July, 2021	Senior Advisor – Financial Services, M/s. Mahindra and Mahindra Financial Services Limited, Mumbai
	October, 1995 – July, 2020	Executive Director and Chief Financial Officer, M/s. Mahindra and Mahindra Financial Services Limited, Mumbai
	July, 1986 – September, 1995	Senior Executive – Finance and Treasury, M/s. Mahindra Ugine Steel Company Limited, Mumbai
	July, 1985 – July, 1986	Finance Executive, M/s. Ballestra India Limited, Mumbai
	June, 1984 – June, 1985	System Analyst, M/s. Mascom Technical Services Limited, Chennai
Terms and Conditions of appointment	As per the resolution set forth in item no. 04 of the notice read with explanatory statement thereto.	
Details of remuneration sought to be paid	No remuneration will be paid except Sitting Fees for attending meetings of the Board and Committees.	
Remuneration last drawn	NIL	
Date of First appointment on the Board	Not Applicable	
Shareholding in the Bank	NIL	
Relationship with other Directors, Manager and other Key Managerial Personnel	NIL	
Number of meetings of the Board attended during the year.	NIL	

Directorships held in other companies	Sl. No.	Name of the Company	Designation	Period
	1.	Avanse Financial Services Limited	Director	05 th July, 2021 – Till date
	2.	Kotak Mahindra Prime Limited	Director	04 th August, 2021 – Till date
	3.	Sarvagaram Fincare Private Limited	Director	26 th August, 2021 – Till date
	4.	Sarvagaram Solutions Private Limited	Director	26 th August, 2021 – Till date
	5.	Bajaj Finserv Mutual Fund Trustee Limited	Additional Director	27 th January, 2022 – Till date

Memberships/ Chairmanship of Committees of other Companies

Sl. No.	Name of the Company	Board Committees in which he is a member	Board Committees in which he is a Chairperson
1.	Avanse Financial Services Limited	1. Audit Committee 2. Corporate Social Responsibility Committee 3. Risk Management Committee	1. Audit Committee
2.	Kotak Mahindra Prime Limited	1. Audit Committee 2. Corporate Social Responsibility Committee 3. Risk Management Committee	1. Audit Committee
3.	Sarvagaram Fincare Private Limited	NIL	NIL
4.	Sarvagaram Solutions Private Limited	NIL	NIL

5.	Bajaj Finserv Mutual Fund Trustee Limited	NIL	NIL
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Item No. 5 – Appointment of Smt. Kolasseril Chandramohanran Ranjani (DIN: 01735529) as Non-Executive Independent Director of the Bank

Based on the recommendations of the Nomination, Remuneration and Compensation Committee of the Board (NRCCB) and in compliance with the provisions of Sections 149, 150, 152 and 160 of the Companies Act, 2013, the rules framed thereunder read with Schedule IV to the Companies Act, 2013, the directions of the Reserve Bank of India and the Nomination Policy of the Bank, the Board of Directors of the Bank decided to accord its recommendation to the members of the Bank to appoint Smt. Kolasseril Chandramohanran Ranjani, holding DIN: 01735529, as an Independent Director of the Bank in the 06th Annual General Meeting of the Bank for a period of three (3) consecutive years.

Smt. Kolasseril Chandramohanran Ranjani holds Masters’ Degree in Bank Management (MBM) from Cochin University of Science and Technology, Ernakulam and holds Bachelor of Science from University of Kerala. She has undergone multiple trainings including Training programme on Empowering Women through Enterprise – Cranfield School of Management, UK in July, 1995, CGAP course on Appraising Microfinance Institutions held at Manila in April, 2001, attended the School of Applied Microfinance, Mombasa, Kenya in 2005, attended the Private Equity Program by the Centre for Executive Education at the Indian School of Business at Hyderabad, India in 2011 and has also participated in the Micro Credit Summit Campaigns in Abidjan in 1999 and in the South East Asia meeting of Councils in New Delhi in 2002.

Smt. Kolasseril Chandramohanran Ranjani has held senior management position with SIDBI (Small Industries Development Bank of India, the apex Bank for Financing and Development of the MSME sector in India) and various other institutions and is having more than 25 years of experience in Micro, Small and Medium Enterprises in India, wherein she has got rich exposure in Small Scale Industry and MSME sectors. She has served on the Boards of many of the leading Micro Finance Institutions and Investment Companies in India such as RGVN (North East) Microfinance Limited, Dia Vikas Capital Private Limited, Growing Opportunity Finance (India) Private Limited, Growing Outreach Services Private Limited, Samhita Community Development Services, Sarvajana Rojgaar Services Private Limited, Shikhar Urban and Rural Enterprises Private Limited, MI India Capital and Investment Private Limited, MI India Capital Consultants Private Limited, Aayushya Foundation etc.

Whilst considering the appointment of Smt. Kolasseril Chandramohanran Ranjani as an Independent Director, the Nomination Remuneration and Compensation Committee of the Board (NRCCB) and the Board reviewed and confirmed that:

- She conforms to the fit and proper norms prescribed by the Reserve Bank of India (“RBI”), provisions of Companies Act, 2013, applicable SEBI Regulations and Internal Policies of the Bank;
- The Bank has received a declaration from Smt. Kolasseril Chandramohanran Ranjani that he meets the criteria of independence as prescribed under Section 149(6) of the Act;

- She is not disqualified from being appointed as a Director of the Bank, in terms of Section 164 of the Act and has given her consent to act as an Independent Director of the Bank. In the opinion of the Board, she fulfils the conditions relating to her appointment as prescribed under the relevant provisions of the Act, the relevant Rules made thereunder, the SEBI Listing Regulations, the Banking Regulation Act, 1949 and the Guidelines issued by the RBI, in this regard, from time to time;
- She has the requisite skills, capabilities and expertise in the functional areas namely Banking, Agriculture and Rural Economy, Small Scale Industry, Finance, Co-operation, Business Management etc. through qualification and diverse experience, which are beneficial to the Bank.

Considering the knowledge, background, experience and expertise of Smt. Kolasseril Chandramohanan Ranjani, the Nomination, Remuneration and Compensation Committee of the Board and the Board of Directors of the Bank are of the view that the appointment of Smt. Kolasseril Chandramohanan Ranjani as an Independent Director of the Bank shall be of immense benefit to the Bank and accorded its recommendation to the members to appoint Smt. Kolasseril Chandramohanan Ranjani as an Independent Director of the Bank for a term of three (3) consecutive years with effect from December 13, 2022.

The period of office of Smt. Kolasseril Chandramohanan Ranjani as the Independent Director of the Bank shall not be liable to determination by retirement of directors by rotation, in terms of Section 152 of the Companies Act, 2013. The Bank has received a notice in writing pursuant to Section 160 of the Companies Act, 2013 from a member proposing the candidature of Smt. Kolasseril Chandramohanan Ranjani.

Smt. Kolasseril Chandramohanan Ranjani is entitled to sitting fees for attending the meetings of the Board and its Committee(s).

Hence, the Board recommends Resolution No. 05 as an Ordinary Resolution for approval by the Members. The disclosures as per Secretarial Standards – 2 is enclosed herewith.

None of the Directors or Key Managerial Personnel of the Bank or any of their relatives, is concerned or interested in Item No. 05 as specified in the Notice.

Disclosures as per Secretarial Standards – 2

Name of the proposed Director	Kolasseril Chandramohanan Ranjani
Age	64 Years
Qualification	• Master of Bank Management (MBM) from Cochin University of Science and Technology, Ernakulam, Kerala (1980) • Bachelor of Science from University of Kerala (1978)
Expertise in specific functional areas	Banking, Agriculture and Rural Economy, Small Scale Industry, Finance, Co-operation, Business Management etc.

Experience	➤ Consultant (Subject Matter Expertise Economic Development Program) – Habitat For Humanity India (May, 2017 – July, 2020) ➤ Self Employed – Promoted All Good Things Enterprises and Midiary Innovations Private Limited Managed Operations Of Mi India Development Trust, being the Founder Trustee (May, 2015 – April, 2017) ➤ Chief Executive Officer/ Managing Director – Dia Vikas Capital Private Limited (Subsidiary Of Opportunity International Australia In India) (November, 2007 – April, 2015) ➤ Consultant – Opportunity International Australia (February, 2007 – November, 2007) ➤ Senior Microfinance Specialist – Microsave India (January, 2006 – January, 2007) ➤ Retired as Deputy General Manager – Small Industries Development Bank of India, Hyderabad (April, 1990 – August, 2005)											
Terms and Conditions of appointment	As per the resolution set forth in item no. 05 of the notice read with explanatory statement thereto.											
Details of remuneration sought to be paid	No remuneration will be paid except Sitting Fees for attending meetings of the Board and Committees.											
Remuneration last drawn	NIL											
Date of First appointment on the Board	Not Applicable.											
Shareholding in the Bank	NIL											
Relationship with other Directors, Manager and other Key Managerial Personnel	NIL											
Number of meetings of the Board attended during the year.	NIL											
Directorships held in other companies	<table><tr><th>Sl. No.</th><th>Name of the Company</th><th>Designation</th><th>Period</th></tr><tr><td>1.</td><td>M/s. SM Swasthman Foundation</td><td>Director</td><td>13th September, 2022 – Till Date</td></tr></table>				Sl. No.	Name of the Company	Designation	Period	1.	M/s. SM Swasthman Foundation	Director	13 th September, 2022 – Till Date
Sl. No.	Name of the Company	Designation	Period									
1.	M/s. SM Swasthman Foundation	Director	13 th September, 2022 – Till Date									

Memberships/ Chairmanship of Committees of other Companies

Sl. No.	Name of the Company	Board Committees in which he is a member	Board Committees in which he is a Chairperson
1.	M/s. SM Swasthman Foundation	NIL	NIL

Item No. 6 – Re-Appointment of Shri. Ravimohan Periyakavil Ramakrishnan (DIN: 08534931) as Non-Executive Independent Director of the Bank

Shri. Ravimohan Periyakavil Ramakrishnan was appointed as Non-Executive Independent Director of the Bank with effect from December 21, 2019, for a first term of three consecutive years. Further, he was designated as the Part Time Chairman of the Bank on the basis of the approval granted by the Reserve Bank of India Vide Letter No. DoR. Appt. No. 4898/ 29.44.005/ 2019-20 dated 19th December, 2019 with effect from 21st December, 2019. As per the terms of appointment, his tenure of appointment shall end on December 20, 2022. The Nomination Remuneration and Compensation Committee of the Board (NRCCB) and the Board of Directors in its meeting held on May 09, 2022 and May 10, 2022 respectively, has recommended the re-appointment of Shri. Ravimohan Periyakavil Ramakrishnan as Non-Executive Independent Director for a period of three consecutive years with effect from December 21, 2022, based on his skills, experience, knowledge and evaluation of performance.

Shri. Ravimohan Periyakavil Ramakrishnan comes with rich experience of top leadership in Indian and international banking sectors and was engaged in providing technical assistance regarding banking supervision and financial stability to 13 countries in Sub Saharan Africa. Previously, he was heading the Banking Supervision Department of Reserve Bank of India, responsible for the supervision of commercial banks in the country. He has also worked as Chief General Manager with the Department of Banking Operations and Development (DBOD) of Reserve Bank of India, where he was involved in regulation of the commercial banking system in the country. He joined the RBI in 1984 after his Masters in Physics and holds a Master of Business Administration degree from the University of Birmingham, U.K.

Whilst considering the re-appointment of Shri. Ravimohan Periyakavil Ramakrishnan as a Non-Executive Independent Director, the Nomination Remuneration and Compensation Committee of the Board (NRCCB) and the Board reviewed and confirmed that:

- He conforms to the fit and proper norms prescribed by the Reserve Bank of India ("RBI"), provisions of Companies Act, 2013, applicable SEBI Regulations and Internal Policies of the Bank;
- The Bank has received a declaration from Shri. Ravimohan Periyakavil Ramakrishnan that he meets the criteria of independence as prescribed under Section 149(6) of the Act;
- He is not disqualified from being re-appointed as a Director of the Bank, in terms of Section 164 of the Act and has given his consent to act as a Non-Executive Independent Director of the Bank. In the opinion of the Board, he fulfils the conditions relating to his re-appointment as prescribed under the relevant provisions of the Act, the relevant Rules

made thereunder, the SEBI Listing Regulations, the Banking Regulation Act, 1949 and the guidelines issued by the RBI, in this regard, from time to time;

- He has the requisite skills, capabilities and expertise in functional areas namely Banking, Payment and Settlement Systems, Risk Management etc. through qualification or diverse experience, which are beneficial to the Bank.

The Board, considering his vast expertise and knowledge in the field of Banking, Payment and Settlement Systems, Risk Management etc., considers that his continued association would be of immense benefit to the Bank and therefore, accorded its recommendation to the members for re-appointment as Non-Executive Independent Director on the Board of the Bank for a period of three consecutive years with effect from December 21, 2022.

The period of office of Shri. Ravimohan Periyakavil Ramakrishnan as the Non-Executive Independent Director of the Bank shall not be liable to determination by retirement of directors by rotation, in terms of Section 152 of the Companies Act, 2013. The Bank has received a notice in writing pursuant to Section 160 of the Companies Act, 2013 from a member proposing the candidature of Shri. Ravimohan Periyakavil Ramakrishnan.

Shri. Ravimohan Periyakavil Ramakrishnan is entitled to sitting fees for attending the meetings of the Board and its Committee(s).

Hence, the Board recommends Resolution No. 06 as an Ordinary Resolution for approval by the members. The disclosures as per Secretarial Standards – 2 is enclosed herewith.

Except Shri. Ravimohan Periyakavil Ramakrishnan, no directors or key managerial personnel of the Bank or any of their relatives, is concerned or interested in Item No. 06 as specified in the Notice.

Disclosures as per Secretarial Standards

Name of the proposed Director	Mr. Ravimohan Periyakavil Ramakrishnan
Age	64 Years
Qualification	• Master in Physics from University of Kerala • Master of Business Administration in International Banking and Finance from University of Birmingham, U.K. • Certified Associate of Indian Institute of Bankers
Expertise in specific functional areas	Banking, Payment and Settlement Systems, Risk Management etc.
Experience	• Resident Advisor, Financial Sector Supervision, AFRITAC South, IMF, Mauritius (January, 2015 – December, 2019) • Chief General Manager – In Charge, Department of Banking Supervision, The Reserve Bank of India. (January, 2014 – January, 2015)

	- Regional Director, The Reserve Bank of India (April 2012 – January 2014) - Chief General Manager/ General Manager in the Department of Banking Operations and Development, The Reserve Bank of India. (2003-2012 March) - General Manager/ Deputy General Manager and Chief Investment Dealer with Department of External Investments and Operations, The Reserve Bank of India. (1999 - 2003) - Member of Faculty at the apex training college of the Reserve Bank of India (1992-1999) - Joined the Reserve Bank of India in 1984 as a middle level executive and worked in the Bank Supervision Department as an On-site Examiner and Off-site Supervisor. (1984 – 1992)												
Terms and Conditions of appointment	As per the resolution set forth in item no. 06 of the notice read with explanatory statement thereto.												
Details of remuneration sought to be paid	Sitting fee for attending meetings of the Board and its Committees.												
Remuneration last drawn	NIL												
Date of First appointment on the Board	December 21, 2019												
Shareholding in the Bank	NIL												
Relationship with other Directors, manager and other Key Managerial Personnel	NIL												
Number of meetings of the Board attended during the year	13												
Directorships held in other companies	<table><tr><th>Sl. No.</th><th>Name of the Company</th><th>Designation</th><th>Period</th></tr><tr><td>1.</td><td>M/s. TP Renewable Microgrid Limited</td><td>Director</td><td>November 13, 2020 – Till Date</td></tr><tr><td>2.</td><td>M/s. CARE Ratings (Africa) Private Limited</td><td>Director</td><td>October 20, 2020 – Till Date</td></tr></table>	Sl. No.	Name of the Company	Designation	Period	1.	M/s. TP Renewable Microgrid Limited	Director	November 13, 2020 – Till Date	2.	M/s. CARE Ratings (Africa) Private Limited	Director	October 20, 2020 – Till Date
Sl. No.	Name of the Company	Designation	Period										
1.	M/s. TP Renewable Microgrid Limited	Director	November 13, 2020 – Till Date										
2.	M/s. CARE Ratings (Africa) Private Limited	Director	October 20, 2020 – Till Date										

Directorships, Memberships/ Chairmanship of Committees of other Companies

Sl. No.	Name of the Company	Board Committees in which he is a member	Board Committees in which he is a Chairperson
1.	TP Renewable Microgrid Limited	NIL	NIL
2.	CARE Ratings (Africa) Private Limited	NIL	NIL

Item No. 7 – Revision of Remuneration of Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank

The Reserve Bank of India vide Circular no. RBI/2019-20/ 89 DOR.Appt.BC.No.23/ 29.67.001/ 2019-20 dated November 04, 2019 had issued guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff. Taking into consideration the conditions as prescribed under the guidelines, the Bank has formulated a compensation policy for the Bank and has identified Managing Director and CEO of the Bank as the material risk taker in the Bank. In connection with aligning the compensation structure of material risk takers with the peers and for making a market correction, the new salary structure was proposed and the same has been recommended by the Board to the shareholders of the Bank for approval, subject to the approval of the Reserve Bank of India. The said revision is proposed to be effective from April 01, 2021 as per the guidelines issued by the Reserve Bank of India.

The revisions proposed in the remuneration are as shown below:

Particulars	Proposed
	(INR in Lakhs/Annum)
Fixed Pay (including perquisites) per annum	238
Variable Pay per annum	240
Total Compensation (Fixed Pay + Variable Pay)	478

The Board recommends Resolution No. 07 as a Special Resolution for approval by the Members.

None of the Directors and Key Managerial Personnel of the Bank or their relatives, except Shri. Kadambelil Paul Thomas, to whom the resolution relates, is concerned or interested in the resolution mentioned in Item No. 07 of the Notice.

Item No. 8: To raise funds through Private Placement of Unsecured, Rated, Redeemable Non-Convertible Debentures (NCDs)

The Bank has been borrowing funds to meet the business requirements within the limits approved by the shareholders by way of issuance of debt securities (bonds) as permitted by Reserve Bank of India ("RBI") and in accordance with the provisions of Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and other applicable laws, from time to time.

In terms of Section 42 of the Companies Act, 2013 read with Companies (Prospectus and Allotment of Securities) Rules, 2014, a Company can make private placement of securities subject to the condition that the proposed offer of securities or invitation to subscribe securities has been previously approved by the Members of the Company, by a special resolution, for each of the offers or invitations/subscriptions. In case of offer or invitation for subscription of non-convertible debentures, it shall be sufficient if the Members passes a special resolution only once in a year for all the offers or invitation for subscription of such debentures during the year.

Accordingly, the Board of Directors in its meeting dated August 10, 2022 after assessing its fund requirements, has proposed to obtain the consent of the Members of the Bank for borrowing/raising funds by issue of debt securities including but not limited to Additional Tier I bonds (AT1 bonds) and Tier II bonds, or other such debt securities as may be permitted by RBI from time to time towards the stated purpose, upto Rs. 500,00,00,000/- (Rupees Five Hundred Crore only), in one or more tranches and within the limits permitted by regulatory authorities, to eligible investors on private placement basis, on such terms and conditions including the price, coupon, premium / discount, tenor etc., as the Board of Directors or any Committee(s) thereof or such other persons as may be authorized by the Board, from time to time, determine and consider proper and appropriate for the Bank. This would form part of the overall borrowing limits as may be approved by the Members under Section 180(1) of the Companies Act, 2013.

As required under Rule 14(1) of the Companies (Prospects and Allotment of Securities) Rules, 2014, the material facts in connection with the aforesaid issue of NCDs are as follows:

a)	Particulars of the offer including date of passing of Board resolution	Unsecured, Rated, Redeemable Non-Convertible Debentures (NCDs) whether cumulative and/ or non-cumulative for an amount not exceeding in aggregate Rs. 500,00,00,000/- (Rupees Five Hundred Crores only) in one or more tranches on a private placement basis at such interest rates and on such terms and conditions as may be determined by the Board/Committee of Directors/any person duly authorized by the Board.
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		Date of passing Board Resolution: August 10, 2022
b)	Kinds of securities offered and the price at which security is being offered	Unsecured, Rated, Redeemable NCDs at premium, discount or at par, as may be determined by the Board/Committee of Directors/any person duly authorized by the Board.
c)	Basis or justification for the price (including premium, if any) at which the offer or invitation is being made	Since the issuance would be in one or more tranches, price will be determined by the Board/Committee of Directors/any person duly authorized by the Board in accordance with the prevailing market conditions at the time of issue.
d)	Name and address of valuer who performed valuation	Not applicable being issuance of NCDs.
e)	Amount which the company intends to raise by way of such securities	Rs. 500,00,00,000/- (Rupees Five Hundred Crores Only)
f)	Material terms of raising such securities	Since the issuance would be in one or more tranches, material terms will be determined by the Board/Committee of Directors/any person duly authorized by the Board, in accordance with the applicable provisions of the Companies Act, 2013 and the Rules framed thereunder and other applicable law for the time being in force.
g)	Proposed time schedule	Before conclusion of Seventh Annual General Meeting of the Bank.
h)	Purposes or objects of offer	For the purpose of onward lending, financing, refinancing the existing indebtedness of the Bank (payment of the interest and / or repayment / prepayment of principal of borrowings) / General Corporate Purposes. The Unsecured NCDs may be in the nature of Subordinated Debt and will be utilized in accordance with statutory and regulatory requirements including requirements of RBI.
i)	Contribution being made by the promoters or directors either as part	None

	of the offer or separately in furtherance of objects	
j)	Principle terms of assets charged as securities	The securities proposed to be issued are Unsecured in nature.

The Board recommends Resolution No. 08 as a Special Resolution for approval by the Members.

None of the Directors or Key Managerial Personnel of the Bank or any of their relatives, is concerned or interested in Item No. 08 as specified in the Notice.

DIRECTORS' REPORT

To,

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

Your Directors are pleased to present the Sixth Annual Report of ESAF Small Finance Bank Limited together with the Audited Financial Statements for the Financial Year ended March 31, 2022.

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

(Rs. In Crore)

Particulars	For the Year ended March 31, 2022	For the Year ended March 31, 2021
Deposits	12,815	8,999
Advances	11,637	8,168
Total Income	2,148	1,767
Total Expenditures excluding Tax	2,074	1,626
Profit Before Tax	74	141
Provision for Tax	19	36
Net Profit	55	105
Profit brought forward	306	227
Total Profit available for appropriation	361	332
Appropriation		
Transfer to Statutory Reserve	14	26
Transfer to Capital Reserve	4	-
Transfer to Investment Fluctuation Reserve	22	-
Balance carried to Balance Sheet	321	306
Earnings per Share – Basic and Diluted (Rs.)	1.22	2.46

On a Standalone basis, Profit After Tax of the Bank was Rs. 54.73 Crores in Financial Year 2021-22 compared to Rs. 105.39 Crores in Financial Year 2020-21. Interest Income of the Bank for Financial Year 2021-22 was Rs. 1,939.92 Crores as against Rs. 1,641.17 Crores in Financial Year 2020-21 marking a growth around 18.20%. Further, the Bank had Capital and Reserves of Rs. 1,406.79 Crores as on March 31, 2022 (Rs. 1,352.05 Crores as on March 31, 2021). The book value per Equity Share was at Rs. 31.30 as on March 31, 2022 (Rs. 30.08 as on March 31, 2021). Further, details on the financial performance of your Bank are available in the Management Discussion and Analysis Report.

ESAF SMALL FINANCE BANK LIMITED

RBI License No.: MUM 124, CIN: U65990KL2016PLC045669

Registered & Corporate Office: ESAF Small Finance Bank Limited, Building No. VII/83/8, ESAF Bhavan, Mannuthy, Thrissur - Palakkad National Highway, Thrissur - 680 651, Kerala.

Ph. No: 0487 7123456, 123457, Email: customercare@esafbank.com www.esafbank.com

2. Business Continuity Management

The Bank has established Business Continuity Management (BCM) plans and procedures to maintain critical operations, in the event of any kind of disruptions, to ensure that customers' requirements are met to the maximum possible extent. It is also intended to safeguard the security and integrity of transaction/ account data and customer information.

The Bank has a Board approved Business Continuity Management Policy, which governs the business continuity plans and procedures. The Policy also covers Disaster Recovery measures to be adopted to ensure business continuity and defines critical business functions and processes.

The Bank has been able to address the challenges of COVID-19, by providing all essential services to customers even during the most difficult times of COVID crisis and contained the operational disruptions, cyber security threats and people risk. During all the waves of COVID – 19 Pandemic, the Bank ensured that, Operational disruptions were not occurred and ensured Business Continuity to maintain required levels of customer service.

3. Transfer to Reserves

As per the requirement of RBI Regulations, the Bank has transferred the following amount to various reserves during Financial Year 2021-22:

Amount Transferred to	Rs. In Crores.
Statutory Reserve	14
Capital Reserve	4
Investment Fluctuation Reserve	22

4. Dividend

Considering the need to preserve capital in these uncertain times, 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.

5. Change in the Nature of Business

During the year under review, there has been no change in the nature of business of the Bank.

6. Share Capital

During the year, Authorized Capital of the Bank was Rs. 600,00,00,000 (Rupees Six Hundred Crores) divided into 60,00,00,000 (Sixty Crores) Equity Shares of Rs.10 (Rupees Ten) each. There were no changes in the Authorized Capital of the Bank during the Financial Year 2021-22.

As on March 31, 2022, the issued, subscribed and paid-up share capital of the Bank stands at Rs. 449,47,37,980 (Rupees Four Hundred and Forty-Nine Crores Forty-Seven Lakhs Thirty-Seven Thousand Nine Hundred and Eighty only) divided into 44,94,73,798 (Forty-Four Crores Ninety-Four Lakhs Seventy-Three Thousand Seven Hundred and Ninety-Eight) 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 2021-22.

The total number of shareholders of the Bank as on March 31, 2022 were 86.

7. Capital Adequacy

Your Bank is subject to the Basel II Capital Adequacy guidelines stipulated by RBI. The Capital Adequacy Ratio of the Bank is calculated as per the standardized approach for credit risk. The Capital Adequacy ratio of the bank as on March 31, 2022 is 18.64%, as against the minimum requirement of 15.00% stipulated by the Reserve Bank of India.

8. Employee Stock Option Scheme

The Shareholders of the Bank, in the meeting held on January 03, 2020, had approved the ESAF Small Finance Bank Employee Stock Option Plan 2019, by way of a special resolution which also authorized the Nomination Remuneration and Compensation Committee to grant up to 2,25,15,552 (Two Crore Twenty-Five Lakhs 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 recognize the contribution of the employees in the formation of the bank and to create the feeling of inclusiveness and enable the employees to get a share in the value that they help to create for the organization 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 of sharing 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 in the and continued employment in the Bank, which is a one-time grant and;

2) Performance Grant on the basis of employee's annual appraisals for their future performance and continuity of services.

During the Financial Year 2021-22, the Nomination Remuneration and Compensation Committee of the Board had granted 11,25,590 options as first installment 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.

9. Debt Capital

In the previous year, your Bank had issued 20 Rated, Taxable, Unlisted, Redeemable, Unsecured, Basel III compliant Subordinated Tier II Bonds in the form of Non-Convertible Debentures (NCDs) of face value of Rs. 1,00,00,000/- (Rupees One Crore only) each amounting to Rs. 20 Crore to M/s. ESAF Financial Holdings Private Limited, for meeting the capital requirements, on private placement basis. The total outstanding debt capital, both listed and unlisted, as on March 31, 2022 was Rs. 193 Crore.

10. Credit Rating

Credit ratings assigned to various debt instruments of the Bank during the Financial Year ended March 31, 2022 are as follows:

Instrument Name	ISIN	Name of the Credit Rating Agency	Amount	Rating	Date of Issue	Date of Re-affirmation
Non-Convertible Debentures	INE818W08016	CARE Ratings	20 Crores	CARE A; Negative (Single A ; Outlook: Negative)	30.12.2017	03.01.2022
Non-Convertible Debentures	INE818W08024	CARE Ratings	20 Crores	CARE A; Negative (Single A ; Outlook: Negative)	28.03.2018	03.01.2022
Non-Convertible Debentures	INE818W08032	CARE Ratings	40 Crores	CARE A; Negative (Single A ; Outlook: Negative)	01.06.2018	03.01.2022
Non-Convertible Debentures	INE818W08081	Brickwork Ratings	20 Crores	BWR A/ Negative Assignment	18.03.2022	-
		CARE Ratings		CARE A; Negative (Single A ; Outlook: Negative)		

The Credit Rating assigned by Brickwork Ratings for debt instruments amounting to Rs. 50 Crores was withdrawn on December 22, 2021 and December 28, 2021 respectively upon redemption.

11. Selection, Appointment and Remuneration of Directors

In compliance with the provisions of the Banking Regulation Act, 1949 and 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 in our website (www.esafbank.com). Through the said policy, the Bank has formulated criteria for 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, as 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 NRCCB of the Bank.

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

- To guide the Board in relation to appointment/ reappointment/ 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.

While 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 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 authorized 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.

RBI, vide its circular no. DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 04, 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 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 features of the Compensation Policy are as follows:

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

12. Board of Directors

As on March 31, 2022, the Bank has Nine Directors out of which there are Six Independent Directors including a Woman Independent Director.

Change in Directors during the Financial Year 2021-22

- **Re-Appointment of Shri. Kadambelil Paul Thomas as the Managing Director and CEO of the Bank**

Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank was appointed for a period of three years with effect from October 01, 2018 on the basis of the approval from the Reserve Bank of India vide their letter no: DBR.Appt.No.2655/29.44.005/2018-19 dated October 01, 2018 and his tenure shall be ending on September 30, 2021. In view of the same, the Nomination Remuneration and Compensation Committee of the Board, and the Board of Directors of the Bank in their meeting held on March 20, 2021 has recommended that his continued association as Managing Director & CEO is absolutely essential for its growth and decided to re-appoint Shri. Kadambelil Paul Thomas as the Managing Director and CEO of the Bank for a period of three consecutive years with effect from October 01, 2021, subject to the approval of the Shareholders and the Reserve Bank of India. The shareholders approved the reappointment of Shri. Kadambelil Paul Thomas as the Managing

Director and CEO of the Bank for a period of three consecutive years with effect from October 01, 2021 in their Fifth Annual General Meeting held on September 29, 2021 and the approval from RBI was received on July 20, 2021.

- **Resignation of Shri. Santhosh George as Non-Executive Independent Director of the Bank**

Shri. Santhosh George (DIN: 07831505), who was the Non-Executive Independent Director of the Bank, resigned from the directorship of the Bank due to pre-occupation with effect from May 26, 2021. The Board of Directors of the Bank placed on record their appreciation for the valuable contributions by Shri. Santhosh George during his tenure as the Director of the Bank.

- **Appointment of Shri. Vinod Vijayalekshmi Vasudevan as Additional Director (Independent Director) of the Bank**

The Board of Directors in their meeting held on December 22, 2021 had appointed Shri. Vinod Vijayalekshmi Vasudevan (DIN: 02503201) as Additional Director (Independent Director) of the Bank with effect from December 22, 2021, considering his vast knowledge and experience in the field of Information Technology and Business Management.

Appropriate resolution recommending his appointment as Non-Executive Independent Director for a period of three years with effect from December 22, 2021 is placed for approval of shareholders as Item no. 03 in the Notice of the 06th Annual General Meeting.

As on the date of this report, the Bank has Seven Directors out of which there are Six Independent Directors including a Woman Independent Director.

Change in Directors during the Financial Year 2022-23

- **Re-Appointment of Shri. Ravimohan Periyakavil Ramakrishnan as Non-Executive Independent Director of the Bank**

The Board of Directors in their meeting held on May 10, 2022 had recommended to the Shareholders for re-appointment of Shri. Ravimohan Periyakavil Ramakrishnan (DIN: 08534931) as a Non-Executive Independent Director of the Bank w.e.f December 21, 2022, considering his vast knowledge and experience in the field of Banking, Payment and Settlement systems and Risk Management and his performance as Chairman of the Bank during last three years.

Appropriate resolution recommending his re-appointment as Non-Executive Independent Director for a period of three years with effect from December 21, 2022 is placed for approval of shareholders as Item no. 06 in the Notice of the 06th Annual General Meeting.

- **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 August 03, 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 July 26, 2022.
- The Board of Directors vide Circular Resolution dated November 01, 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 October 31, 2022.

Familiarization Programme

The Bank has familiarized the Independent Directors of the Bank of their roles and responsibilities in the Bank, nature of industry in which the Bank operates, business model of the Bank, etc. The details of the familiarization programme imparted to Independent Directors are available on the website of the Bank www.esafbank.com.

The terms and conditions of appointment of Independent Directors are also available on the website of the Bank (www.esafbank.com). The appointment of Independent Director during the year was made with satisfaction of the Board after ascertaining the integrity, expertise, experience and proficiency of the Directors.

13. Evaluation of Performance of the Board of Directors

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 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 of the Board as a whole shall be evaluated by all the Directors.
- The performance of the Board Committee(s) shall be carried out by the members of each of the Committees;
- The performance of Managing Director and CEO/ Executive Director shall be done by all the directors except the Managing Director and CEO.

- The performance of Chairman of the Bank is done by all the Directors except the person being evaluated.
- The performance of Independent Directors is done by all the Directors except the person being evaluated.
- The performance 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 were 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 results of performance evaluation indicated high degree of satisfaction among directors.

14. 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.

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 2021-22 has been annexed to the Annual Report.

16. Meetings of the Board

The Board of Directors have met 13 times during the Financial Year 2021-22 on May 26, 2021, June 18, 2021, June 29, 2021, July 24, 2021, August 25, 2021, September 29, 2021, November 06, 2021, November 26, 2021, December 22, 2021, January 13, 2022, February 05, 2022, March 10, 2022 and March 29, 2022.

The gap between any two Board Meetings has not exceeded 120 days and the requisite quorum was present for all the Board Meetings during the year. None of the Directors of the Board has sought leave of absence during the Financial Year 2021-22 in any of the meetings of the Board.

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 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. M.G. Ajayan	Executive Vice President
2.	Shri. George K John	Executive Vice President
3.	Shri. George Thomas	Executive Vice President
4.	Shri. Hari Velloor*	Executive Vice President
5.	Shri. Hemant Kumar Tamta**	Executive Vice President
6.	Shri. Wilson Cyriac***	Chief Risk Officer
7.	Shri. E A Jacob****	Chief of Internal Vigilance
8.	Shri. Antoo.P.K	Head – Internal Audit
9.	Shri. Sudev Kumar *****	Chief Compliance Officer

**Shri. Hari Velloor was appointed as the Executive Vice President of the Bank with effect from May 10, 2022 for a period of one year 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 September 20, 2022.*

*** Shri. Hemant Kumar Tamta was appointed as the Executive Vice President of the Bank with effect from May 10, 2022 for a period of one year 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 September 20, 2022.*

**** Shri. Wilson Cyriac was appointed as the Chief Risk Officer of the Bank with effect from November 30, 2021 for a period of three years and designated him as a Key Managerial Personnel of the Bank pursuant to Section 2(51) and other applicable provisions of the Companies Act, 2013.*

During the year, Shri. Mohanachandran K R, Chief Risk Officer (CRO) of the Bank, ceased to be the Key Managerial Personnel of the Bank with effect from the close of business hours on November 30, 2021 on expiry of his employment contract. The Board places on record its appreciation for the invaluable contribution rendered by him during his tenure as CRO.

***** Shri. E A Jacob was appointed as the Head of Vigilance Department and Chief of Internal Vigilance (CIV) of the Bank with effect from September 30, 2021 for a period of three years and designated him as a Key Managerial Personnel of the Bank pursuant to Section 2(51) and other applicable provisions of the Companies Act, 2013.*

During the year, Shri. Dominic Joseph, Head – Vigilance and Chief Vigilance Officer of the Bank, ceased to be the Key Managerial Personnel of the Bank with effect from the close of business hours on September 30, 2021 on expiry of his employment contract. The Board places on record its appreciation for the invaluable contribution rendered by him during his tenure as Head – Vigilance and Chief Vigilance Officer.

***** Shri. Sudev Kumar was appointed as the Chief Compliance Officer of the Bank with effect from December 15, 2021 for a period of three years and designated him as a Key Managerial Personnel of the Bank pursuant to Section 2(51) and other applicable provisions of the Companies Act, 2013.

During the year, Shri. Dinesh Kallarackal, Chief Compliance Officer (CCO) of the Bank, ceased to be the Key Managerial Personnel of the Bank with effect from the close of business hours on December 15, 2021 due to change in role. The Board places on record its appreciation for the invaluable contribution rendered by him during his tenure as CCO.

18. Internal Financial Controls

The Board of Directors confirms that your Bank has laid down set of standards, processes and structures which enable to implement Internal Financial controls across the organization 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 IFC's 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 IFC's 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 for inefficiency or inadequacy of such controls.

19. 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 March 31, 2022, the applicable accounting standards had been followed along with proper explanation 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 March 31, 2022 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, and
- vi) proper system to ensure compliance with the provisions of all applicable laws was in place and the same were adequate and operating effectively.

20. Corporate Social Responsibility Activities

The Bank has constituted the Corporate Social Responsibility and Sustainability (“CSRSCB”) Committee of the Board, in accordance with the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, from time to time.

Through the CSR Projects and Programmes, the Bank pursues inclusive and sustainable development of the community in and through its domain of operations. Beyond charity donations, aligned with its vision statement the Bank will pursue transformation of lives and communities and would choose projects accordingly.

The CSRSCB is responsible for reviewing and recommending to the Board, the various CSR initiatives for the Bank, including the progress of the Bank’s CSR Projects. Based on the recommendations made by the CSRSCB, the Board reviewed and approved the CSR Policy, Projects, Project Expenditure and related matters. Thereafter, with the approval of the Board, the CSR Projects were implemented by the Bank. Your Bank’s CSR Policy is available on the Bank’s website: www.esafbank.com.

The Bank’s CSR Projects and CSR Project Expenditure for Financial Year 2021-22 are compliant with the CSR mandate as specified under 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 line with the Government of India’s notifications issued from time to time.

The Bank had decided to allocate 5% of the average net profits every financial year, as against the statutory obligation of 2% and in accordance with the same, the Bank had allocated Rs. 8,76,00,000 towards CSR expenditures for the Financial Year 2021-22. Out of the allocated amount, the Bank had spent Rs. 4,02,58,892 for ongoing projects during the current Financial Year and the unspent amount of Rs. 3,43,64,000 has been transferred to the Unspent CSR Account on March 31, 2022. Further, the Bank had spent Rs. 4,04,61,548 during the current Financial Year towards completion of the Board approved ongoing CSR projects which were initiated in Financial Year 2020-21.

The implementation of the CSR projects and programmes in Financial Year 2021-22 had been done either directly and / or through implementing partner organizations having a proven track record of implementing cost and process efficient CSR projects and/or programmes that were scalable, sustainable, outcome driven and committed to make a positive societal impact. Based on the CSRSCB’s review and recommendation, the Board had reviewed and approved all CSR Projects, CSR Project Expenditure Payments, CSR Administration Overhead Expenses including the Unspent CSR Project Expenditure Funds of Financial Year 2021-22,

which had been transferred to Unspent CSR Account Financial Year 2021-22, on March 31, 2021. A brief outline of the CSR Policy, including the over view of the programs undertaken, the composition of the CSR Committee, CSR expenditure during the year under review, has been provided in the Annual Report on CSR activities annexed to this report.

21. Human Resources Initiatives

The past financial year saw the HR department of your bank implement various initiatives to transform the HR Processes and various employee touchpoints. Your bank has always been a frontrunner in facilitating the employees of the Bank to enrich their knowledge and skills. In this respect, the Bank has started an LMS platform 'e-Shiksha' for e-learning.

A new Artificial Intelligence (AI) based 100 percent automated software was introduced and used for recruitment during the year. The new strategy so developed for recruitment, retention, training and development will indeed take the Bank way ahead help ease the cumbersome recruitment process. Above all, during the financial year, the Bank was also certified as '**GREAT PLACE TO WORK for the period March 2021-February 2022**'.

Your Bank has been keen to put in place safety guidelines, physical distancing norms and guidelines for rotation of the staff. It was ensured that, the functioning of the Bank is in adherence to State/Local Government instructions. The Periodic Advisories on the conduct of business and the precautions to be taken by the employees were also issued. Thus, overall, the Bank has shown great vigor and enthusiasm in boosting the employee morale and help them survive mentally and emotionally fit during the pandemic.

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

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. Internal Complaints Committee has been set up for redressal of complaints. During the year 2021-22, no complaints were received under the Policy. Presently, 30.7% of the total work force of the Bank are women.

23. Compliance Functions

Your Bank has institutionalized a strong compliance culture and mechanism across the organization, in pursuit of its strategic goals of transparency and trust, among all its stakeholders. 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 Mechanism for dissemination of regulatory prescriptions and guidelines amongst respective functions and monitoring compliance with regulatory guidelines, compliances, correspondence with RBI, vetting the guidelines/ circulars issued, for compliance with regulatory guidelines and vetting of Bank's Policies, co-ordinating and monitoring submission of RBI returns, co-ordinating collection of inputs from various

departments for RBI Inspection and for rectification of RBI inspection irregularities etc. The Bank has 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.

24. Risk Management

Risk Management 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 function and periodically reviews the same. The Risk Management Department co-ordinates the Bank-wide risk management and implements the policies and procedures approved by the Board and the RMCB. The Department has four divisions for managing the major risk streams, Credit risk, Operational risk, Market risk and Information and Cyber security risk.

Executive level risk management committees, namely, Credit Risk Management Committee, Operational Risk and Business Continuity Management Committee, Asset Liability Management Committee and Information Security Committee regularly assesses the respective risks and initiate remedial actions wherever warranted. The executive level committees periodically report the various risk events, level 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.

25. 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 spear-headed 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, RBI, CERT-In (Computer Emergency Response Team-India), IDRB, etc. to keep abreast of the security incidents, measures and for regulatory compliance on an ongoing basis.

26. IT Initiatives

M/s. FIS Payments Solutions and Services Private Limited (FIS) provides the Bank with a fully integrated Bank in a Box banking and payments platform through a totally outsourced delivery model, which encompasses a Core Banking Solution, Risk Management, Domestic Treasury management, Analytics and the entire suite of payments services, which includes switching, debit card management and ATM management services. In addition to these, a set of satellite solutions like HRMS, Audit management services complete the full IT needs of the Bank. The service agreement between the Bank and FIS is renewed for another five years in December 2021. The Bank has opted to continue with our existing system integrator, in order to minimize its upfront capital expenditure costs and avoid redundancy risks.

The Bank has rolled out FIS core banking solution across all its branches and Banking Outlets. All of the accounts of the customers are on the core banking solution of the Bank. The primary data center is in Mumbai and disaster recovery center is in Hyderabad, both of which are operated by FIS & CtrlS collaboration. The IT Strategy of the Bank has always been in alignment with the Business strategy which envisages presence into specific geographies, launching customized products targeted at specific customer segments and leveraging digital technology & e-channels to extend the outreach to customers. Over the past few years IT have been bringing significant changes and new initiatives which have been the pivotal factors in achieving the over and above business growth & success of the Bank. With the stabilization achieved in the Core Banking operations, IT's next focus will be towards bringing in latest digital technologies and integrations which will be both customer-centric and trend setters.

To name a few important IT initiatives undertaken during the Financial Year 2021 - 2022 are, seamless integration on employee connectivity thru VPN technologies, additional eKYC provider integrations, additional multi bureau connectivity which provides the convenience of a single inquiry point that allows consolidation of data from credit bureaus. There has been initiative on WhatsApp Banking and Neo Banking (Online banking services through FinTechs).

Bank also had launched a new Gold loan application (with Doorstep feature), new revamped UPI Solution with additional UPI Switch and application, online FD directly from the Bank's website. Telecom Regulatory Authority of India (TRAI)'s new guidelines on Bulk SMS Service Industry by introducing Distributed Ledger Technology (DLT) - a block-chain based registration system to maintain the record of all transactions made by business entities is also implemented. Further Enterprise Fraud Risk Management and additional Loan Origination Systems (LOS) and Collection solutions with integrations of Biometric devices were also done during last Financial Year.

27. Customer Service Quality

Your Bank has always aligned its operations to cater to the needs of the customers of the Bank and has tried improving the quality of the service rendered on a continual basis. The following are the major actions initiated by the Bank in the customer service front during the year:

- **ISO 9001: 2015 certification:** 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, Bank has received ISO 9001: 2015 certification for the following scope of operations
 - The Customer Service Quality Initiatives of the Bank.
 - The Regulatory and Statutory reporting of the Customer Service Quality Department of the Bank.
 - The Customer Grievance Redressal Mechanism of the Bank.
 - The Customer Service Call Center Monitoring of the Bank.
- **Customer Service Excellence Awards:** In order to create a competitive spirit among the Branches to give better customer experience, the Customer Service Quality department of the bank has successfully driven the Customer Service Excellence Award for the branches. This has motivated branches to take proactive steps to excel in customer service, deepen the relationship with customers, encourage digital transaction, complete the tasks on time and reduce complaints.
- **Nil penalty imposed by Banking Ombudsman:** In the Financial Year 2021-2022 we have received only 32 complaints from Banking Ombudsman which is one of the lowest in country considering the bank has more than 575 branches and around 5.5 million customers. Also, all the complaints were resolved amicably within the stipulated timelines and the Bank has nil penalty from Banking Ombudsman since inception.
- **Uninterrupted functioning of 24x7 Customer Contact Center:** Ensured continuity of contact center services to our customers throughout the year amidst the constraints due to Lock down and even some of the agents tested positive. We made this possible by quickly enabling work from home capability for our contact Centre and training the agents for that. Our Bank has gained the confidence of the customers since most banks including the big ones have completely or partially halted their Contact Centre's during this period.
- **Various telephonic surveys to improve business and customer experience:** Customer Service Quality Department had conducted various surveys which included 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 action to improve the customer experience.
- **Online Training and Learning series to Branches:** Customer Service Quality Department has continuously made efforts to keep the branch staff always updated and guided in the area of customer service and the relevant procedures. Few series of emailers like "Excel and elevate", "SWAGAT", "CRM-best practices", were being sent to all Branches periodically.
- **New way of Customer Interaction during Pandemic:** After the outbreak of the Covid -19 pandemic the branches were not having a uniform method of customer handling

and were struggling on how to interact with the customers as direct contacts, smiling through mask were not possible and customers were feeling a kind of not taken care well. With the intention to standardize and train the branches across the nation, the Customer Service quality department introduced a new way of customer interaction “**SWAGAT**” which has helped in educating the frontline staff on how to interact with the customer giving them good experience at the same time adhering to all Covid protocols.

- **Process enhancements and Reduction in TAT for customer requests** Using the CRM (Customer Relationship Management) application the Customer Service Quality department has generated numerous reports for analyzing processes of various customer requests. This helped the Bank to understand the areas and the scope for improvement to reduce the Turnaround time of customer Requests. The process changes resulted in simplifying and automating many of the requests to increase productivity of staff and improve the customer experience.

28. 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 with Median Employees Remuneration.	The ratio of remuneration of each Director to median employee remuneration is as below: <table border="1"> <tr> <td data-bbox="815 1144 1107 1182">MD & CEO</td><td data-bbox="1115 1144 1426 1182">62.5 times</td></tr> <tr> <td data-bbox="815 1189 1107 1429">Other Directors</td><td data-bbox="1115 1189 1426 1429">Other directors are not paid any remuneration other than sitting fee for attending meetings of the Board and Committees.</td></tr> </table>	MD & CEO	62.5 times	Other Directors	Other directors are not paid any remuneration other than sitting fee for attending meetings of the Board and Committees.
MD & CEO	62.5 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;	• Managing Director and CEO – 73.76% • Chief Financial Officer – 4.21% • Company Secretary – 7.53%				
iv) the percentage increase in the median remuneration of employees in the financial year;	12.08%				
v) the number of permanent employees on the rolls of the Bank as on March 31, 2022	4,141				

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 11.6% was made to the salaries of employees other than the managerial personnel and 73.76% 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 Remuneration 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. 2,45,00,000/- (including perquisites) during the year.
ii) 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) 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 percent of the equity shares of the Bank.	NIL

29. Whistle Blower Policy/ Vigil Mechanism

The Bank has implemented a Vigil mechanism through adoption of a Whistle Blower and Protected Disclosure Policy in compliance with the relevant provisions of 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 2021-22, seven 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)

30. Statutory Auditors

The Shareholders of the Bank in the Annual General Meeting held on September 29, 2021 had appointed M/s. Deloitte Haskins and Sells, Chartered Accountants with Firm Registration number 117365W, based on the approval of Reserve Bank of India vide letter No. Ref DOS.ARG.No.AS-10/08.61.005/2019-20 dated May 08, 2020 as the Statutory Auditors of the Bank for a continuous period of two years', to hold office from the conclusion of the 05th Annual General Meeting till the conclusion of the 07th Annual General Meeting of the Bank, subject to the satisfaction of eligibility norms each year. They have been the Statutory Auditors of the Bank from the Conclusion of the 4th Annual General Meeting of the Bank. The Board of Directors in the meeting held on May 29, 2020 appointed the Statutory Auditors of the Bank for an overall remuneration of Rs.62.5 Lakhs (excluding the GST). Any additional payments to the Statutory Auditors shall be made subject to the approval of the Audit Committee of the Board as and when found necessary. The Bank has obtained a declaration in Form B from M/s. Deloitte Haskins and Sells as required in the RBI guidelines and evaluated the eligibility criteria as required in RBI Circular and Board approved policy. Based on the evaluation conducted, it was confirmed that, the existing auditors are eligible for continuing for Financial Year 2022-23.

As per the RBI Circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, entities with asset size of ₹15,000 Crore and above as at the end of 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 March 31, 2022 was Rs.17,707 Crore, the Audit Committee of the Board and Board of Directors have recommended the appointment of 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 06th Annual General Meeting till the end of 09th Annual General Meeting. Appropriate resolution recommending their appointment as Joint Auditor for a period of three years with effect from the conclusion of 06th Annual General Meeting is placed for approval of shareholders as Item no. 02 in the Notice of the 06th Annual General Meeting.

31. 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 November 06, 2021 has appointed Shri. M Vasudevan, FCS, Practicing Company Secretary (COP: 2437), Thrissur, holding Membership No: F 4177 for a second term to conduct Secretarial Audit of the Bank for the Financial Year 2021-22 and to hold the office till the conclusion of Sixth 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 2021-22 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.

32. Pillar III Disclosures

The Pillar III Disclosures of the Bank as on March 31, 2022, is enclosed herewith as Annexure-IV.

33. Particulars of contract 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.

34. Annual Return

In accordance with Section 134(3) and Section 92(3) of the Companies Act, 2013 and pursuant to Companies (Amendment) Act, 2017, a copy of the annual return for the Financial Year 2021-22 will be hosted on the bank's website at www.esafbank.com/investor-relations-info/.

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

There were no frauds reported by the Statutory Auditors for the Financial Year 2021-22.

36. 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 Reserve Bank of India.

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

- i) The Bank has no activity relating to conservation of energy or technology absorption.
- ii) During the Financial Year 2021-22, the Bank had foreign currency expenditure of Rs. 1,06,97,384/- and there were no foreign currency earnings during the period.

38. Material changes after the Balance Sheet Date as on March 31, 2022

There have been no material changes and commitments between the end of the Financial Year 2021-22 and the date of this report, affecting the financial position of the Bank.

39. Explanations or comments by the Board on every qualification, reservation or 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.

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

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

41. Deposits

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

42. Loans / Guarantees / Investments

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

43. 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.

44. 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.

45. 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 capital market.

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.

For and on behalf of the Board of Directors

**Sd/-
Ravimohan Periyakavil Ramakrishnan
Chairman**

**Sd/-
Kadambelil Paul Thomas
Managing Director & CEO**

Date: November 10, 2022

Place: Thrissur

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 or arrangements or transactions on Arm's Length Basis:

a) Contracts with M/s. Evangelical Social Action Forum

Sl. No	Particulars	Details
1.	Name(s) of the related party and nature of relationship	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 Evangelical Social Action Forum located at Marayur, Thrissur admeasuring 800 Sq. Ft/ Rs. 20 per Sq. Ft has been taken on lease by the Bank.
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

Sl. No	Particulars	Details
1.	Name(s) of the related party and nature of relationship.	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	5 years
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	The party acts as Implementing agency for various CSR projects of the Bank.
5.	Date(s) of approval by the Board	28.09.2018
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

Sl. No	Particulars	Details
1.	Name(s) of the related party and nature of relationship.	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.	Bank has entered into Trademark License Agreement for an exclusive irrevocable license to use the trademark subject to the conditions as provided in the agreement dated January 05, 2020 for consideration. 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

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.
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

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	5 years
4.	Salient terms of the contracts or arrangements or transactions including the value, if any.	The party acts as Implementing agency for various CSR projects of the Bank.
5.	Date(s) of approval by the Board	27.09.2019
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

2. Details of contracts or arrangements or transactions not in Arm's Length Basis:

NIL

Annexure – II

ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2021-22

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 marginalized sections of the society.
- 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.
- Employee participation and networking with likeminded 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. Saneesh Singh	Chairman (Non-Executive Nominee Director)	3	3
2.	Shri. Kadambelil Paul Thomas	Member (Managing Director and CEO)	3	3
3.	Dr. V.A. Joseph	Member (Non-Executive Independent Director)	3	3
4.	Smt. Asha Morley	Member (Non-Executive Independent Director)	3	3

Note: The Corporate Social Responsibility and Sustainability Committee of the Board has been reconstituted on August 03, 2022 based on the cessation of directorship of Shri. Saneesh Singh with effect from July 26, 2022. Post Reconstitution, the Committee consists of three members provided in Sl. No. 2-4 and Dr. V A Joseph has been appointed as the Chairman of the Committee.

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/Composition%20of%20the%20Sub%20Committees%20of%20the%20Board....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 which has completed one year, has a project outlay of Rs. 1 Crore or more.

However, the Bank has undertaken an Impact Assessment through an Independent Agency for all the projects in the Financial Year 2018-19, 2019-20, 2020-21, voluntarily. Further, the Bank intends to undertake the same for the Financial Year 2021-22 also. Abstract of the Impact assessment report is enclosed. The impact assessment report is accessible in the website of the Bank www.esafbank.com.

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

Rs. 175,16,57,204.79/-

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

Rs. 3,50,33,144.10/-

(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. 3,50,33,144.10/-.

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. 8,76,00,000/- towards CSR expenditures for the Financial Year 2021-22.

6. (a) Details of CSR amount spent against ongoing projects for the Financial Year

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Project Duration	Amount allocated for the project (in Rs.)	Amount spent in the current Financial Year (in Rs.) (Including amount spent in Administrative Overheads)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.)	Mode of implementation - Direct (Yes/No).	Mode of implementation – Through implementing agency.	
				State	District						Name	CSR Registration No.
1.A	BJ-2021-22 ESAF Balajyothei	Point # 2 Point # 7	Yes	Kerala, Tamil Nadu	Trivandrum, Kollam, Pathanamthitta, Alappuzha, Kottayam, Idukki, Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikode, Wayanad, Kannur, Kasaragod, Nilgiris, Coimbatore, Cuddalore, Theni, Villupuram, Kanchipuram, Chennai, Thirukovilur, Tiruvannamalai, Tiruvallur, Tirunelveli, Kanyakumari	April, 2021 to March, 2025	50,00,000	46,34,164	2,52,523	No	ESAF	CSR00002189

1.B	BJ-2021-22 ESAF Balajyothi 2021	Point # 2	Yes	Assam, Maharashtra, Jharkhand, Chhattisgarh, Madhya Pradesh	Lakimpur, Majuli, Nagpur	April, 2021 to March, 2025	34,00,000	14,98,027	7,62,181	No	ESAF	CSR000021 89
2.A1	ST-2021-22 Skill Development Training	Point # 1 Point # 2	Yes	Kerala, Tamil Nadu, and Karnataka	Trivandrum, Kollam, Pathanamthitta, Alappuzha, Kottayam, Idukki, Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikode, Wayanad, Kannur, Kasaragod, Villupuram, Dindigul, Thiruvannamalai, Krishnagiri, Nilgiri, Cuddalore, Mandya	April, 2021 to March, 2025	30,00,000	23,87,229	1,22,821	No	ESAF	CSR000021 89
2.B1	ST-2021-22 Skill Development Training	Point # 2 Point # 10	Yes	Madhya Pradesh, Maharashtra, Jharkhand, Chhattisgarh	Biswanath, Majuli, Lakimpur, Dhumka, Sahibganj	April, 2021 to March, 2025	20,00,000	3,63,816	9,27,006	No	ESAF	CSR000021 89
2.A2	MED-2021-22 ESAF Micro- Entrepreneurs hip Development Programs	Point # 2 Point # 4	Yes	Kerala, Karnataka, Tamil Nadu	Trivandrum, Pathanamthitta, Alappuzha, Kottayam, Idukki, Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikode, Wayanad,	April, 2021 to March, 2025	60,00,000	44,90,425	1,76,154	No	ESAF	CSR000021 89

					Kannur, Kasaragod, Hosur, Gudallore, Krishnagiri, Belgam Dharmapuri, Salem, Ariyaloor, Kolar, Permbaloor, Nilgiri, Theni, Erode, Tumkur, Chikkaballappur, Bangalore rural.							
2.B2	MED-2021-22 ESAP Micro-Entrepreneurs hip Development Programs	Point # 2 Point # 4 Point #10	Yes	Assam, Madhya Pradesh, Maharashtra, Jharkhand, Chhattisgarh	Sihore, Bhopal, Dhumka, Nagpur, Yavatmal	April, 2021 to March, 2025	40,00,000	10,70,364	19,26,195	No	ESAF	CSR00002189
3.A1	MLCB-2021-22 Market Linkages and Capacity Building for Farmer Collectives	Point # 2 Point # 4	yes	Karnataka and Tamil Nadu	Krishnagiri, Kolar, Dharmapuri, Salem, Ariyaloor, Nilgiri, Permbaloor, Theni, Erode, Tumkur, Belgam, Bangalore rural.	April, 2021 to March, 2025	15,00,000	5,81,938	5,06,941	No	ESAF	CSR00002189
3.B1	MLCB-2021-22 Market Linkages and Capacity Building for Farmer Collectives	Point # 2 Point # 10	yes	Maharashtra, Madhya Pradesh	Bhopal, Sehore, Yavatmal, Wardha	April, 2021 to March, 2025	8,00,000	7,13,092	54,895	No	ESAF	CSR00002189

3.A2	CCMI-2021-22 Support for Setting up Collection Centres and Marketing Infrastructure	Point # 2. Point # 4	Yes	Karnatak a and Tamil Nadu	Krishnagiri, Dharmapuri, Salem, Ariyaloor, Permbaloor, Nilgiri, Theni, Erode, Tumkur, Kolar, Belgam, Chikkaballappur, Bangalore rural,	April, 2021 to March, 2025	30,00,000	20,92,102	1,08,452	No	ESAF	CSR000021 89
3.B2	CCMI-2021-22 Support for Setting up Collection Centres and Marketing Infrastructure	Point # 2. Point # 10	Yes	Maharas htra, Madhya Pradesh	Bhopal, Sehore, Yavatmal, Wardha	April, 2021 to March, 2025	30,00,000	5,37,032	10,77,645	No	ESAF	CSR000021 89
4.A	ER-2021-22 Emergency Relief and community Intervention	The corporate affairs ministry has included “disaster management including relief, rehabilitation and reconstruction activities” in a list of activities that companies are permitted to count towards their CSR spend	Yes	Pan India (where ESAF SFB is operation al)	Pan India	April, 2021 to March, 2025	110,00,000	86,49,628	20,38,123	No	ESAF	CSR000021 89
4.B	ER-2021-22 Emergency Relief and community Intervention	The corporate affairs ministry has included “disaster management including relief,	Yes	Pan India (where ESAF SFB is	Pan India	April, 2021 to March, 2025	40,00,000	15,68,043	19,88,003	No	ESAF	CSR000021 89

		rehabilitation and reconstruction activities" in a list of activities that companies are permitted to count towards their CSR spend		operation al)								
5.B	EG-2021-22 ESAF GARSHOM	Point # 1	Yes	Kerala, Odisha	Thrissur, Kalahandi	April, 2021 to March, 2025	60,00,000	29,32,388	30,67,612	No	ESAF	CSR000021 89
6.A1.	IHT -2021-22 Rural Hospital Infrastructure Thachanpara	Point # 1	Yes	Kerala	Palakkad	April, 2021 to March, 2025	67,00,000	24,31,280	34,55,752	No	ESAF	CSR000021 89
6.A2	IHM-2021-22 Rural Hospital Infrastructure: (Mokama)	Point # 1	Yes	Bihar	Mokama	April, 2021 to March, 2025	50,00,000	5,17,054	20,01,502	No	ESAF	CSR000021 89
6.A3	HMS-2021-22 Hospital Management Support- Mokama	Point # 1	Yes	Bihar	Patna	April, 2021 to March, 2025	30,00,000	9,56,760	18,36,929	No	ESAF	CSR000021 89
6.B1	ISA-2021-22 School Infrastructure Support: Ayakkad	Point # 2	Yes	Kerala	Palakkad	April, 2021 to March, 2025	140,00,000	2,79,329	1,37,20,671	No	ESAF	CSR000021 89

6.B2	ISJ-2021-22 Rural School Infrastructure: Jharkhand Schools	Point # 2	Yes	Jharkhan d	Dhumka	April, 2021 to March, 2025	36,00,000	19,74,842	3,21,974	No	ESAF	CSR000021 89
6.B3	ISAM-2021-22 Rural School Infrastructure: Assam Schools	Point # 2	Yes	Assam	Majuli, Lakimpur	April, 2021 to March, 2025	14,00,000	13,81,379	18,621	No	ESAF	CSR000021 89
7.A.	ES-2021-22 ESAF Swanthana	Point # 2	Yes	Kerala	Trivandrum, Kollam, Pathanamthitta, Alappuzha, Kottayam, Idukki, Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikode, Wayanad, Kannur, Kasargod	April, 2021 to March, 2025	12,00,000	12,00,000	0	No	ESAF	CSR000021 89
	TOTAL						876,00,000	402,58,892	3,43,64,000			

(b) Details of CSR amount spent against other than ongoing projects for the Financial Year:

NIL

(c) Amount spent in Administrative Overheads

Rs. 20,12,944

(d) Amount spent on Impact Assessment, if applicable

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

(e) Total amount spent for the Financial Year

Rs. 402,58,892.46/-

(f) 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
4,02,58,892	3,43,64,000	31/03/2022	NIL	NIL	NA

(g) Excess amount for set off, if any

Sl. No.	Particulars	Amount (in Rs.)
(i)	Two percent of Average Net Profit of the Company as per Section 135(5)	3,50,33,144
(ii)	Total amount spent for the Financial Year	8,07,20,440.46
(iii)	Excess amount spent for the Financial Year [(ii) – (i)]	4,56,87,296.36
(iv)	Surplus arising out of the CSR projects or programs or activities of the previous Financial Years, if any	0
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	4,56,87,296.36

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

NIL. The Bank has utilized the CSR obligation of 2% as mandated under Section 135(5) of the Companies Act, 2013.

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)**

NIL

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)**

NOT APPLICABLE, as the CSR spending of the Bank for the Financial Year 2021-22 was above the mandated statutory limit of 2% of the Average Net Profit as per Section 135(5).

Sd/-

Kadambelil Paul Thomas
Managing Director and CEO

Sd/-

Vadakkekara Antony Joseph
Chairman of the CSR and
Sustainability Committee of the Board

SUMMARY OF IMPACT ASSESSMENT STUDY

During the Financial Year 2020-21, 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 organizations – M/s. 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 in the following themes:

1. Disaster Management
2. Improving School Infrastructure
3. Agriculture and farmer collectives
4. Holistic development of children and youth
5. Microenterprises
6. Migrant Labourers
7. Rural Healthcare
8. Climate Action.

The impact assessment for all the projects were 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 and
- E. Sustainability

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

Relevance and Coherence

- The projects carried out during this year, were carried out in the backdrop of probably the worst phase of COVID-19 pandemic. Therefore, most of the projects have significant COVID-19 footprint. While the COVID related projects have been classified under disaster management and have the highest share of the budget and activity allocation, many other projects also had COVID-19 related issues as their significant component. Both the implementation agencies have shown remarkable resilience and flexibility to incorporate aspects of COVID in their various projects.
- The two implementing agencies with whom ESAF SFB have been working have developed expertise in wide variety of thematic areas as is evident from the range of projects which have been implemented by the two agencies. This allows these agencies in being flexible enough to accommodate or undertake new interventions as per the needs of the context. In the Financial Year 2021-22 highest proportion of funds were spent on the disaster management projects which mainly involved COVID-19 related activities including providing food kits during the lockdown, supporting hospitals

in improving their infrastructure, create awareness about vaccination as well as providing logistical support to the government hospitals in carrying out vaccination.

Many other projects have also incorporated COVID-19 related components, although they have been classified under different themes. For example, although the Swanthana project has mental health being as its overall objective, most of the activities this year under this project has involved mental health issues on account of COVID-19.

- Most of the projects are also being carried out with underprivileged segments of the society. Some of the project areas are also geographically very remote (for example, Majuli in Assam and Dumka in Jharkhand) and are underdeveloped in terms of infrastructure. The implementation partners also work with a number of scheduled tribe communities.
- Projects have also been designed on the basis of wider stakeholder consultation and are in line with broader focus areas of the government and have been assessed to be high on the dimension of relevance and coherence.

Effectiveness

During the year, the project reached out to over 109,000 direct beneficiaries in different parts of the country. During the year, the implementing partners have been able to achieve 92% of the activity targets. This is based on analysis of 150 activity targets. 138 of these activity targets were assessed to be achieved or exceeded by the implementation partners.

Impact

Nature of impact of different projects have been varied. The following are the most important impacts:

- The individual beneficiaries and the community stakeholders (such as the Panchayat Leaders) of the disaster management project have all valued the timely support provided by the implementation partners during COVID-19 and other natural disasters. Support provided has enabled the affected people in coping with the situation in a better manner.
- The hospitals and the primary health centres which were provided support to improve their infrastructure reported being able to treat their patients better, particularly during the second wave of COVID-19 in India.
- Since the school buildings supported under the project are still under construction, no immediate impact on the intended beneficiaries is apparent. The projects supporting school infrastructure have higher gestation period and the impacts will be visible over a long-term.
- The Balajyothi clubs and the study centres are being successful in achieving holistic development of the children, as evident from the discussions with a sample of parents and children. The teachers and facilitators of the clubs and study centres also reported getting benefitted from their engagement in the activities of the clubs and the study centres.
- The feedback received from the Pashumithras and the farmers supported under the agriculture and farmer collectives has been mixed. While many Pashumithras and farmers reported getting significant enhancement in their income and farming practices, some of them reported not getting any benefit out of this project. A few also complained of not getting adequate support from the farmer collectives.
- The enterprise training programs carried out by the implementation partners have been quite useful in imparting necessary skills to the participants. Most of them also reported adding a new source of income and significantly increasing their incomes. The

trainings have been particularly useful for the people who already had some experience in the activity. The trainings in tailoring, particularly, helped the entrepreneurs to learn new business skills and enhance their product offerings. Respondents who received trainings in other trades like mushroom farming and tailoring have not reported any significant benefit from the training.

- The beneficiaries who were provided counselling support under the Swanthana projects reported getting benefit from this experience. They also expressed willingness to share details of the helpline with others.
- The councillors trained by ESAF, themselves, have indicated getting benefitted from the training provided under the project. Other than counselling community members, they also said that the training helped them in being more organised and responsive in their regular occupations.
- The Urja Bandhus trained and mentored under the Urja Bandhu project reported being highly satisfied with the training provided under the project. They also appreciated the follow-up support provided by the resource persons appointed by ESAF. The Urja Bandhus reported an increase of 40-60% in their income after receiving this training.

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 656. It is to be noted that the intervention cost per beneficiary has ranged between Rs 170 (for rural healthcare projects) to approximately Rs 12,000 (for climate action or Urja Bandhu project). 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:

- Under most of the projects, the implementation partners have worked with existing institutions like hospital, local administration, farmer collectives, youth clubs and the schools. The support provided to these institutions has resulted in enhancement in their capacity and the stakeholders have committed to maintain the supported infrastructure.
- The Pashumithra and Urja Bandhu projects as well as the projects for the training of micro entrepreneurs seek to create entrepreneurs having their own revenue models. Benefits from these projects are likely to sustain beyond the project period.
- The Balajyothi Clubs and Study Centres would require intensive and continuous support for sustaining these activities. While a few Balajyothi clubs are likely to sustain on their own, most of them would find it difficult to sustain if the project support is withdrawn. Similarly, most of the study centres would not be able to continue without the support from the implementation partners.
- Both the projects under rural healthcare (Arogyamithra and Swanthana) are funded out of the grants. No revenue models have been built for these projects. In fact, the Arogyamithras themselves work on a voluntary basis and many of them have quit on account of a lack of any income for them. Both the projects score low on sustainability aspects and are not likely to continue once the grant support is withdrawn.

Link to the impact assessment reports on the Bank's website:

www.esafbank.com

Annexure – III

SECRETARIAL AUDIT REPORT

For the Financial Year ended March 31, 2022

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

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 authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2022 complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

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

- i. The Companies Act, 2013 (the Act) and the rules made there under;
- ii. The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made there under;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- 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 client;
- 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 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, agenda and detailed notes on 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 at the meeting.

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 an Extra Ordinary General Meeting held on July 12, 2021 to make initial public offer of equity shares of the company aggregating to Rs. 997,78,00,000/- which may include, a fresh issue of equity shares and an offer for sale of equity shares and listing of equity shares on one or more of the stock exchanges.

ii. Members have approved the alteration of Articles of Association at the 05th Annual General Meeting of the Company held on September 29, 2021 to bring them in line with the circular issued by the Reserve Bank of India on Corporate Governance in Banks.

iii. Members have accorded consent to the Board of Directors at an Extra Ordinary General Meeting held on February 16, 2022:

- to borrow in excess of the paid-up share capital, free reserves and securities premium account, including the monies already borrowed by the Bank up to a limit of outstanding aggregate value which shall not exceed Rs. 5000,00,00,000/- or the aggregate of the paid up capital and free reserves of the Bank, whichever is higher at any time.
- to offer, issue and allot unsecured, rated, redeemable Non-Convertible Debentures on a private placement basis, for an amount not exceeding in the aggregate Rs. 300,00,00,000/-.

iv. The Board of Directors have approved through a resolution passed by circulation on March 31, 2022 to allot 20 no's of 11.25% rated, taxable, unlisted, redeemable, unsecured, Basel III compliant Subordinated Tier II Bonds in the form of Non-Convertible Debentures of a face value of Rs.1,00,00,000/- each for an amount not exceeding in aggregate Rs. 20,00,00,000/-

v. Non-Convertible Debentures aggregating to Rs. 50 Crores were redeemed by the company during the year.

Sd/-

Place: Thrissur

Date: 10.08.2022

UDIN: F004177D000764629

Name of Company Secretary in practice: 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 record 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 test basis to ensure that 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. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, 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.

Sd/-

Place: Thrissur

Date: 10.08.2022

UDIN: F004177D000764629

Name of Company Secretary in practice: M Vasudevan

FCS No.: 4177

C P No.: 2437

Annexure – IV

Pillar 3 Disclosures as of March 31, 2022

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

The shareholding pattern of the Bank

Description	Share Holding (%)
Promoter Holding Company	62.46
Insurance Companies	10.02
Resident Individuals	7.44
Bodies corporate	1.98
FII's, FPI, NRIs, other Foreign Nationals	18.10
TOTAL	100.00

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 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 RBI guidelines DBR.NBD. No.4502/16.13.218/2017-2018 dated 08th November 2017, SFBs are not required to create separate capital charge 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, RBI has prescribed that SFBs shall follow Basel II Standardized 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 (₹ in Crores)

Breakup of capital funds is as follows:

Particulars (March 31, 2022)	₹ in Crores
Tier I capital –(I)	
Paid Up Capital	449.47
Reserves	931.13
Perpetual Debt Instrument	48
Total	1,428.60
Deductions – (II)	
Intangible Assets	0.00
Any Other Deductions	13.05
Total Deductions	13.05

Particulars (March 31, 2022)	₹ in Crores
Total Tier I Capital Total (I-II) A	1,415.55
Tier II Capital – (III)	
General provisions on Standard Assets	109.43
Investment Fluctuation Reserve	26.19
Sub Ordinated term Debt	81.00
Total	216.62
Deductions – (IV)	
Total Deductions for Tier II	0.00
Total Tier II Capital (III-IV) B	216.62
Total Capital (A+B)	1,632.17
Bank's CRAR as on 31-03-2022	18.64%

1.3 Disclosures

A summary discussion of the Bank's approach to assess 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 RBI guidelines for SFBs, minimum capital required to be maintained by the Bank is 15% of the Risk Weighted Assets. The Bank's CRAR as on 31-03-2022 is above the regulatory minimum level.

Quantitative Disclosures Table 2 (₹ in Crores)

S. No.	Particulars As on 31-03-2022	₹ in Crores
A	Capital Requirements for Credit Risk	1,313.67
A.1	For Portfolio Subject to Standardized approach	1,313.67
A.2	For Off Balance Sheet Credit Portfolio	0.00
A3	For Off Balance Sheet Corporate Guarantee	0.00
B	Capital Requirements for Market Risk	0.00
B.1	For Interest Rate Risk	0.00
B.2	For Equity Risk	0.00
B.3	For Forex Risk (including gold)	0.00
B.4	For Commodities Risk	0.00
B.5	For Options risk	0.00
C	Capital Requirements for Operational Risk	0.00
D	Total Capital Requirement (A+B+C)	1,313.67
E	Total Risk Weighted Assets (RWA for all types of assets)	8,757.82
F	Total Capital Funds (Tier I + Tier II)	1,632.17
	CRAR (%)	

S. No.	Particulars As on 31-03-2022	₹ in Crores
A	Tier -1 Capital Adequacy Ratio (%)	16.163%
B	Tier -2 Capital Adequacy Ratio (%)	2.473%
A+B	Overall CRAR (%)	18.64%

2. Internal Capital Adequacy Assessment Process (ICAAP)

The Bank has put in place a Board approved policy for Internal Capital Adequacy Assessment Process (ICAAP). 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.

ICAAP aims at 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.

3. Leverage Ratio

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

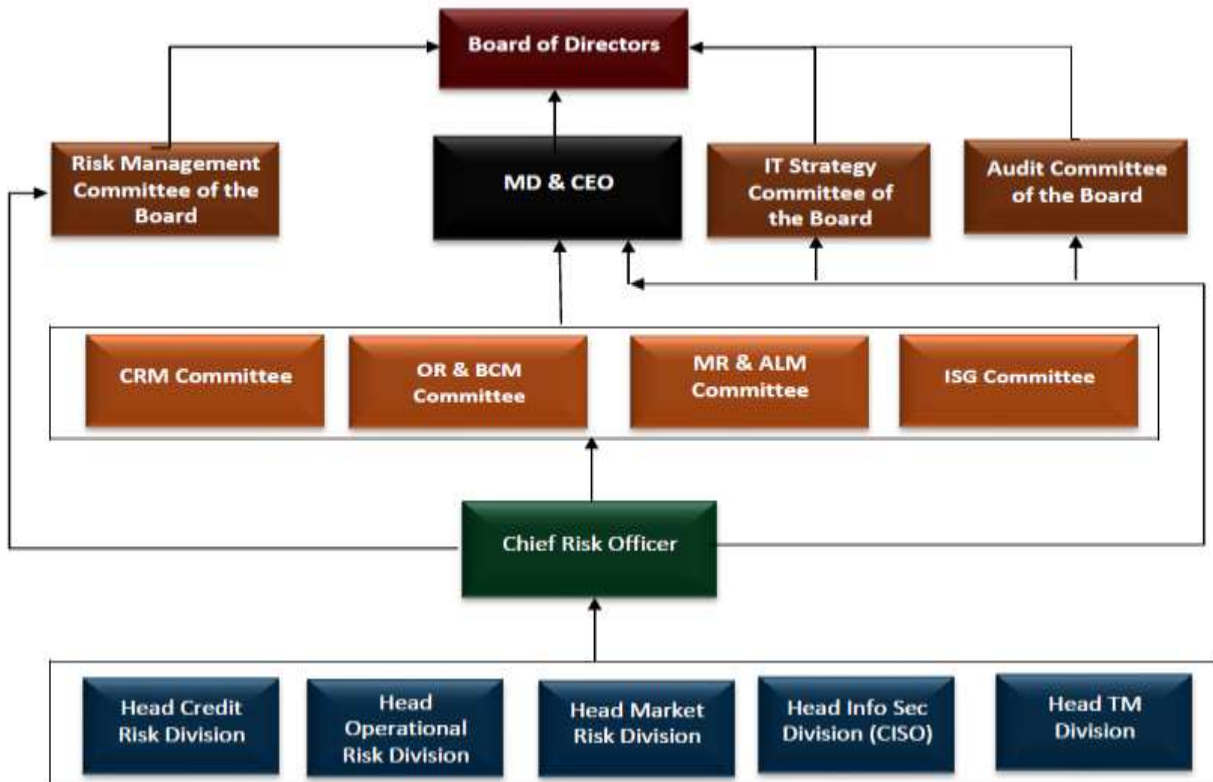
Leverage Ratio = Capital Measure (Tier I Capital)/ Exposure Measure (Total Exposure)

Leverage Ratio as on 31-03-2022 – Table 3 (₹ in Crores)

S.No	Particulars	₹ In Crs
On Balance Sheet Exposure		
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions (SFT), but including collateral)	17,707.56
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	0.00
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (1 + 2)	17,707.56
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

S.No	Particulars	₹ In Crs
11	Total derivative exposures (sum of lines 4 to 10)	0.00
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	Total securities financing transaction exposures (sum of lines 12 to 15)	0.00
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	2.05
19	(Adjustments for conversion to credit equivalent amounts)	0
19	Off-balance sheet items (sum of lines 17 and 18)	2.05
Capital & Total Exposures		
20	Tier 1 capital	1,415.55
21	Total exposures (sum of lines 3, 11, 16 and 19)	17,709.61
22	Basel III Leverage Ratio for the Bank	7.99%
Summary comparison of accounting assets vs. leverage ratio exposure measure		
1	Total consolidated assets as per published financial statements	17,707.56
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 recognized 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)	2.05
5	Other adjustments	0
6	Leverage ratio exposure	17,709.61

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 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 for overseeing and review 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 for overseeing and periodical review 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 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 are played by the functions are independent of one another.
- Risk strategy is approved by the Board on an annual basis and is defined based on the Bank's risk appetite, in order to align risk, capital and performance targets.

- g) All major risk classes are managed through focused and specific risk management processes; these risks include Credit Risk, Operational Risk, Market Risk and Liquidity Risk etc. Policies, processes and systems are put in place to enable the risk management capability.
- h) 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 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 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 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 or,
- b) Reduction in portfolio value arising from actual or perceived deterioration in 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 maximize 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 and 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 sanction of credit, Bank's approach to monitoring of 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 and Organization 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 implementation of credit risk management framework across the Bank and provides recommendations to the RMCB and the Board. CRMC ensures 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 quality of 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 quality of the Bank's loan portfolio, 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 in 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 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 takes informed decisions on credit proposals and on any deviations to 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 score cards/ rating system is validated on an annual basis by back testing with the standards of outstanding loans.

6.5 Risk Weights

The Bank adheres to 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 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 RBI, as well as internal limits. Credit concentration in the Bank's portfolios is monitored for the following:

- (i) Single party /Group exposure: The Bank has set exposure limits individual borrower-wise and borrower group-wise which are continuously tracked and monitored.
- (ii) 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.
- (iii) Industry exposure: The Bank's exposure to any single industry is currently not significant.

6.7 Credit Exposures & Risk Summary - 31-03-2022

a) Exposure – Facility Type –Table 4 (₹ in Crores) (31-03-2022)

S. No.	Exposure Type	Amount
1	Gross Loans & Advances (Excluded Loan against Term Deposits -	12,022.76
2	Add: Undrawn exposure	34.52
3	Total Credit Exposure –Fund Based (1+2)	12,057.28
4	Add: Non-Fund Based Exposure (Excluded Contingent Liabilities against 100% Liquid securities coverage – ₹2.05 Cr)	0.00
	Total Credit Exposure (Total of 3+4 above)	12,057.28

b) Geographic distribution of credit exposure -Table 5 (₹ in Crores) (31-03-2022)

S. No.	Exposure Type	Amount
1	Domestic Fund Based (Excluded Loan Against Term Deposits - ₹107.88 Cr)	12,057.28
2	Domestic Non-Fund based (Contingent Liabilities – ₹2.05 Cr with 100% Cash collateral)	0.00
3	Foreign Fund Based	0.00

S. No.	Exposure Type	Amount
4	Foreign Non-Fund Based	0.00
Total		12,057.28

c) Credit Exposures by Risk Weights (31-03-2022) Table -6 (₹ in Crores)

S. No.	Risk Weight	Exposure	Risk Weighted Assets
1	Below 100% risk weight	10,003.58	7,186.21
2	100% Risk weight	890.72	702.63
3	More than 100%	1,162.98	126.51
Total		12,057.28	8,015.35

**d) Sector wise distribution of Gross Loans & Advances (31-03-2022) Table -7
(₹ in Crores)**

S. No.	Industry Classification	Gross Loan Portfolio	% Share
1	Agriculture and Allied Activities	6,195.88	51.08%
2	Industries Sector	849.82	7.00%
4	Trade & Services	2,461.44	20.29%
5	Personal Loans and other Retail	2,623.49	21.63%
Total		12,130.64	100%

e) Credit Risk Mitigation Table -8 (31-03-2022) (₹ in Crores)

S. No.	Particulars	Exposure	Credit Risk Mitigant	Net Exposure
1	Gold Loan	1,056.63	1,055.97	0.66
2	Loan against FD	107.88	107.88	Nil

a) Maturity pattern of Assets Table -9 (₹ in Crores) –As on 31-03-2022

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	223.55	35.61	1.96	28.51	0.00	0.78	290.41
2-7 Days	0.00	75.00	2.59	171.08	0.00	238.68	487.35
8-14 Days	0.00	0.00	1.48	199.60	0.00	405.46	606.54
15-30 Days	14.00	0.00	2.21	456.23	0.00	10.92	483.36
31 Days and up to 2 months	19.62	0.00	141.08	474.88	0.00	5.46	641.04
Over 2 Months and up to 3 months	21.76	0.00	100.64	474.88	0.00	5.46	602.74
Over 3 Months and up to 6 months	65.43	100.00	20.15	1,498.00	0.00	10.92	1,694.50
Over 6 Months and up to 1 year	140.45	0.00	22.16	3,239.66	0.00	65.49	3,467.76
Over 1 Year and up to 3 years	138.91	0.50	21.92	4,372.21	0.00	0.00	4,533.54
Over 3 Years and up to 5 years	3.16	0.00	698.25	133.01	0.00	0.00	834.42
Over 5 years and up to 7 years	11.98	0.13	543.02	132.98	159.47	439.97	1,287.55
Over 7 years and up to 10 years	1.28	0.00	909.54	0.00	0.00	0.00	910.82
Over 10 year and up to 15 years	0.53	0.00	1,580.46	0.00	0.00	0.00	1,580.99
Over 15 years	26.00	0.00	24.84	0.00	0.00	0.00	50.84
Total	666.67	211.24	4,070.30	11,181.04	159.47	1,183.14	17,471.86

** 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 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 RBI directives on matters relating to prudential norms.

(i) Amount of NPA as on March 31, 2022 Table-10 (₹ in Crores)

S. No.	Category	₹ in Crores
A	Amount of NPA (Gross)	949.60
A.1	Substandard	641.93
A.2	Doubtful	307.67
A.3	Loss	0
	NPA Provision	493.64
B	Net NPAs	455.96
C	Advances	
C1	Gross Advances	12,130.64
C3	Net Advances	11,637.00
D	NPA Ratios	
D.1	Gross NPAs to gross advances (%)	7.83%
D.2	Net NPAs to net advances (%)	3.92%

(ii) Movement of Gross NPA & Net NPA, FY 2021-22 Table -11 (₹ in crores)

Particulars	Gross NPA	Net NPA
Opening balance at April 1, 2021	564.00	316.58
Add: Addition during the period	642.46	456.35
Less: Reduction/Upgradation/ Write-off/ during the period	256.86	316.97
Closing balance at March 31, 2022	949.60	455.96

(iii) Movement of NPA Provisions, FY 2021-22 - Table 12 (₹ in Crores)

Particulars	₹ in crores
Opening balance at April 1, 2021	247.42
Add: Provision made during the period	381.53
Less: Write off/ write back excess provision	135.31
Closing balance at March 31, 2022	493.64

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 acceptable predefined level following a disruptive incident. The Bank recognizes 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 and Organization of Operational risk & Business Continuity Management

Risk Management Committee of the Board oversees the bank-wide Operational Risk Management. 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 mitigation of operational risk in the institution by creation and maintenance of an explicit operational risk management process.

The OR-BCMC reviews the risk profile to take into cognizance 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 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 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 Covid19 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 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 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 centralized 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 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 change in 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 and organization 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 tolerance limits prescribed in the Liquidity Risk Management Policy, Investment Policy and Market Risk Management Policy.
- Ensuring that business strategy of the Bank is in line with Bank's stated risk management objectives.

- Determining the structure, responsibilities and controls for managing Market Risk and for overseeing the liquidity positions.
- Ensuring 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 from 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 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 un-availed credit limits are also captured through behavioural studies.

The Bank computes the Regulatory prescribed Liquidity Ratios such as LCR and NSFR and are used as effective tools in Liquidity Management. Liquidity stress tests are conducted under different scenarios at periodical 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 impact on 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 Bank's assets and liabilities, quality, maturity, existing rates, and re-pricing 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 perspective.

- 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 bank due to re-pricing of assets, liabilities and off-balance sheet items through duration gap analysis.

Earnings at Risk (EaR) Table 13 (₹ in Crores)

Particulars	Impact on NII (31-03-2022)
Impact of 100 bps parallel shift in interest rate on both assets & liabilities on Net Interest Income (NII)	7.32

Market Value of Equity (MVE) Table 14 (₹ in Crores)

Particulars	Impact on MVE (31-03-2022)
Impact of 100 bps parallel shift in interest rate on both assets & liabilities on Market Value of Equity	204.82

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 of 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 needs 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 / implementation within the organization 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 to measure the performance of information security controls across the overall enterprise and report risks including incidents and critical audit findings to the ISGC. The Division is responsible to schedule regular review meetings of the ISGC to report progress on key metrics, risk management program 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 which has 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 periodical basis, as a preventive measure against cyber-attacks that could threaten the confidentiality, integrity and availability of data and the systems.

REPORT ON CORPORATE GOVERNANCE

The report on the Bank's Corporate Governance for the Financial Year 2021-2022, is as under:

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 provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as per the provisions of Companies Act, 2013. As on March 31, 2022, the Board of Directors of the Bank, comprising a combination of Executive and Non-Executive Directors, consisted of Nine (9) members, of whom Eight (8) are Non-Executive Directors. The responsibility of the Board inter alia includes the formulation of overall strategy for the Bank, taking new initiatives, formulating policies, performance review, monitoring of plans, pursuing of policies and procedures.

A brief profile of the Directors as on March 31, 2022 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 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 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, ESAF 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. Presently, he is the President of Kerala State Association of Financial Inclusion Institutions (KASAFI).

Dr. Joseph Vadakkekara Antony
(Non-Executive Independent Director)

Dr. Joseph Vadakkekara Antony (Dr. V.A Joseph) is an 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 Doctorate 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 on the board of South Indian Bank Limited and was also on the boards 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 received the Sunday Standard Best Banker award in 2013 and IDRBT Technology Excellence Award in 2012.

Smt. Asha Morley
(Non-Executive Independent Director)

Smt. Asha Morley is an Independent Director on the Board of the Bank. She holds a Bachelor's degree in Commerce from the Bombay University. She is a Fellow Member of the Institute of Chartered Accountants of India (F.C.A.) holding a D.I.S.A. (Diploma Information Systems Audit) certification. She was previously a director on the boards of Morley Investments Private Limited and Morley Consultants Private Limited.

Shri. Alex Parackal George
(Non-Executive Independent Director)

Shri. Alex Parackal George is an Independent Director on the Board of the Bank. He holds a Bachelor of Technology degree in Chemical Engineering from the Indian Institute of Technology, Madras and a Post Graduate Diploma in Management from the Indian Institute of Management, Calcutta. He is also the Proprietor of Alco Fasteners, a small scale industrial unit registered with the Directorate of Industries and Commerce.

Shri. Thomas Jacob Kalappila
(Non-Executive Independent Director)

Shri. Thomas Jacob Kalappila is a Fellow Member of the Institute of Chartered Accountants of India (F.C.A) holding a D.I.S.A (Diploma Information Systems Audit) certification. He has over 40 years of post-qualification experience as a Chartered Accountant and has been in practice for more than 37 years providing financial and management consultancy services to various reputed entities. Currently, Shri. Thomas is the Senior Partner of M/s. Thomas Jacob & Co. and is leading all major audit and attest assignments in the firm. He has rich experience in Statutory Audit, Internal and Forensic Audit of banks for more than 35 years and is currently undertaking the audit

of Canara Bank, Indian Overseas Bank and Indian Bank. He has previously served as the Independent Director on the Boards of South Indian Bank Limited and Malabar Cements Limited.

Shri. Santhosh George*
(Non-Executive Independent Director)

Shri. Santhosh George has vast experience in the field of Information Technology and has led successfully global and distributed Engineering team with full product ownership in whole life cycle for Enterprise applications from conceptualization, strategy, product management to development and delivery with companies like Oracle Corporation, Misys, Cognizant products group, Sequaretek and SAP based products – AI/ ML based, On premise, SaaS and Cloud native models. He has transformed and led global world class implementation and consulting services teams winning awards and significant topline as well as bottom-line growth. At Misys, Santhosh was responsible for all Banking products developments of Retail, transaction and Digital Banking suites across the global development centres.

He is currently working as the President and Chief Product Officer with Sequaretek in Bangalore, responsible for Enterprise Products development and AI/ ML based research lab.

He holds a B.Tech degree in Computer Engineering from National Institute of Technology, Calicut and a Post-Graduation in Business Management (PGCBM) from XLRI, Jamshedpur.

**Shri. Santhosh George was appointed as the Non-Executive Independent Director of the Bank with effect from December 08, 2020 for a period of three years.*

He resigned from the Directorship of the Bank due to pre-occupation with effective from May 26, 2021.

Shri. Vinod Vijayalekshmi Vasudevan
(Non-Executive Independent Director (Additional))

Dr. Vinod Vijayalekshmi Vasudevan is currently the Group CEO of Flytxt BV, a privately held Dutch company pioneering AI at scale solutions for customer lifetime value management subscription and usage business. With roles spanning from research to commercialization and alternating between small ventures and large multinational corporations, Vinod has developing and translating intellectual property to technology solutions and scalable business models throughout his career.

Prior to Flytxt, he has held technology and business leadership roles in Japan, Singapore, USA, and India. He was an early hire at the green field Telecom venture 'Reliance Infocom' (subsequently Reliance Communications), where he was responsible for nation-wide data and content services and wireless ATM and POS services. These innovative services received national and international awards such as the "Best IT implementation" from PC-Quest and "SOA award" from IDC.

Dr. Vinod Vijayalekshmi Vasudevan has served as a keynote speaker and panelist at global events, a key participant in ISO standards, he has several patents, and has authored many papers. He holds a Bachelors, Masters and Doctorate in Computer Science and Engineering from IIT Kharagpur, where he specialized in artificial intelligence.

**Shri. Vinod Vijayalekshmi Vasudevan was appointed as Non-Executive Independent Director (Additional) of the Bank with effect from December 22, 2021 till the conclusion Sixth Annual General Meeting of the Bank.*

The Board of Directors have recommended the appointment of Shri. Vinod Vijayalekshmi Vasudevan as a Non-Executive Independent Director to hold office for a term upto three consecutive years with effect from December 22, 2021 to the shareholders for approval.

Shri. Saneesh Singh*
(Non-Executive Nominee Director)

Shri. Saneesh Singh is the Non-Executive Nominee Director of the Bank. He holds a Master's degree in Arts from Lucknow University and an Advanced Post Graduate Diploma in Computers and Information Management from the Uptron Academy of Computer Learning. He has also completed the HBS ACCION program on 'Strategic Leadership' in Inclusive Finance from Harvard Business School. He is the Managing Director of Dia Vikas Capital Private Limited and was previously employed with the Small Industries Development Bank of India. He was awarded a British Chevening Scholarship by the Foreign and Commonwealth Office to study banking at the London School of Economics and Political Science.

**Shri. Saneesh Singh was re-appointed as the Non-Executive Nominee Director of the Bank with effect from December 13, 2021 for a period of three consecutive years. However, due to withdrawal of nomination of Shri. Saneesh Singh by nominating authority, Shri. Saneesh Singh ceased to be the Director of the Bank with effect from July 26, 2022.*

Shri. Chandanathil Pappachan Mohan*
(Non-Executive Nominee Director)

Shri. Chandanathil Pappachan Mohan (Shri. C.P. Mohan), former Chief General Manager of NABARD and Managing Director of NABFINS, is a development finance professional with four decades of experience ranging from grassroots to policy level positions across public, private, cooperative, and multilateral institutions, like Gujarat Co-operative Milk Marketing Federation and College of Agriculture Banking of Reserve Bank of India. He has worked with International organizations like World Bank Group and FAO of the United Nations as a technical specialist in Rural Finance, Post Disaster Needs Assessment and Livelihoods.

He was instrumental in building up NABFINS as a vibrant national level rural micro-finance institution. At the policy level, he was a member of Prof. Sriram Committee on the Formation of Kerala Cooperative Bank, and has supported Khan Committee of Reserve Bank of India.

Shri. Mohan has served on Boards of several development institutions and Regional Rural Banks. Agri-value chains, banking correspondent models, rural finance, development projects in Europe, Africa, South America and Asia, are his keen areas of interest.

He is a Post Graduate in Rural Management from Institute of Rural Management, Anand and holds B.Sc. (Agri & AH) from G B Pant University for Agriculture and Technology, Pantnagar, Uttarakhand. He is a Certified Associate of Indian Institute of Bankers (CAIIB).

**Shri.Chandanathil Pappachan Mohan was appointed as the Non-Executive Nominee Director of the Bank with effect from May 29, 2020 for a period of three consecutive years. However, due to withdrawal of nomination of Shri. Chandanathil Pappachan Mohan by nominating authority, Shri. Chandanathil Pappachan Mohan ceased to be the Director of the Bank with effect from October 31, 2022.*

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met 13 times during the Financial Year 2021-22 on May 26, 2021, June 18, 2021, June 29, 2021, July 24, 2021, August 25, 2021, September 29, 2021, November 06, 2021, November 26, 2021, December 22, 2021, January 13, 2022, February 05, 2022, March 10, 2022 and March 29, 2022. 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	13	13	Yes
2.	Shri. Kadambelil Paul Thomas	13	13	Yes
3.	Dr. V.A. Joseph	13	13	Yes
4.	Smt. Asha Morley	13	13	Yes
5.	Shri. Alex Parackal George	13	13	Yes
6.	Shri. Thomas Jacob Kalappila	13	13	Yes
7.	Shri. Vinod Vijayalekshmi Vasudevan *	4	4	NA
8.	Shri. Saneesh Singh**	13	13	Yes
9.	Shri. C.P. Mohan***	13	13	Yes
10.	Shri. Santhosh George ****	1	1	NA

**Shri. Vinod Vijayalekshmi Vasudevan was appointed as the Non-Executive Independent Director (Additional) of the Bank with effect from December 22, 2021.*

***Shri. Saneesh Singh ceased to be a Director of the Bank with effect from July 26, 2022, due to withdrawal of nomination by M/s. ESAF Financial Holdings Private Limited, nominating authority.*

***Shri. Chandanathil Pappachan Mohan ceased to be a Director of the Bank with effect from October 31, 2022, due to withdrawal of nomination by M/s. ESAF Financial Holdings Private Limited, nominating authority.

***Shri. Santhosh George was appointed as the Non-Executive Independent Director of the Bank with effect from December 08, 2020 for a period of three years. He resigned from the Directorship of the Bank due to pre-occupation with effective from May 26, 2021.

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 March 31, 2022. The details of the Committees are enlisted 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 Committee of the Board (CSRCB)
8.	Human Resource Committee (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 a meeting of the Board of Directors held on December 13, 2016. The Committee was reconstituted on August 25, 2021 during the year. As on March 31, 2022, the Committee had Four (4) members:

Sl. No.	Name of the Member	Designation
1.	Smt. Asha Morley	Chairperson
2.	Shri. Thomas Jacob Kalappila	Member
3.	Shri. C P Mohan	Member
4.	Dr. V A Joseph	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 Reserve Bank of India from time to time.

During the Financial Year 2021-22, Seven (7) meetings of the Committee were held on the following dates:

Sl. No.	Date of Meeting
1.	May 26, 2021
2.	June 29, 2021
3.	August 25, 2021
4.	September 28, 2021
5.	November 06, 2021
6.	February 04, 2022
7.	March 24, 2022

The details regarding the constitution of the Audit Committee along with the attendance recorded in the meetings held during the Financial Year 2021-22 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total No. of Meetings held	No. of meetings attended
1.	Smt. Asha Morley	Chairperson	7	7
2.	Shri. Ravimohan Periyakavil Ramakrishnan*	Member	3	3
3.	Shri. Thomas Jacob Kalappila	Member	7	7
4.	Shri. C P Mohan**	Member	7	7
5.	Dr. V A Joseph	Member	7	7

* Shri. Ravimohan Periyakavil Ramakrishnan ceased to be a member of the Committee with effect from August 25, 2021.

**Shri. Chandanathil Pappachan Mohan ceased to be a member of the Committee with effect from October 31, 2022, due to withdrawal of nomination by M/s. ESAF Financial Holdings Private Limited, nominating authority.

Risk Management Committee of the Board (RMCB)

The Risk Management Committee was constituted by a meeting of the Board of Directors held on December 13, 2016. The Committee was not reconstituted during the Financial Year 2021-22. As on March 31, 2022, the Committee had Four (4) members:

Sl. No.	Name of the Member	Designation
1.	Shri. Alex Parackal George	Chairman
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member

3.	Shri. Thomas Jacob Kalappila	Member
4.	Shri. Kadambelil Paul Thomas	Member

During the Financial Year 2020-21, Four (4) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	June 29, 2021
2.	September 27, 2021
3.	November 26, 2021
4.	March 05, 2022

The details regarding the constitution of the Risk Management Committee along with the attendance recorded in the meetings held during the Financial Year 2021-22 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. Alex Parackal George	Chairman	4	4
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	4	4
3.	Shri. Thomas Jacob Kalappila	Member	4	4
4.	Shri. Kadambelil Paul Thomas	Member	4	4

Nomination Remuneration and Compensation Committee of the Board (NRCCB)

The Nomination Remuneration and Compensation Committee of the Board was constituted by a meeting of the Board of Directors held on December 13, 2016. The Committee was not reconstituted during the Financial Year 2021-22. As on March 31, 2022, 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. Asha Morley	Member
4.	Shri. Saneesh Singh	Member
5.	Shri. C P Mohan	Member

The scope and function of the Nomination Remuneration and Compensation Committee is in accordance with Section 178 of the Companies Act, 2013, Securities and Exchange Board of India Regulations, 2015 and the guidelines issued by Reserve Bank of India from time to time.

During the Financial Year 2021-22, Nine (9) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	May 24, 2021
2.	June 28, 2021
3.	August 24, 2021
4.	September 27, 2021
5.	November 06, 2021
6.	November 26, 2021
7.	December 22, 2021
8.	February 04, 2022
9.	March 24, 2022

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 2021-22 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	9	9
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	9	9
3.	Smt. Asha Morley	Member	9	9
4.	Shri. Saneesh Singh*	Member	9	9
5.	Shri. C P Mohan**	Member	9	9

**Shri. Saneesh Singh ceased to be a member of the Committee with effect from July 26, 2022, due to withdrawal of nomination by M/s. ESAF Financial Holdings Private Limited, nominating authority.*

***Shri. Chandanathil Pappachan Mohan ceased to be a member of the Committee with effect from October 31, 2022, due to withdrawal of nomination by M/s. ESAF Financial Holdings Private Limited, nominating authority.*

Management Committee of the Board (MCB)

The Management Committee of the Board was constituted by a meeting of the Board of Directors held on August 17, 2017. The Committee was not reconstituted during the Financial Year 2021-22. As on March 31, 2022, 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. C P Mohan	Member

During the Financial Year 2021-22, Twelve (12) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	May 24, 2021
2.	June 28, 2021
3.	August 02, 2021
4.	August 24, 2021
5.	September 20, 2021
6.	October 29, 2021
7.	November 30, 2021
8.	January 13, 2022
9.	February 04, 2022
10.	March 03, 2022
11.	March 19, 2022
12.	March 24, 2022

The details regarding the constitution of the Management Committee along with the attendance recorded in the meetings held during the Financial Year 2021-22 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	12	12
2.	Shri. Kadambelil Paul Thomas	Member	12	12
3.	Dr. V.A. Joseph	Member	12	12
4.	Shri. C P Mohan*	Member	12	12

**Shri. Chandanathil Pappachan Mohan ceased to be a member of the Committee with effect from October 31, 2022, due to withdrawal of nomination by M/s. ESAF Financial Holdings Private Limited, 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 a meeting of the Board of Directors held on May 26, 2017. The Committee

was reconstituted on December 22, 2021 during the Financial Year 2021-22. As on March 31, 2022, there were Four (4) members in the Committee:

Sl. No.	Name of the Member	Designation
1.	Shri. Thomas Jacob Kalappila	Chairman
2.	Shri. Kadambelil Paul Thomas	Member
3.	Shri. Alex Parackal George	Member
4.	Shri. Santhosh George	Member

An organization 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 organization:

- 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 2021-22 on the following dates:

Sl. No.	Date of Meeting
1.	June 28, 2021
2.	September 28, 2021
3.	November 24, 2021
4.	December 22, 2021
5.	March 05, 2022

The details regarding the constitution of the IT Strategy Committee along with the attendance recorded in the meetings held during the Financial Year 2021-22 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	Chairman	5	5
2.	Shri. Kadambelil Paul Thomas	Member	5	5
3.	Shri. Alex Parackal George	Member	5	5
4.	Shri. Vinod Vijayalekshmi Vasudevan*	Member	1	1
5.	Shri. Santhosh George**	Member	NIL	NIL

**Shri. Vinod Vijayalekshmi Vasudevan was appointed as the member of the Committee with effect from December 22, 2021.*

*** Shri. Santhosh George was appointed as the member of the Committee on February 04, 2021. He ceased to be a member of the Committee on May 26, 2021.*

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 a meeting of the Board of Directors held on August 17, 2017 to bring about improvements in the quality of customer services provided by the Bank. The Committee was reconstituted on December 22, 2021 during the year. As on March 31, 2022, the Customer Service Committee comprises of the following members who have adequate skills and rich experience dealing with the customers belonging to different strata in the society:

Sl. No.	Name of the Member	Designation
1.	Shri. C P Mohan	Chairman
2.	Shri. Saneesh Singh	Member
3.	Shri. Alex Parackal George	Member
4.	Shri. Vinod Vijayalekshmi Vasudevan	Member

The Customer Service Committee of the Board was convened Four (4) times during the Financial Year 2021-22 on the following dates:

Sl. No.	Date of Meeting
1.	June 28, 2021
2.	August 24, 2021
3.	October 29, 2021
4.	February 05, 2022

The details regarding the constitution of the Customer Service Committee along with the attendance recorded in the meetings held during the Financial Year 2021-22 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. C P Mohan*	Chairman	4	4
2.	Shri. Saneesh Singh	Member	4	4
3.	Shri. Alex Parackal George	Member	4	4
4.	Shri. Vinod Vijayalekshmi Vasudevan**	Member	1	1
5.	Shri. Santhosh George***	Member	NIL	NIL

**Shri. Chandanathil Pappachan Mohan ceased to be a member of the Committee with effect from October*

31, 2022, due to withdrawal of nomination by M/s. ESAF Financial Holdings Private Limited, nominating authority. The Committee was reconstituted on November 10, 2022 based on the cessation of directorship of Shri. Chandanathil Pappachan Mohan and post reconstitution, Shri. Thomas Jacob Kalappila has been appointed as the Chairman of the Committee.

**** Shri. Vinod Vijayalekshmi Vasudevan was appointed as the member of the Committee with effect from December 22, 2021.**

***** Shri. Santhosh George was appointed as the member of the Committee on February 04, 2021 and no meetings of the Committee were held during the Financial Year after his appointment. He ceased to be a member of the Committee on May 26, 2021.**

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 August 17, 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 Bank's Corporate Social Responsibility Policy and implementation of CSR Projects undertaken from time to time.

There were no changes in the constitution of the Committee during the Financial Year 2021-22. As on March 31, 2022, the Committee had Four (4) members:

Sl. No.	Name of the Member	Designation
1.	Shri. Saneesh Singh	Chairman
2.	Shri. Kadambelil Paul Thomas	Member
3.	Dr. V.A. Joseph	Member
4.	Smt. Asha Morley	Member

During the Financial Year 2021-22, three (3) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	May 24, 2021
2.	September 28, 2021
3.	February 04, 2022

The details regarding the constitution of the Corporate Social Responsibility Committee along with the attendance recorded in the meetings held during the Financial Year 2021-22 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. Saneesh Singh*	Chairman	3	3
2.	Shri. Kadambelil Paul Thomas	Member	3	3
3.	Dr. V.A. Joseph	Member	3	3
4.	Smt. Asha Morley	Member	3	3

**Shri. Saneesh Singh ceased to be a member of the Committee with effect from July 26, 2022, due to withdrawal of nomination by M/s. ESAF Financial Holdings Private Limited, nominating authority. The Committee was reconstituted on August 03, 2022 based on the cessation of directorship of Shri. Saneesh Singh and post reconstitution, Dr. V A Joseph has been appointed as the Chairman of the Committee.*

High Value Fraud Monitoring Committee of the Board (HVFCB)

A High Value Fraud Monitoring Committee of the Board was constituted in the meeting of the Board of Directors held on October 03, 2018 to monitor and review all the frauds of ₹1 Crore 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 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 of internal controls.
- Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

The Committee was not reconstituted during the Financial Year 2021-22. As on March 31, 2022, the Committee had Five (5) members:

Sl. No.	Name of the Member	Designation
1.	Shri. Kadambelil Paul Thomas	Chairman
2.	Dr. V.A. Joseph	Member
3.	Smt. Asha Morley	Member
4.	Shri. Thomas Jacob Kalappila	Member
5.	Shri. Ravimohan Periyakavil Ramakrishnan	Member

No meeting of the Committee were convened during the Financial Year 2021-22.

IPO Steering Committee of the Board (IPOSCB)

The IPO Steering Committee of the Board was constituted by a meeting of the Board of Directors held on August 06, 2019. There were no changes in the constitution of the Committee during the Financial Year 2021-22. As on March 31, 2022, the Committee had Three (3) 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

During the Financial Year 2021-22, Three (3) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	June 02, 2021
2.	October 12, 2021
3.	January 13, 2022

The details regarding the constitution of the IPO Steering Committee along with the attendance recorded in the meetings held during the Financial Year 2021-22 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	3	3
2.	Shri. Kadambelil Paul Thomas	Member	3	3
3.	Dr. V.A. Joseph	Member	3	3

Human Resources Committee of the Board (HRCB)

The Human Resources Committee of the Board (HRCB) was constituted by a meeting of the Board of Directors held on August 25, 2021. There were no changes in the constitution of the Committee since its formation. As on March 31, 2022, 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.	Shri. Kadambelil Paul Thomas	Member

During the Financial Year 2021-22, Three (3) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1.	September 27, 2021
2.	December 22, 2021
3.	March 19, 2022

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 2021-22 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	3	3
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	3	3
3.	Shri. Kadambelil Paul Thomas	Member	3	3

Stakeholders' Relationship Committee of the Board (SRCB)

The Stakeholders' Relationship Committee of the Board was constituted by a meeting of the Board of Directors held on December 11, 2019. There were no changes in the constitution of the Committee during the Financial Year 2021-22. As on March 31, 2022, the Committee had Four (4) members:

Sl. No.	Name of the Member	Designation
1.	Dr. V.A. Joseph	Chairman
2.	Shri. Kadambelil Paul Thomas	Member
3.	Shri. Alex Parackal George	Member
4.	Shri. Saneesh Singh*	Member

**Shri. Saneesh Singh ceased to be a member of the Committee with effect from July 26, 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 and the progress of the listing is in process. Since regulatory requirement of holding the meetings of the Committee is not applicable as of now, no meetings of the Committee were convened during the Financial Year 2021-22.

The Company Secretary of the Bank act 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	Directors	Rs. 50,000 per meeting
2.	Meetings of the Sub-Committees of the Board	Committee Members	Rs. 40,000 per meeting

Fair Practices Code

The Bank has adopted the Fair Practices Code pursuant to the guidelines issued by 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 Director.
- 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.

Name and Address of Stock Exchange at which the Bank's Non-Convertible Debentures are listed

Name of Stock Exchange: BSE Limited

Address of Stock Exchange: Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001

Security Type: Non-Convertible Debenture

Name and Address of Registrar and Transfer Agent

M/s. Link In Time India Private Limited

C 101, 247 Park, L.B.S.Marg, Vikhroli (West),

Mumbai – 400 083, Maharashtra

Tel: 912249186270

Address for Correspondence

Name of Contact person: Mr. Ranjith Raj P

Designation: Company Secretary

Address: Registered and Corporate Office of the Bank, Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN – 680 651

Shareholder Information

- a. Date of Incorporation : May 05, 2016
- b. Corporate Identification Number : U65990KL2016PLC045669
- c. RBI Registration Number : MUM 124
- d. Registered and Corporate Office Address : Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN – 680 651

06th Annual General Meeting of the Bank

Date and Time : Tuesday, December 13, 2022 at 10.30 AM

Venue : Registered and Corporate Office of the Bank at Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN – 680 651

Financial Year : April 01 to March 31

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 31 March 2022, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949, Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards") as applicable to banks and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2022, 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 specified under section 143(10) of the Act (SAs). 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.

Emphasis of Matter

We draw attention to Note 18A. 16 to the Financial Statements which describes that the potential impact of the continuing COVID 19 pandemic on the Bank's results are dependent on future developments which are uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current 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	Identification of Non-performing advances and provisioning of advances:	
	(Refer Schedule 9 read with Note 4.3 to the financial statements)	
	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. As at 31 March 2022, the Net Advances of the Bank was ₹11,637 crore (Previous year: ₹8,167.59 crore).	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:
	Identification of and provisioning for non-performing assets (loans) in accordance with relevant prudential norms issued by the Reserve Bank of India (RBI) in respect of income recognition, asset classification and provisioning pertaining to advances (IRACP) and guidelines relating to Resolution Framework for COVID-19-related Stress (herein after referred as "Relevant RBI guidelines") is a Key Audit Matter (KAM) due to level of regulatory and other stakeholders focus.	We have evaluated and understood the Bank's internal control system in adhering to the Relevant RBI guidelines regarding income recognition, asset classification and provisioning pertaining to advances including provision on restructured portfolio.
	Also, during the year, the Bank has also considered additional provisions after evaluating past trends of disruptions and the extent to which COVID-19 pandemic and related RBI guidelines will impact its overall operations and performance. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements.	We have analysed and understood key IT systems/ applications used and tested the design and implementation as well as operational effectiveness of relevant controls, including system generated reports and manual process and controls in relation to income recognition, asset classification, viz., standard, sub-standard, doubtful and loss with reference to relevant RBI guidelines provisioning pertaining to advances;
	Since the identification of NPAs and provisioning for advances is significant to the overall audit due to stakeholders and regulatory focus, we have ascertained this as a key audit matter.	We test checked advances to examine the validity of the recorded amounts, loan documentation, examined the statement of accounts, indicators of impairment, impairment provision for non-performing assets, and compliance with income recognition, asset classification and provisioning pertaining to advances;
		Evaluated the past trends of disruptions, management judgement, governance process and review controls over provisions for standard and non-performing assets including analysis of collection trends, relevant minutes of the Audit Committee meetings and Board meetings; and performed inquiries regarding the provisions made with senior management including the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Head Credit Sanctions to assess the adequacy of the overall provision, including additional provisions made.
2	Key Information Technology ("IT") Systems and Controls:	
	As a Bank that operates on core banking solution ("CBS") across its branches, the reliability and security of IT systems plays a key role in the business operations. The Bank continued to be highly dependent on third party service providers for its core IT infrastructure. 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.	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 to our audit. For the key IT systems pertaining to CBS and treasury operations 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:
	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.	

Sl. No.	Key Audit Matter	Auditor's Response
2	Key Information Technology ("IT") Systems and Controls: Due to the pervasive nature and complexity of the IT environment we have ascertained Key Information technology ("IT") systems used in financial reporting process as a key audit matter.	- We obtained an understanding of the Bank's IT control environment and key changes during the audit period that may be relevant to the audit. - 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 omission of the word manner during the period of audit; - We also tested key automated and manual business cycle controls and system generated reports relevant to the audit; including testing of the compensating controls or formed alternate procedures to assess whether there were any unaddressed IT Risk that would materiality impact the financial statements.

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 statement and our auditors report thereon and the Basel II Disclosures under New Capital Adequacy Framework (Basel II Disclosures). The other information 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 accordingly 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 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, 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 (Revised) 'The Auditor's responsibilities Relating to Other Information'.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the 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 are 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the financial reporting process of Bank.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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) to evaluate 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.

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 are 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 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, 2022 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 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 in its financial statements - Refer Schedule 12 to the financial statements;
 - ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank;
 - iv. (a) The Management has represented that, to the best of its knowledge and belief, as disclosed in the notes to the accounts no funds (which are material either individually or in the aggregate) 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 - Refer note 18B 16 to the financial statements.

- (b) The Management has represented, that, to the best of its knowledge and belief, as disclosed in the notes to accounts, no funds (which are material either individually or in the aggregate) 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 – Refer note 18B.16 to the financial statements.
 - (c) Based on the audit procedures that has 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 mis-statement.
 - v. The Bank has not declared or paid any dividend during the year and has not proposed final dividend for the year
2. We report that during the course of our audit we have visited and performed select relevant procedures at 25 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)

Neville M. Daruwalla
Partner
(Membership No. 118784)
UDIN: 22118784AISIFH8609

Mumbai, May 10, 2022

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, 2022 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 frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the 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 31 March 2022, 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)

Neville M. Daruwalla
Partner
(Membership No. 118784)
UDIN: 22118784AISIFH8609

Mumbai, May 10, 2022

Balance Sheet

as at 31 March 2022

₹ in Thousands

	Schedule No.	As on 31 March 2022	As on 31 March 2021
CAPITAL AND LIABILITIES			
Capital	1	44,94,738	44,94,738
Employee Stock Options Outstanding		48,058	-
Reserves and Surplus	2	95,73,214	90,25,896
Deposits	3	12,81,50,725	8,99,94,260
Borrowings	4	2,95,28,333	1,69,40,000
Other Liabilities and Provisions	5	52,80,573	29,31,622
Total		17,70,75,641	12,33,86,516
ASSETS			
Cash and Balances with Reserve Bank of India	6	66,66,682	42,80,725
Balances with Banks and Money at Call and Short Notice	7	84,52,364	1,39,10,540
Investments	8	4,07,02,983	1,93,20,690
Advances	9	11,63,70,048	8,16,75,855
Fixed Assets	10	15,94,747	13,85,119
Other Assets	11	32,88,817	28,13,587
Total		17,70,75,641	12,33,86,516
Contingent Liabilities	12	20,519	15,042
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

As per our attached report of even date

For **Deloitte Haskins & Sells**

Chartered Accountants

ICAI Firm's Registration Number: 117365W

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/-

Neville M. Daruwalla

Partner

Membership No. : 118784

Sd/-

Asha Morley

Director

DIN: 02012799

Sd/-

Gireesh C P

Chief Financial Officer

Place : Mannuthy

Date : 10 May 2022

Sd/-

Ranjith Raj P

Company Secretary

Place : Mumbai

Date : 10 May 2022

Profit and Loss Account

for the year ended 31 March 2022

₹ in Thousands

	Schedule No.	Year ended 31 March 2022	Year ended 31 March 2021
I. INCOME			
Interest Earned	13	1,93,99,255	1,64,11,729
Other Income	14	20,75,828	12,72,479
Total		2,14,75,083	1,76,84,208
II. EXPENDITURE			
Interest expended	15	79,27,866	71,95,821
Operating Expenses	16	86,28,711	63,18,552
Provisions and Contingencies (Refer Note A.14.5 of schedule 18)		43,71,188	31,15,882
Total		2,09,27,765	1,66,30,255
III. PROFIT			
Net Profit for the year (I - II)		5,47,318	10,53,953
Add: Balance in Profit and Loss account brought forward from Previous Year		30,62,432	22,71,967
		36,09,750	33,25,920
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		1,36,830	2,63,488
Transfer to Capital Reserve		37,293	-
Transfer to Investment Fluctuation Reserve		2,20,666	-
Transfer to proposed dividend		-	-
Balance carried over to Balance Sheet		32,14,961	30,62,432
Total		36,09,750	33,25,920
Earnings per share (face value of ₹10/- each) (Refer Note B.1 of schedule 18)			
Basic (₹)		1.22	2.46
Diluted (₹)		1.22	2.46
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.

As per our attached report of even date

For **Deloitte Haskins & Sells**

Chartered Accountants

ICAI Firm's Registration Number: 117365W

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/-

Neville M. Daruwalla

Partner

Membership No. : 118784

Sd/-

Asha Morley

Director

DIN: 02012799

Sd/-

Gireesh C P

Chief Financial Officer

Place : Mannuthy

Date : 10 May 2022

Sd/-

Ranjith Raj P

Company Secretary

Place : Mumbai

Date : 10 May 2022

Cash Flow Statement

for the year ended 31 March 2022

₹ In Thousands

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Cash Flow from Operating Activities		
Profit before tax	7,38,497	14,13,731
Adjustments for:		
Depreciation on Bank's Property	3,27,740	2,85,735
Amortisation of Premium on HTM Investments	80,345	68,460
Profit on sale of investments (net)	(4,35,138)	(2,30,404)
(Profit)/Loss on sale of Fixed Assets	(60)	23,336
Provision for Non Performing Advances	32,06,745	18,87,273
Provision for Standard Advances	9,36,222	9,25,522
Expense on Employee Stock Option	48,058	-
Provision/(Reversal) for Depreciation on Investments	2,33,065	(11,441)
Provision/(Reversal) for Other Contingencies	34,099	(57,072)
	51,69,573	43,05,140
(Increase)/ Decrease in Investments (other than HTM Investments)	(1,19,79,401)	40,75,380
(Increase)/ Decrease in Advances	(3,79,00,938)	(1,80,84,912)
(Increase)/ Decrease in Fixed Deposit with Bank (Original Maturity greater than 3 months)	(2,940)	22,64,255
(Increase)/ Decrease in Other Assets	(4,97,394)	(4,24,033)
Increase/ (Decrease) in Deposits	3,81,56,465	1,97,10,437
Increase/ (Decrease) in Other liabilities and provisions	13,78,629	5,21,252
Direct taxes paid	(1,69,016)	(10,93,064)
Net Cash Flow from/(used in) Operating Activities (A)	(58,45,022)	1,12,74,455
Cash Flow from/(used in) Investing Activities		
Purchase of Fixed Assets	(5,40,140)	(4,95,011)
Proceeds from Sale of Fixed Assets	2,832	1,890
(Increase)/ Decrease in Held to Maturity Investments	(92,81,162)	(58,86,433)
Net Cash Used in Investing Activities (B)	(98,18,470)	(63,79,554)
Cash Flow from/(Used in) Financing Activities		
Proceeds from Issue of Share Capital (including Share Premium)	-	16,25,873
Increase/(Decrease) in Borrowings	1,25,88,333	49,06,830
Cash Flow from/(Used in) Financing Activities (C)	1,25,88,333	65,32,703
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(30,75,159)	1,14,27,604
Cash and Cash Equivalents at the beginning of year	1,81,87,955	67,60,351
Cash and Cash Equivalents at the end of year	1,51,12,796	1,81,87,955
Note:		
Cash in Hand (Schedule 6 I)	14,66,218	11,55,330
Balance with RBI in Current Account (Schedule 6 II (i))	52,00,464	31,25,395
Balance with Banks in India in Current Account (Schedule 7 I (i) a)	3,56,114	20,07,230
Balance with banks in India in Fixed Deposit	-	-
Money at Call and Short Notice (Schedule 7 I (ii) a)	17,50,000	-
Lending Under Reverse Repo Notice (Schedule 7 I (ii) c)	63,40,000	1,19,00,000
Cash and cash equivalents at the end of the year	1,51,12,796	1,81,87,955

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.

As per our attached report of even date

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**

Chartered Accountants

ICAI Firm's Registration Number: 117365W

Sd/-

P R Ravi Mohan

Chairman

DIN: 08534931

Sd/-

Kadambelil Paul Thomas

Managing Director & CEO

DIN: 00199925

Sd/-

Neville M. Daruwalla

Partner

Membership No. : 118784

Sd/-

Asha Morley

Director

DIN: 02012799

Sd/-

Gireesh C P

Chief Financial Officer

Sd/-

Ranjith Raj P

Company Secretary

Place : Mumbai

Date : 10 May 2022

Place : Mannuthy

Date : 10 May 2022

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

1 CAPITAL

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
Authorised Capital		
60,00,00,000 Equity Shares of ₹10/- each (60,00,00,000 Equity Shares of ₹10/- each)	60,00,000	60,00,000
Issued, Subscribed and Paid up Capital #		
44,94,73,798 Equity Shares of ₹10/- each (44,94,73,798 Equity Shares of ₹10/- each)	44,94,738	44,94,738
Total	44,94,738	44,94,738

2 RESERVES AND SURPLUS

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
I. Statutory Reserve		
Opening balance	10,34,567	7,71,079
Additions during the year	1,36,830	2,63,488
	11,71,397	10,34,567
II. Capital Reserves		
Opening balance	-	-
Additions during the year	37,293	-
	37,293	-
III. Share premium		
Opening balance	48,87,628	34,78,538
Additions during the year #	-	14,09,090
	48,87,628	48,87,628
IV. Revenue and Other Reserves		
Investment Fluctuation Reserve		
Opening balance	41,269	41,269
Additions during the year	2,20,666	-
	2,61,935	41,269
V. Balance in Profit and Loss Account	32,14,961	30,62,432
Total (I to V)	95,73,214	90,25,896

During the previous year ended 31 March 2021, the Bank has raised Tier I capital amounting to ₹16,25,873 Thousands by way of private placement of 21,678 Thousands Equity Shares having the face value of ₹10/- each at an issue price of ₹75/- per Equity Share.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

3 DEPOSITS

	₹ in Thousands	
	As on 31 March 2022	As on 31 March 2021
A. I. Demand Deposits		
i. From Banks	66,879	66,728
ii. From Others	21,31,029	14,65,109
Subtotal (i+ii)	21,97,908	15,31,837
II. Savings Bank Deposits	2,70,76,067	1,59,44,612
III. Term Deposits		
i. From Banks	1,93,74,605	72,96,065
ii. From Others	7,95,02,145	6,52,21,746
Subtotal (i+ii)	9,88,76,750	7,25,17,811
Total (I to III)	12,81,50,725	8,99,94,260
B. I. Deposits of branches in India	12,81,50,725	8,99,94,260
II. Deposits of branches outside India	-	-
Total (I to II)	12,81,50,725	8,99,94,260

4 BORROWINGS

	₹ in Thousands	
	As on 31 March 2022	As on 31 March 2021
I. Borrowings in India		
i. Reserve Bank of India	1,03,85,833	14,60,000
ii. Other Banks	-	-
iii. Other institutions and agencies	1,70,62,500	1,31,00,000
iv. Subordinated Debt	16,00,000	19,00,000
v. Perpetual Debt Instrument	4,80,000	4,80,000
Total (i to v)	2,95,28,333	1,69,40,000
II. Borrowings outside India	-	-
Total (I to II)	2,95,28,333	1,69,40,000
Secured Borrowings included in I and II above	1,03,85,833	14,60,000

5 OTHER LIABILITIES AND PROVISIONS

	₹ in Thousands	
	As on 31 March 2022	As on 31 March 2021
I. Bills Payable	36,481	26,255
II. Inter - office adjustments (net)	-	-
III. Interest accrued	4,07,917	2,19,111
IV. Provision for Standard Assets	21,77,647	12,41,424
V. Others (including Provisions)	26,58,528	14,44,832
Total (I to V)	52,80,573	29,31,622

6 CASH AND BALANCES WITH RESERVE BANK OF INDIA

	₹ in Thousands	
	As on 31 March 2022	As on 31 March 2021
I. Cash in hand (including foreign currency notes)	14,66,218	11,55,330
II. Balance with Reserve Bank of India		
i. in Current Accounts	52,00,464	31,25,395
ii. in Other Accounts	-	-
Total (I to II)	66,66,682	42,80,725

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
I. In India		
i. Balances with Banks		
a. in Current Accounts	3,56,114	20,07,230
b. in Other Deposit Accounts	6,250	3,310
Total	3,62,364	20,10,540
ii. Money at Call and Short Notice		
a. With Banks	17,50,000	-
b. With Other Institutions	-	-
c. Lending under Reverse Repo (RBI)	63,40,000	1,19,00,000
Total	80,90,000	1,19,00,000
Total (I)	84,52,364	1,39,10,540
II. Outside India		
i. in Current Accounts	-	-
ii. in Other Deposit Accounts	-	-
iii. Money at call and short notice	-	-
Total (II)	-	-
Total (I to II)	84,52,364	1,39,10,540

8 INVESTMENTS

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
I. Investments in India in (Net of Provisions):		
i. Government Securities	3,99,40,959	1,88,89,751
ii. Other approved Securities	-	-
iii. Shares	1,53,935	81,674
iv. Debentures and Bonds	-	-
v. Subsidiaries/ Joint Ventures	-	-
vi. Others [Certificate of Deposits (CDs), Mutual Funds etc.]	6,08,089	3,49,265
Total (I)	4,07,02,983	1,93,20,690
II. Investments outside India	-	-
Total (II)	-	-
Total (I to II)	4,07,02,983	1,93,20,690
Gross Investments	4,09,42,929	1,93,27,572
Less: Depreciation/ Provision for Investments	2,39,946	6,882
Net Investments	4,07,02,983	1,93,20,690

9 ADVANCES

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
A. i. Bills purchased and discounted	-	-
ii. Cash credits, overdrafts and loans repayable on demand	11,75,047	7,62,871
iii. Term loans	11,51,95,001	8,09,12,984
Total (Net of Provisions)	11,63,70,048	8,16,75,855

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
B. i. Secured by tangible assets *	1,90,95,619	1,18,39,850
ii. Covered by Bank/Government guarantees	-	-
iii. Unsecured	9,72,74,429	6,98,36,005
Total (Net of Provisions)	11,63,70,048	8,16,75,855
* includes advances against Book debt: ₹ 44,57,572 Thousands (Previous Year : ₹ 427,21,190 Thousands)		
C. I. Advances in India		
i. Priority Sectors	8,72,15,566	5,08,89,740
ii. Public Sector	-	-
iii. Banks	-	-
iv. Others	2,91,54,482	3,07,86,115
Total (I) (Net of Provisions)	11,63,70,048	8,16,75,855
II. Advances outside India		
i. Due from Banks	-	-
ii. Due from Others	-	-
a) Bills purchased and discounted	-	-
b) Syndicated Loans	-	-
c) Others	-	-
Total (II) (Net of Provisions)	-	-
Total (I to II) (Net of Provisions)	11,63,70,048	8,16,75,855

10 FIXED ASSETS

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
I. Premises		
Gross Block		
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	-	-
Net Block	-	-
II. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	20,86,929	16,57,952
Additions during the year	5,98,463	4,77,904
Deductions during the year	12,514	48,927
Closing Balance	26,72,878	20,86,929

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
Depreciation		
As at the beginning of the year	7,60,861	4,98,827
Charge for the year	3,27,740	2,85,735
Deductions during the year	9,742	23,701
Depreciation to date	10,78,859	7,60,861
Net Block	15,94,019	13,26,068
III. Capital Work in progress (Including Capital Advances)	728	59,051
Total (I to III)	15,94,747	13,85,119

11 OTHER ASSETS

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
I. Inter - office adjustments (net)	-	-
II. Interest accrued	10,91,550	6,78,072
III. Tax paid in advance/Tax Deducted at source (net of provision)	2,75,709	5,91,693
IV. Stationery and Stamps	534	1,015
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred tax asset (net)	6,50,123	3,56,302
VII. Others	12,70,901	11,86,505
Total (I to VII)	32,88,817	28,13,587

12 CONTINGENT LIABILITIES

₹ in Thousands

	As on 31 March 2022	As on 31 March 2021
I. Claims against the Bank not acknowledged as debts	-	-
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange contracts	-	-
IV. Guarantees given on behalf of constituents - in India	15,519	13,042
V. Acceptances, endorsements and other obligations	-	-
VI. Other items for which the Bank is contingently liable	5,000	2,000
Total (I to VI) (Refer B.13 of Schedule 18)	20,519	15,042

13 INTEREST EARNED

₹ in Thousands

	For the Year Ended 31 March 2022	For the Year Ended 31 March 2021
I. Interest/discount on advances/bills	1,72,67,116	1,47,35,056
II. Income on investments	18,83,083	12,83,260
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,49,056	3,93,413
IV. Others	-	-
Total (I to IV)	1,93,99,255	1,64,11,729

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

14 OTHER INCOME

₹ in Thousands

	For the Year Ended 31 March 2022	For the Year Ended 31 March 2021
I. Commission, exchange and brokerage	15,07,225	6,45,009
II. Profit on sale of investments (net)	4,35,138	2,30,404
III. Profit/(Loss) on revaluation of investments (net)	(2,33,065)	11,441
IV. Profit/(Loss) on sale of land, buildings and other assets (net)	60	(23,336)
V. Profit on foreign exchange transactions (net)	9,239	5,475
VI. Income earned by way of dividends etc. from companies	1,565	1,096
VII. Miscellaneous income	3,55,666	4,02,390
Total (I to VII)	20,75,828	12,72,479

15 INTEREST EXPENDED

₹ in Thousands

	For the Year Ended 31 March 2022	For the Year Ended 31 March 2021
I. Interest on deposits	67,88,463	60,45,684
II. Interest on Reserve Bank of India/Inter bank borrowings	2,04,159	79,196
III. Others	9,35,244	10,70,941
Total (I to III)	79,27,866	71,95,821

16 OPERATING EXPENSES

₹ in Thousands

	For the Year Ended 31 March 2022	For the Year Ended 31 March 2021
I. Payments to and provisions for employees	23,21,366	18,77,836
II. Rent, taxes and lighting	6,00,209	4,20,387
III. Printing and stationery	67,422	52,914
IV. Advertisement and publicity	58,975	27,097
V. Depreciation on Bank's property	3,27,740	2,85,735
VI. Directors' fees, allowances and expenses	14,795	14,044
VII. Auditors' fees and expenses	7,486	6,304
VIII. Law charges	4,334	2,610
IX. Postage, Telegrams, Telephones etc	1,09,418	91,677
X. Repairs and maintenance	17,624	15,775
XI. Insurance	1,27,333	1,08,349
XII. Other expenditure *	49,72,009	34,15,824
Total (I to XII)	86,28,711	63,18,552

* includes expenditure towards

₹ in Thousands

	For the Year Ended 31 March 2022	For the Year Ended 31 March 2021
Corporate Social Responsibility	87,600	71,550
Business Correspondent expenses	34,86,579	23,28,084

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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 filed DRHP before SEBI on 24 July 2021 and obtained the final observations on 20 October 2021. As mandated by the Board, the Bank is taking all possible steps for completing the listing process by filing of RHP at an earlier date.

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 year. 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 are 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.
- 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 is 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.
- 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.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

- viii Guarantee commission is recognised on a straight line basis over the period of contract.
- ix Locker rent is recognised on realisation basis.
- x. In accordance with the RBI guidelines on Securitisation Transactions, gains arising from assignment / securitisation are amortised over the life of the underlying loan Portfolio. In case of any loss, the same is recognised in the Profit and Loss Account immediately. Income from interest strip (excess interest spread) is recognized in the Profit and Loss Account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.
- xi. Fees received on sale of priority sector lending certificates is considered as Miscellaneous Income, while fees paid for purchase is expended as other expenditure in accordance with the guidelines issued by RBI on the date of purchase/ sale on 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 are 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 FIMMDA/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.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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 percent 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 on Non-performing advances is 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 stressed assets and the resolution framework for Covid 19 related stress, the Bank in accordance with its Board approved policy, carried out

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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 Securitisation transactions are without recourse to the Bank. 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. Gains/losses are recognised only if the Bank surrenders the rights to the benefits specified in the loan contracts.

Profit / premium arising at the time of securitisation / assignment of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognised in the Profit and Loss Account net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio.

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 expenditure 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:

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 Equipments	4-5	5
Computers	2- 3	3
Furniture & Fixtures	9-10	10
Motor Vehicles	2-4	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 of software is 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.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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.

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.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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 vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated 18 April 2007 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) Whole sale Banking: Whole sale 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.

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 un allocable 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

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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 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.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

SCHEDULE 18 - NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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 2022 is 18.64% (Previous Year 24.23%) 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

(₹ in crore)		
Particulars	As at 31 March 2022	As at 31 March 2021
i) Common Equity Tier I Capital (CET1)	1,367.55	1,340.91
ii) Additional Tier 1 Capital	48.00	48.00
iii) Tier I Capital - A	1,415.55	1,388.91
iv) Tier II Capital - B	216.62	173.74
v) Total Capital (A)+(B)	1,632.17	1,562.65
vi) Total Risk Weighted Assets (RWAs)	8,757.82	6,448.90
Capital Ratios:		
vii) CET I Capital (%) [CET 1 as a percentage of RWAs]	15.62%	20.79%
vii) Tier I Capital (%) [Tier I Capital as a percentage of RWAs]	16.16%	21.54%
ix) Tier II Capital (%) [Tier II Capital as a percentage of RWAs]	2.47%	2.69%
x) Total CRAR % [Total Capital as a percentage of RWAs]	18.64%	24.23%
xi) Leverage Ratio	7.99%	11.26%
(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)	-	162.59
(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 other than those disclosed in Schedule 2.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

2. Asset Liability Management

2.1. Maturity Pattern of certain items of assets and liabilities

a. As at 31 March 2022:

(₹ in crore)

Particulars	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & up to 2 months	Over 2 months and 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 Year and up to 5 years	Over 5 years	Total
Advances	28.51	171.08	199.60	456.23	474.88	474.88	1,498.00	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	20.15	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	2,206.06	4,117.33	3,558.65	79.80	53.27	12,815.07
Borrowings	-	293.60	48.98	-	-	54.75	272.00	492.25	1,683.25	40.00	68.00	2,952.83
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

b. As at 31 March 2021:

(₹ in crore)

Particulars	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & up to 2 months	Over 2 months and 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 Year and up to 5 years	Over 5 years	Total
Advances	27.17	163.01	190.18	434.70	552.79	552.79	1,457.97	2,020.37	2,255.26	414.97	98.38	8,167.59
Investments	10.00	-	-	24.93	-	8.17	-	-	-	202.12	1,686.85	1,932.07
Deposits	88.50	225.39	146.31	340.14	647.55	470.85	1,322.13	2,151.64	3,466.76	92.43	47.73	8,999.43
Borrowings	-	-	400.00	-	-	58.50	222.50	219.75	620.25	125.00	48.00	1,694.00
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 2021

2.2. Liquidity Coverage Ratio

a. Year ended 31 March 2022

Particulars		Q1 2021-22			Q2 2021-22			Q3 2021-22			Q4 2021-22		
		Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Unweighted Value (average)	Total weighted Value (average)	
High Quality Liquid Assets (HQLA)													
1	Total High Quality Liquid Assets (HQLA)		3,052.45			3,074.15			3,095.95			3,327.10	
Cash Outflows													
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	
Total Cash Outflows			1,972.04			2,142.20			2,566.61			2,843.84	
Cash Inflows													
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	
Total Cash Inflows		595.94	303.75	474.38		243.00	449.78		228.64	513.44		277.56	
11	Total HQLA (a)	-	3,052.45	-		3,074.15	-		3,095.95	-		3,327.10	
12	Total Net Cash outflows (b)		1,668.29			1,899.20			2,337.97			2,566.28	
Liquidity Coverage Ratio (%)			182.97%			161.87%			132.42%			129.65%	
(a/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 2021

b. Year ended 31 March 2021

Particulars	Q1 2020-21				Q2 2020-21				Q3 2020-21				Q4 2020-21			
	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)
High Quality Liquid Assets (HQLA)																
1 Total High Quality Liquid Assets (HQLA)		1,964.58		2,452.09		3,105.79		2,773.19								
Cash Outflows																
2 Retail deposits and deposits from small business customers, of which:																
i Stable deposits	5,516.98	275.85	6,013.59	300.68	6,409.51	320.48	6,457.44	322.87								
ii Less stable deposits	480.03	48.00	556.46	55.65	547.21	54.72	674.99	67.50								
3 Unsecured wholesale funding, of which																
i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-								
ii Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-								
iii Unsecured debt	1,006.60	899.26	1,202.15	1,075.55	1,282.04	1,141.64	1,385.17	1,253.78								
4 Secured wholesale funding		0.03		4.20		0.03		0.01								
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	29.28	10.77	29.68	10.80	30.75	10.87	33.01	11.06								
6 Other Contractual funding obligations	127.02	127.02	149.19	149.19	174.57	174.57	241.38	241.38								
7 Other contingent funding obligations	1.30	0.04	1.29	0.04	1.29	0.04	1.30	0.04								
Total Cash Outflows		1,360.97		1,596.11		1,702.35		1,896.64								
Cash Inflows																
8 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-								
9 Inflows from fully performing exposures	-	-	265.24	132.62	498.54	249.27	528.86	264.43								
10 Other cash inflows	49.53	49.53	404.55	404.55	8.34	8.34	8.33	8.33								
Total Cash Inflows	49.53	49.53	669.79	537.17	506.88	257.61	537.19	272.76								
11 Total HQLA (a)	-	1,964.58	-	2,452.09	-	3,105.79	-	2,773.19								
12 Total Net Cash inflows (b)		1,311.44		1,058.94		1,444.74		1,623.88								
Liquidity Coverage Ratio (%)	(a/b)	149.80%		231.56%		214.97%		170.78%								

Average of all Quarters is simple average of monthly observations for the Quarter

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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 with banks required to maintain minimum LCR of 60% till December 2017, 70% from January 2018 and the requirement is increased by 10% annually to 100% by January 2021. However on account of COVID Outbreak and in terms of RBI Circular DOR.BP.BC.No.65/21.04.098/2019-20 dated April 17, 2020, banks are permitted to maintain 80% from the date of circular to 30 September 2020, 90% from 1 October 2020 to 31 March 2021 and 100% from 1 April 2021.

The ratio comprises of 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 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 has implemented the LCR and has maintained LCR well above the regulatory threshold. Average LCR for quarter ended 31 March 2022 was 129.65% (quarter ended 31 March 2021: 170.78%)

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 bank's management which have been relied upon by auditors.

2.3 Net Stable Funding Ratio

As at 31 March 2022

(Rupees 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	-	-	-
13 Total ASF (1+4+7+10)	1,987.66	5,351.60	4,584.03	5,784.27	13,432.04

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

(Rupees 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)	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	-	-	-	-	-
31 Total RSF (14+15+16+24+30)	1,663.99	4,171.60	3,239.66	8,632.29	9,576.84
32 Net Stable Funding Ratio (%)					140.26%

As at 31 December 2021

(Rupees in Crore)

ASF Item	Unweighted value by residual maturity				Weighted value
	No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1 Capital: (2+3)	1,618.42	-	-	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	-	-	-
13 Total ASF (1+4+7+10)	1,880.89	3,666.45	4,273.85	5,709.77	12,699.79

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

(Rupees 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	-	-	-	-	-
31 Total RSF (14+15+16+24+30)	1,303.92	3,798.86	2,778.36	7,649.81	8,212.48
32 Net Stable Funding Ratio (%)					154.64%

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 2021

3. Investments

3.1 Composition of Investment Portfolio

a) As at 31 March 2022

(₹ 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	
I. Held to Maturity								
Gross		2,784.62	-	-	-	-	-	2,784.62
Less: Provision for non performing investments (NPI)		-	-	-	-	-	-	-
Net		2,784.62	-	-	-	-	-	2,784.62
II Available for sale								
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
III Held for Trading								
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
IV Total Investments		4,017.18	-	16.29	-	-	60.82	4,094.29
Less: Provision for non-performing investments		-	-	-	-	-	-	-
Less: Provision for depreciation		23.08	-	0.89	-	-	0.02	23.99
Net		3,994.10	-	15.40	-	-	60.80	4,070.30

As on 31 March 2022, the bank does not have Investments outside India. Hence corresponding disclosures are not made

b) As at 31 March 2021

(₹ 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	
I. Held to Maturity								
Gross		1,864.54	-	-	-	-	-	1,864.54
Less: Provision for non performing investments (NPI)		-	-	-	-	-	-	-
Net		1,864.54	-	-	-	-	-	1,864.54
II Available for sale								
Gross		24.57	-	8.72	-	-	34.93	68.22
Less: Provision for non performing investments (NPI)		-	-	-	-	-	-	-
Less: Provision for depreciation		0.14	-	0.55	-	-	-	0.69
Net		24.43	-	8.17	-	-	34.93	67.53
III Held for Trading								
Gross		-	-	-	-	-	-	-
Less: Provision for non performing investments (NPI)		-	-	-	-	-	-	-
Less: Provision for depreciation		-	-	-	-	-	-	-
Net		-	-	-	-	-	-	-
IV Total Investments		1,889.11	-	8.72	-	-	34.93	1,932.76
Less: Provision for non-performing investments		-	-	-	-	-	-	-
Less: Provision for depreciation		0.14	-	0.55	-	-	-	0.69
Net		1,888.97	-	8.17	-	-	34.93	1,932.07

As on 31 March 2021, 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 2021

3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve :

(₹ in Crore)

Particulars	As at 31 March 2022	As at 31 March 2021
1 Movement of provisions held towards depreciation on investments		
i. Opening Balance	0.69	1.83
ii. Add : Provisions made during the year	28.74	1.73
iii. Less : Write off/ Write back of excess provisions made during the year	5.44	2.87
iv. Closing Balance	23.99	0.69
2 Movement of Investment Fluctuation Reserve		
i. Opening Balance	4.13	4.13
ii. Add : Amount transferred during the year	22.06	-
iii. Less : Drawdown	-	-
iv. Closing Balance	26.19	4.13
3 Closing balance in IFR as a percentage of closing balance of Investments in AFS and HFT Category	2.04%	6.11%

3.3. Sale/ transfer of securities to/from HTM category

During the years ended 31 March 2022 and 31 March 2021 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 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 year and as at 31 March 2022 and 31 March 2021.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

b) i. Issuer Composition of Non SLR Investments as at 31 March 2022

(₹ 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	-	-	-	-	-
5	Subsidiaries / Joint ventures	-	-	-	-	-
6	Others	13.50	-	-	-	-
7	Provision held towards depreciation	(0.91)	-	-	-	-
	Total	76.20	-	-	-	-

¹ Amount reported under Columns 4,5,6 and 7 above are not mutually exclusive

² Excludes Investments in Equity shares, Equity Oriented Mutual Funds and Certificate of Deposits in line with extant RBI guidelines

ii. Issuer Composition of Non SLR Investments as at 31 March 2021

(₹ 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	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	28.85	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries / Joint ventures	-	-	-	-	-
6	Others	14.80	-	-	-	-
7	Provision held towards depreciation	(0.55)	-	-	-	-
	Total	43.10	-	-	-	-

¹ Amount reported under Columns 4,5,6 and 7 above are not mutually exclusive

² 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 2022

(₹ in Crore)

Particulars	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 2021

As at 31 March 2021

(₹ in Crore)

Particulars	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	163.00	153.80	146.00
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	270.00	1,315.00	828.95	1,190.00
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

* daily average is considered for entire year including the days when outstanding were nil

4. Asset Quality

4.1. Classification of Advances and Provision held

As at 31 March 2022

(₹ in crore)

Particulars	Standard		Non-performing		Total	
	Total Standard Advances	Sub- Standard	Doubtful	Loss	Total NPA	
Gross Standard Advances and NPAs						
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					-	
Provisions (excluding floating provisions)						
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 of loans					135.31	
Closing balance of provisions held	217.76	185.97	307.67	-	493.64	711.40
Net NPAs						
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	

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

(₹ in crore)

Particulars	Standard		Non-performing		Total	
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA	
Floating Provisions						
Opening balance						-
Add: Additional provisions during the year						-
Less: Amount draw down during the year						-
Closing balance of floating provisions						-
Technical write- offs and the recoveries made thereon						
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

As at 31 March 2021

(₹ in crore)

Particulars	Standard		Non-performing		Total	
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA	
Gross Standard Advances and NPAs						
Opening Balance	6,505.65	78.73	22.13	-	100.86	6,606.51
Add: Additions during the year					473.46	
Less: Reductions during the year *					10.32	
Closing balance	7,851.00	473.31	90.69		564.00	8,415.00
* Reductions in Gross NPAs due to:						
i) Recoveries (excluding recoveries made from upgraded accounts)					2.38	
ii) Upgradations					7.94	
iii) Technical / Prudential Write-offs					-	
iv) Write-offs other than those under (iii) above					-	
Provisions(excluding floating provisions)						
Opening balance of provision held	31.59	36.56	22.13	-	58.69	90.28
Add: Fresh provisions made during the year					194.46	
Less: Excess provision reversed/ written of loans					5.73	
Closing balance of provisions held	124.14	156.73	90.69	-	247.42	371.56
Net NPAs						
Opening Balance		42.17	-	-	42.17	
Add: Fresh Additions during the year					316.74	
Less: Reductions during the year					42.33	
Closing balance		316.58	-	-	316.58	

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

(₹ in crore)

Particulars	Standard		Non-performing		Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA
Floating Provisions					-
Opening balance					-
Add: Additional provisions during the year					-
Less: Amount draw down during the year					-
Closing balance of floating provisions					-
Technical write- offs and the recoveries made thereon					
Opening balance of Technical/ prudential write off accounts					109.20
Add: Technical/ prudential write off accounts during the year					-
Less: Recoveries made from previously technical/ prudential written off accounts during the year					2.87
Closing Balance					106.33

Asset Quality Ratios

Particulars	31 March 2022	31 March 2021
Gross NPA to Gross Advances (%)	7.83%	6.70%
Net NPA to Net advances (%)	3.92%	3.88%
Provision Coverage ratio (%)	59.38%	52.77%

4.2. Sector-wise Advances and Gross NPAs

(₹ in crore)

Sl. Sector No	31 March 2022		
	Gross Advances	Gross NPAs	Percentage of Gross NPAs to Gross Advances in that Sector
A Priority Sector			
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%
Sub-Total (A)	9,204.74	935.83	10.17%
B Non Priority Sector			
1 Agricultural and Allied Activities	950.00	-	-
2 Industry	-	-	-
3 Services	859.94	-	-
4 Personal loans	1,115.96	13.77	1.23%
Sub-Total (B)	2,925.90	13.77	0.47%
Total (A+B)	12,130.64	949.60	7.83%

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

		(₹ in crore)		
SI. No	Sector	31 March 2021		
		Gross Advances	Gross NPAs	Percentage of Gross NPAs to Gross Advances in that Sector
A	Priority Sector			
1	Agricultural and Allied Activities	3,748.53	254.65	6.79%
2	Advances to Industries Sector eligible as Priority sector lending	447.44	105.16	23.50%
3	Services	465.80	121.96	26.18%
4	Personal Loans	665.97	63.71	9.57%
	Sub-Total (A)	5,327.74	545.48	10.24%
B	Non Priority Sector			
1	Agricultural and Allied Activities	-	-	-
2	Industry	500.00	-	-
3	Services	1,000.00	-	-
4	Personal loans	1,587.26	18.52	1.17%
	Sub-Total (B)	3,087.26	18.52	0.60%
	Total (A+B)	8,415.00	564.00	6.70%

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.

4.3. Overseas Assets, NPAs and Revenue:

The Bank does not have any overseas assets during the years ended 31 March 2022 and 31 March 2021

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 2022 (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

The Bank has been subjected to assessment by the RBI during the period upto 31 March 2019 and no divergence is reported by the Reserve Bank of India in its assessment report. The Bank has not been subject to assessment by the RBI for the years subsequent to it. On account of the same, the disclosure on divergence in Asset classification and provisioning as per RBI Circular: DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017 is not applicable.

4.6. Disclosure of transfer of loan exposures

The Bank not done any transfer of stressed loans during the year. Hence the disclosure is not applicable

4.7. Fraud Accounts

(₹ in crore)		
Particulars	31 March 2022	31 March 2021
Number of frauds reported	39	10
Amount involved in fraud (₹ Crore)	0.85	0.05
Amount of provision made for such frauds *	0.65	0.03
Amount of unmortised provision debited from 'other reserves' as at the end of the year	-	-

*Provision is made net of recovery

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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 RBI circular dated 6 August 2020 (Resolution Framework 1.0) and 5 May 2021 (Resolution framework 2.0) are given below.

(₹ 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 2021 (A)	of (A) aggregate debt that slipped into NPA during the half year ended 31 March 2022	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 2022
Personal Loans	355.83	100.64	-	147.05	108.14
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	1,179.91	254.47	-	481.67	443.77
Total	1,535.74	355.11	-	628.72	551.91

5. Exposures

5.1. Exposure to Real Estate Sector:

(₹ in crore)		
Particulars	31 March 2022	31 March 2021
Direct exposure		
i Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	156.95	124.45
of which individual Housing loans eligible for inclusion in priority sector advances	140.24	97.05
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		-
Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		-
Total Exposure to Real Estate Sector	156.95	124.45

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

5.2. Exposure to Capital Market

(₹ in crore)

Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
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;	17.69	18.72
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)	-	-
Total Exposure to Capital Market	17.69	18.72

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 2022 and 31 March 2021, 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 2022 is Nil (Previous Year: Nil).

5.6. Intra Group Exposures

The Bank does not have any intra group exposures for the year ended 31 March 2022 and 31 March 2021. Exposure is computed as per 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 has made NIL provisions during the year (Previous Year: Nil). The bank held no incremental capital on advances to borrowers with unhedged foreign currency as on 31 March 2022

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

6. Concentration of deposits, advances, exposures and NPAs

6.1. Concentration of deposits:

(₹ in crore)

Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Total deposits of twenty largest depositors	2,034.12	819.78
Percentage of deposits of twenty largest depositors to total deposits of the Bank	15.87%	9.11%

6.2 Concentration of advances:

(₹ in crore)

Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Total advances to twenty largest borrowers	390.22	299.98
Percentage of advances to twenty largest borrowers to total advances of the bank	3.24%	3.58%

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:

(₹ in crore)

Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Total exposure to twenty largest borrowers/customers	390.22	299.98
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	3.23%	3.58%

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:

(₹ in crore)

Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Total Exposure to top twenty NPA Accounts	6.96	5.94
Total Exposure to top twenty NPA accounts to Gross NPA	0.73%	1.05%

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 2022 and 31 March 2021.

8. Disclosures relating to Securitization

The Bank has not undertaken any Securitised transaction during the years ended 31 March 2022 and 31 March 2021 and no outstanding as on 31 March 2022. 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 2022 and 31 March 2021.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

10. Transfer to Depositor Education and Awareness Fund (DEAF)

During the years ended 31st March 2022 and 31st March 2021, the bank was not required to transfer any amount to Depositor Education and Awareness Fund

11. Disclosure of Complaints

a. Customer Complaints

Sl. no.	Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
(a)	No. of complaints pending at the beginning of the Year	218	33
(b)	No. of complaints received during the Year	12,894	7,393
(c)	No. of complaints disposed during the Year	13,028	7,208
	Of which, number of complaints rejected by the bank	1	-
(d)	No. of complaints pending at the end of the Year	84	218

Customer Complaints above includes:

i. ATM transaction disputes relating to Banks customers on Banks ATM

Sl. no.	Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
(a)	No. of complaints pending at the beginning of the Year	12	-
(b)	No. of complaints received during the Year	818	378
(c)	No. of complaints disposed during the Year	829	366
	Of which, number of complaints rejected by the bank	-	-
(d)	No. of complaints pending at the end of the Year	1	12

ii. ATM transaction disputes relating to Banks customers on other Banks ATM

Sl. no.	Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
(a)	No. of complaints pending at the beginning of the Year	101	6
(b)	No. of complaints received during the Year	5,580	4,047
(c)	No. of complaints disposed during the Year	5,643	3,952
	Of which, number of complaints rejected by the bank	-	-
(d)	No. of complaints pending at the end of the Year	38	101

b. Maintainable complaints received by the bank from Office of Ombudsman

Sl. no.	Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
(a)	Number of maintainable complaints received by the bank from Office of Ombudsman	32	31
	Of (a), number of complaints resolved in favour of the bank by Office of Ombudsman	32	31
	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 2021

C. Top five grounds of complaints received by the bank from customers

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
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%	-	-
Para Banking	-	2	100.00%	-	-
Others	-	10	233.33%	-	-
Total	218	12,894	74.41%	84	1

Year ended 31 March 2021

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
ATM Cards/ Debit Cards	23	5,050	-2.13%	150	2
Internet banking/ Mobile Banking/ Electronic banking	10	2,266	177.00%	68	-
Account opening/difficulty in operation of accounts	-	57	-8.06%	-	-
Loans and advances	-	16	-54.28%	-	-
Cheques/drafts/bills	-	1	100.00%	-	-
Others	-	3	-76.900%	-	-
Total	33	7,393	21.41%	218	2

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.

12. Disclosure of penalties imposed by RBI

During the years ended 31 March 2022 and 31 March 2021, no penalty has been imposed by Reserve Bank of India on the Bank under the provision of (i) Banking Regulation Act, 1949, (ii) Payment and Settlement system act, 2007 and (iii) Government Securities Act, 2006 (for bouncing of SGL).

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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 Banks' 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 for top management and at 60% for the rest of the levels. 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 at intervals ranging from Monthly/ Quarterly to Annual.

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 2021

B. Quantitative Disclosures

Sl No.	Particulars	31 March 2022	31 March 2021
1	Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members.	9 Remuneration paid: ₹ 0.18 Crore	7 Remuneration paid: ₹ 0.13 Crore
2	(i) Number of employees having received a variable remuneration awards during the financial year	Four (disclosure covering MD& CEO and one level below.)	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 31-03-2022- ₹0.62 Crore	Nil
	ii) Total amount of deferred remuneration paid out in the financial year	Nil	Nil
4	Breakdown of amount of remuneration awards for the financial year to show fixed, variable, deferred and non deferred	Fixed Salary : ₹ 2.59 Crore Variable pay : ₹ 0.80 Crore Deferred Variable Pay : ₹ 0.62 Crore	Fixed Salary : ₹ 2.52 Crore Variable pay : ₹ 0.14 Crore Deferred Variable Pay : ₹ Nil
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 (ii) number of cases where clawback has been exercised (iii) Number of cases where both malus and clawback have been exercised	Nil	Nil
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 ₹ 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	The mean of the Pay of the Bank as a whole is ₹ 0.05 Crore as on 31 March 2021. The Ratio of the Remuneration of the Managing Director to the mean pay of the Bank as a whole is 51:1 as on 31 March 2021

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

14. Other Disclosures

14.1. Business ratios / information:

Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Interest income as a percentage to working funds *	13.75%	14.76%
Non interest income as a percentage of Working Funds*	1.47%	1.13%
Cost of deposits &	6.45%	7.50%
Net interest margin@@	8.86%	8.97%
Operating profit # as a percentage of Working Funds*	3.49%	3.74%
Return on assets ## *	0.39%	0.95%
Business ^ (deposit plus advance) per employee (₹ in Crore)\$	5.44	4.32
Profit per employee \$ (₹ in Crore)	0.01	0.03

*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

(₹ in crore)		
Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Fees/remuneration received from Bancassurance business:		
- For selling life insurance policies	13.38	7.57
- For selling non-life insurance policies	1.29	1.18
- For selling pension products	0.20	0.09
- For Mutual Fund business		
Total	14.87	8.84

* Amount is below ₹ 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 31 March 2022 (Previous year: Nil).

14.4. Priority sector lending certificates

The amount of PSLCs (Category wise) sold/ purchased

(₹ in Crore)					
Sl No.	Type of PSLCs	31 March 2022		31 March 2021	
		Purchase	Sale	Purchase	Sale
1	Agriculture	-	-	-	-
2	Micro enterprises		850.00		1,000.00
3	General	-	-	-	1,000.00
4	Small and Marginal Farmer	-	950.00	-	

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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	(₹ in crore)	
	Thursday, 31 March 2022	Wednesday, 31 March 2021
Provision towards NPA / Write offs	320.84	188.74
Provision towards Standard Assets #	93.62	92.55
Provision made towards income tax		
-Current Tax expense *	48.50	60.25
-Deferred Tax	(29.38)	(24.27)
Other Provision and Contingencies	3.54	(5.69)
Total Provisions and Contingencies	437.12	311.58

Includes ₹ 66.06 crore (Previous Year : ₹ 40.40 Crore) provisions against potential impact of covid -19

* Net of reversal of provision for earlier years ₹ Nil (Previous year: ₹ 2 Crore)

14.6. Implementation of IFRS converged Indian Accounting Standards (INDAS)

As per RBI circular, RBI/2015-16/315 DBR.BP.BC No. 76/21.07.001/ 2015-16 dated 11 February 2016 implementation of Indian Accounting Standards (INDAS), the Banks are advised to follow the Indian accounting standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guidelines or directions issued by the Reserve Bank in this regard. The Banks in India currently prepare their financial statements as per the guidelines issued by the RBI, the Accounting standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the ministry of corporate affairs issued the road map for the implementation of new INDAS, which were based on convergence with the international financial reporting standards (IFRS), for Scheduled Commercial banks, Insurance Companies and Non Banking financial companies. In March 2019 RBI deferred the implementation of INDAS for Banks till further notice as the recommended legislative amendments were under consideration of Government of India. The Bank had undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-a-vis INDAS and shall proceed for ensuring the compliance as per applicable requirement and directions in this regard.

14.7. Payment of DICGC Insurance Premium

Particulars	(₹ in crore)	
	Thursday, 31 March 2022	Wednesday, 31 March 2021
i) Payment of DICGC Insurance Premium (Including taxes)	12.56	9.90
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 2022 and 31 March 2021.

15. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Bank

During the years ended 31 March 2022 and 31 March 2021, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

16. The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant volatility in the financial markets and slowdown in the economic activities. Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional restrictions continued to be implemented in areas, as India witnessed two more waves of COVID -19 pandemic during the year ended 31 March 2022. Currently, while the number of covid cases have been reduced significantly and Government of India has withdrawn most of the COVID- 19 restrictions, the Bank continues to carry an additional contingency provision of ₹ 66.06 Crore as at 31 March 2022 (Previous Year : ₹ 40.40 Crore). The extent to which the COVID-19 pandemic including subsequent waves, if any, may impact the Bank operations and asset quality will depend on the future developments, which are highly uncertain.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

17. Details of Non Performing Financial Assets Purchased

The Bank did not purchase any Non Performing Financial Assets during the years ended 31 March 2022 and 31 March 2021.

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 31 March 2022 and 31 March 2021.

19. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has restructured accounts in accordance with RBI Circular on 'Micro, Small and Medium Enterprises (MSME) sector — Restructuring of Advances' - DBR.No.BP.BC.100/21.04.048/2017-18 dated 07 February 2018, DBR.No.BP.BC.108/21.04.048/2017-18 dated 06 June 2018, DBR.No.BP.BC.18/21.04.048/2018-19 01 January 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 06 August 2020.

	(₹ in crore)	
	As at 31 March 2022	As at 31 March 2021
Number of Accounts Restructured	111	117
Amount	1.82	2.14

B. OTHER DISCLOSURES:

1. Earnings per Equity Share:

	(₹ in crore)	
Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Net Profit attributable to equity Share holders(A)	54.73	105.40
Weighted average number of equity shares used in computation of basic earnings per share (B) (In Crore)	44.95	42.79
Add: Effect of dilution - Stock options granted to employees	0.06	
Weighted average number of equity shares used in computation of basic earnings per share (C)(In Crore)	45.01	42.79
Basic (₹)[A/B]	1.22	2.46
Diluted (₹)[A/C]	1.22	2.46
Nominal value per share (₹)	10.00	10.00

2. Segment Reporting:

Part A- Business Segments

The business of the Bank has been segregated into four Segments as per RBI guidelines : Treasury, Wholesale Banking, Retail Banking and Other Banking Operations:

	(₹ in crore)				
Segment Revenue	Thursday, 31 March 2022				
	Treasury	Wholesale Banking	Retail Banking	Other Banking Operations	Total
Segment Revenue	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
Total Assets				-	17,707.56
Segment Liabilities	3,320.82	1.62	12,707.66	-	16,030.10
Unallocated Liabilities					270.66
Share Capital and Reserves and Surplus					1,406.80
Total Liabilities					17,707.56

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

(₹ in crore)

Segment Revenue	Wednesday, 31 March 2021				Total
	Treasury	Wholesale Banking	Retail Banking	Other Banking Operations	
Segment Revenue	192.53	16.76	1,537.21	21.92	1,768.42
Segment Results (Operating Profit)	1.39	5.97	115.04	18.98	141.38
Income Tax Expenses					35.98
Net Profit					105.40
Segment Assets	3,664.06	258.84	8,182.44	-	12,105.34
Unallocated Assets					233.31
Total Assets			-	-	12,338.65
Segment Liabilities	2,488.91	1.03	8,352.17	-	10,842.11
Unallocated Liabilities			-		144.48
Share Capital and Reserves and Surplus					1,352.06
Total Liabilities			-	-	12,338.65

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.

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 payments recognised in the profit and loss account is ₹49.91 Crore (year ended 31 March 2021 - ₹ 35.06 crore).

The future minimum lease payments under non cancellable operating leases is given below

(₹ in Crore)

Particulars	31-Mar-22	31-Mar-21
not later than one year	47.58	36.61
later than one year but not later than five years	215.62	173.13
later than five years	81.56	77.25

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.

4. Deferred Taxes:

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Deferred Tax Asset		
Provision for Employee Benefits	1.87	2.16
Provision for Standard assets	54.81	28.59
Fixed Assets : on differences between book balances and tax balance of fixed asset	2.96	2.30
Other Provisions	5.37	2.58
Deferred Tax Asset	65.01	35.63

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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:

(₹ in crore)		
Particulars	As at 31 March 2022	As at 31 March 2021
Gross Block		
At cost on 31st March of the preceding year	20.82	15.12
Additions during the year	8.72	5.70
Deductions during the year	-	-
Total	29.54	20.82
Depreciation / Amortization		
As at 31st March of the preceding year	12.61	9.05
Charge for the year	3.36	3.56
Deductions during the year	-	-
Depreciation to date	15.97	12.61
Net Block	13.57	8.21

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 Swasraya 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 Swasraya Multi State Agro Co operative Society Ltd.	Enterprises over which KMP has significant influence through relative (Upto 13 March 2021)
Lahanti Last Mile Service Limited ("LLMS")	Entities over which KMP has significant influence through relative (Upto 15 March 2021)
Evangelical Social Action Forum ("ESAF Society")	Enterprises over which KMP has significant influence
Prachodhan Development services ("Prachodhan")	Enterprises over which KMP has significant influence through relative

#Related parties are identified 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 2021

During the previous year effective from 13 March 2021 Ms Mereena Paul and Mr Alok Thomas Paul (Relatives of MD&CEO) have resigned as Directors of ESAF Swasraya Multi State Agro Cooperative Society Ltd (ESCO) Further effective from 24 January 2021 Ms Emy Acha Paul and Mr Sunny Thomas (Relatives of MD&CEO) have relinquished the Directorships as well shareholding in Lahanti Lastmile Services Private Limited (LLMS) and Mr Samu John (Relative of MD&CEO) has resigned as director of LLMS on 15 March 2021. Resulting from the above both ESCO and LLMS ceases to be related parties effective from 13 March 2021 and 15 March 2021 respectively. However, the normal business transactions with the said related parties is disclosed for the full financial year. Since the relationship does not exist as on the Balance sheet, closing balances of the said related parties are not disclosed for the year ended 31-03-2021. During year ended 31 March 2022 no disclosure has been made for the said related parties.

Transactions during the year with the Related Party

		(₹ in Crore)	
Nature of Transaction	Related Party	Thursday, 31 March 2022	Wednesday, 31 March 2021
Liabilities			
Term Deposit placed	ESCO	NA	9.00
	ESAF Society	0.61	-
	LLMS	NA	2.20
	K. Paul Thomas	-	0.40
	Emy Acha Paul	0.05	-
	Beena George	0.02	0.01
	Cedar Retail	0.50	8.00
	EFHL	72.42	-
Term Deposit Matured	EFHL	108.92	-
	Cedar Retail	-	11.75
	K. Paul Thomas	0.29	
	Beena George	0.01	0.02
	ESAF Society	0.36	
	Emy Acha Paul	0.07	
	LLMS	NA	0.50
Transactions in Demand Deposit (net)	ESCO	NA	0.10
	Cedar Retail	2.43	(1.01)
	ESAF Society	*	(0.09)
	EFHL	0.04	(1.26)
	LLMS	NA	2.26
	Lahanti Homes	(0.19)	0.19
Transactions in Savings Deposit(net)	Prachodan	0.01	0.04
	K. Paul Thomas	0.28	(0.37)
	Mereena Paul	0.35	(0.17)
	ESCO	NA	(13.03)
	Emy Acha Paul	0.01	0.01
	Alok Paul Thomas	*	*
	ESAF Society	2.95	0.85
	Prachodhan	(0.48)	0.98
	Abhishek Joe Paul	*	*
	Ashish Krish Paul	*	*
	Beena George	(0.03)	0.02
	ESAF Producer Company	(0.01)	0.02
Interest accrued and due on Deposits	ESCO	NA	2.75
	Cedar Retail	0.01	0.05
	EFHL	4.94	5.21
	ESAF Society	0.49	0.32

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

(₹ in Crore)

Nature of Transaction	Related Party	Thursday, 31 March 2022	Wednesday, 31 March 2021
	LLMS	NA	0.24
	K. Paul Thomas	0.08	0.07
	Mareena Paul	0.01	0.01
	Emy Acha Paul	0.01	0.01
	Alok Paul Thomas	*	*
	Abhishek Joe Paul	*	*
	Ashish Krish Paul	*	*
	Beena George	*	*
	Prachodan	0.08	0.06
Interest Accrued & Payable on PDI	ESCO	NA	6.24
Interest Accrued & Payable on Sub Debt	ESCO	NA	9.54
Interest Accrued & Payable on Sub Debt	EFHL	0.01	-
Issue of Equity Shares	Mareena Paul	-	0.03
	Emy Acha Paul	-	0.01
	Alok Paul Thomas	-	0.01
	Beena George	-	0.04
Share premium	Mareena Paul	-	0.22
	Emy Acha Paul	-	0.09
	Alok Paul Thomas	-	0.09
	Beena George	-	0.26
Issue of Sub debt	EFHL	20.00	-
Contingent Liability			
Bank Guarantee Given/ renewed		0.45	-
Assets			
Advances	EFHL	21.58	1.10
	Cedar Retail	-	-
	Beena George	-	0.14
Advances repaid	Cedar Retail	-	1.03
	EFHL	32.40	-
	Beena George	-	0.62
Vehicle Purchased	EFHL	-	-
Rent Deposit repaid	Paul Thomas	-	0.07
Expenses			
Rent paid	Lahanti Homes	2.10	2.10
	EFHL	-	-
	K. Paul Thomas	-	-
	ESAF Society	0.02	0.02
Interest paid on deposits	ESCO	NA	2.75
	Cedar Retail	0.01	0.05
	EFHL	4.94	5.21
	ESAF Society	0.49	0.32
	LLMS	NA	0.24
	K. Paul Thomas	0.08	0.07
	Mareena Paul	0.01	0.01
	Emy Acha Paul	0.01	0.01
	Alok Paul Thomas	*	*
	Abhishek Joe Paul	*	*
	Ashish Krish Paul	*	*
	Beena George	*	*
	Prachodan	0.08	0.06

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

(₹ in Crore)

Nature of Transaction	Related Party	Thursday, 31 March 2022	Wednesday, 31 March 2021
Interest paid on PDI	ESCO	NA	6.24
Interest paid on Sub Debt	ESCO	NA	9.54
Interest paid on Sub Debt	EFHL	0.01	
BC Servicer Fee	ESCO	NA	195.03
	LLMS	NA	18.47
Corporate Facility Management service charges	ESCO	NA	12.46
Remuneration and Sitting Fees	K. Paul Thomas	2.45	1.41
Reimbursement of expenses	K. Paul Thomas	-	0.12
Contribution towards Corporate Responsibility expense	ESAF Society	8.76	3.26
	Prachodan	-	3.90
Project cost for rebuilding of houses in relation to flood relief	ESAF Society	-	-
Royalty Expense	ESAF Society	1.44	2.68
Income			
Interest received on Advances	Cedar Retail	-	*
	Beena George	-	0.06
	EFHL	1.78	1.44

Figures in brackets indicate net outflow

* Amounts are below ₹ 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 :

(₹ in crore)

Items/Related Party	Significant Investor		KMP and Enterprises over which KMP/Relative of KMP have control / significant influence	
	Thursday, 31 March 2022	Wednesday, 31 March 2021	Thursday, 31 March 2022	Wednesday, 31 March 2021
Liabilities				
Term Deposits	3.50	35.26	2.55	2.05
Demand Deposit (Including Savings Deposits)	0.48	0.45	11.15	5.91
Equity Shares (Including share premium)	283.90	283.90	31.94	31.94
Borrowings	20.00	-	-	-
Other Liabilities	0.01	-	-	2.76
Contingent Liability				
Bank Guarantee	-	-	1.39	1.09
Assets				
Advances	-	9.04	-	-
Others	-	0.23	-	-

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

Maximum Balance outstanding during the year

(₹ in crore)

Items/Related Party	Significant Investor		KMP and Enterprises over which KMP/Relative of KMP have control / significant influence	
	Thursday, 31 March 2022	Wednesday, 31 March 2021	Thursday, 31 March 2022	Wednesday, 31 March 2021
Liabilities				
Term Deposits	35.26	35.26	2.67	2.06
Demand Deposit (Including Savings Deposits)	2.08	4.45	17.38	8.32
Equity Shares (Including share premium)	283.90	283.90	31.94	31.94
Borrowings	20.00	-	-	-
Assets				
Advances	20.00	9.04	-	2.42

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 23 December 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 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 28 June 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	Thursday, 31 March 2022	Wednesday, 31 March 2021
Outstanding at the beginning of the year	-	-
Surrendered during the year	-	-
Granted during the year	1,125,590	-
Exercised during the year	-	-
Forfeited/ lapsed during the year	-	-
Outstanding at the end of the year	1,125,590	-
Options exercisable	-	-

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 ₹ 1.24 Crore (Previous Year: ₹ Nil). 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 ₹ 1.19 and ₹1.19 (Previous Year: Nil) 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 RBI. During the Quarter and year ended 31 March 2022 no ESOP has been granted to the aforesaid eligible personnel, hence there is no impact on the results for the year ended 31 March 2022 on account of fair valuation of options in accordance with RBI guidelines on compensation to the key risk taker.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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:

(₹ in crore)		
Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Provident Fund	8.56	7.08

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 ₹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)

(₹ in crore)		
Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Present value of DBO at start of Year	8.42	5.69
Current Service Cost	2.87	3.23
Interest Cost	0.46	0.37
Benefits Paid	(0.26)	(0.19)
Past Service Cost	-	-
Actuarial (Gain)/Loss	(0.44)	(0.68)
Present value of DBO at end of Year	11.05	8.42

Reconciliation of Fair Value of Plan Assets

(₹ in crore)		
Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Fair value of Plan assets at start of Year	5.83	4.19
Contributions by employer	4.49	1.50
Benefits Paid	(0.26)	(0.19)
Expected return on plan assets	0.41	0.32
Actuarial Gain/(Loss)	0.09	0.01
Fair value of Plan assets at end of year	10.56	5.83
Actual Return on plan assets	0.50	0.32
Expected Employer Contributions for the coming year	0.50	2.50

Expense recognized in the Profit and Loss account

(₹ in crore)		
Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Current Service Cost	2.87	3.23
Interest Cost	0.46	0.37
Past Service Cost	-	-
Expected return on plan assets	(0.41)	(0.32)
Actuarial (Gain)/Loss	(0.53)	(0.69)
Employer Expense/(Income)	2.39	2.59

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

Net Liability/(Asset) recognized in the Balance Sheet

(₹ in crore)

Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Present value of DBO	11.05	8.42
Fair value of plan assets	10.56	5.83
Net liability/(Asset)	0.49	2.59
Less: Unrecognized Past Service Cost	-	-
Liability/(Asset) recognized in the Balance sheet	0.49	2.59

Category of Plan Assets

(₹ in crore)

Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Insurer managed fund	99.90%	99.90%
Bank Balance	0.10%	0.10%

Actuarial assumptions used

(₹ in crore)

Particulars	Thursday, 31 March 2022	Wednesday, 31 March 2021
Salary Growth Rate	7.5% p.a	7.5% p.a
Discount Rate	5.90% p.a	5.50% p.a
Withdrawal/Attrition Rate	20% p.a	20% p.a
Expected return on plan assets	5.50%	6.40% p.a.
Mortality Rate	IALM 2012-14 (Ult)	IALM 2012-14 (Ult)
Expected average remaining working lives of employees	4 Years	4 Years

Experience adjustments

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Defined benefit obligation	11.05	8.42	5.69	3.54	2.07
Fair value of Plan assets	10.56	5.83	4.19	1.30	1.25
Surplus / (Deficit)	(0.49)	(2.59)	(1.50)	(2.24)	(0.82)
Experience adjustment on plan liabilities : (gain)/loss	(0.19)	0.68	(0.42)	0.21	(0.20)
Experience adjustment on plan assets : gain/(loss)	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 unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized 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 2021

The Actuarial liability of compensated absences of accumulated privilege leave of the employees of the Bank is given below:

(₹ in crore)

Assumptions	Thursday, 31 March 2022	Wednesday, 31 March 2021
Privilege leave	30 days	30 days
Sick leave	30 days	30 days
Discount rate (Privilege/ Sick leave)	5.90%	5.50%
Salary escalation rate (Privilege/ Sick leave)	7.50%	7.50%
Attrition Rate (Privilege/ Sick leave)	20%	20%
Actuarial liability - Privilege leave	4.15	3.79
Charged in Profit and Loss account- Privilege Leave	0.36	1.30
Actuarial liability - Sick Leave	2.79	2.32
Charged in Profit and Loss account- Sick leave	0.47	0.13

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)

Particulars	31 March 2022	31 March 2021
a) Gross amount required to be spend including deficit of previous year	12.82#	7.16
b) Amount spent during the year		
i) Construction / acquisition of any asset	0.26	-
ii) any other projects	7.83##	3.10
Total	8.09	3.10
c) short fall at the year end	4.73	4.06
d) previous year short fall	-	-
e) reason for short fall	on going projects	on going projects
f) Nature of CSR activities	Children education, Sustainable village development, waste management, livebale city projects, community school infrastucture, Krushak mitra for farmer and farmer collectives, Garshom projects for migrant laboureres Skill training for Rural Artisans and rural youth, flood rehabilitation, covid 19 response program, Sustainable development initiatives, Agroya Mithra - Health Enterprenuership development.	Children education, Sustainable village development, waste management, livebale city projects, community school infrastucture, Krushak mitra for farmer and farmer collectives, Garshom projects for migrant laboureres Skill training for Rural Artisans and rural youth, flood rehabilitation, covid 19 response program, Sustainable development initiatives, Agroya Mithre - Health Enterprenuership development.

* Amount below ₹ 50,000/-

Gross amount required to spend by the Bank during the year include unspent for Financial year ended 31 March 2021 of ₹ 4.06 Crore

amount spend/ incurred during the year include ₹ 4.06 crore related to Financial year ended 31 March 2021 out of the unspend amount during the said year.

Pursuant to Section 135(5) & (6) of Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 (Amended), Bank transferred ₹ 3.44 Crore in "Unspent CSR Account" on 31 March 2022 for the CSR Ongoing projects for spending over the following 3 years period on ongoing CSR sub Committee projects.

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 2021

11. Subordinated Debt and Perpetual Debt

- a The Bank has an outstanding subordinated debt of ₹ 160 Crore (As at 31 March 2021 : ₹190 Crore). Out of the above as on 31 March 2022 ₹ 15 Crore (Previous Year ₹ 65 Crore) has been taken over by the Bank as per the Business Transfer Agreement (BTA) entered into with ESAF Financial Holdings Private Limited ("erstwhile ESAF Microfinance and Investments Private Ltd."). This has been considered as part of Tier 2 Capital for capital adequacy computation after subjecting to discounting in accordance with RBI guidelines.

During the year ended 31 March 2022, the Bank raised a Subordinated debt of ₹ 20 Crore by way of private placement.

The Bank has on outstanding Perpetual Debt Instrument of ₹ 48 Crore (As at 31 March 2021: ₹ 48 Crore)

- b. Interest Expended-Others includes interest of ₹ 22.33 Crore (Previous year : ₹ 24.52 Crore) on Subordinated Debt and includes interest of ₹ 6.24 Crore (Previous Year: ₹ 6.24 Crore on perpetual Debt instrument)

12. Details of payments of audit fees (Exclusive of Goods and Service Tax)

Particulars	(₹ in crore)	
	Thursday, 31 March 2022	Wednesday, 31 March 2021
Statutory Audit fees	0.40	0.35
Other Attestation work	0.13	0.05
Other Certification	0.15	0.21
Certification fees relating to DRHP for the Proposed IPO and Other Documentation	0.45	0.40
Out of pocket expenses (Including IPO related services)	0.03	0.02
Total	1.16	1.03

13. Description of Contingent Liabilities:

The Bank has contingent liability of ₹ 0.50 Crore (Previous year ₹0.20 Crore) for securitization transactions, guarantee given to Pension Fund Regulatory Development Authority (PFRDA) and other Court matters and ₹ 1.55 Crore (Previous Year: 1.30 Crore) with respect to 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 2022 and 31 March 2021, 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 2022 and 31 March 2021. Further, there are no outstanding against those suppliers as on 31 March 2022 and 31 March 2021. 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.

Schedules

Forming Part of the Financial Statements for the year ended 31 March 2021

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

17. IPO Expenses

As on 31 March 2022, 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 ₹13.05 Crore (Previous Year : ₹ 7.03 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. 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/-
Asha Morley
Director
DIN: 02012799

Sd/-
Gireesh C P
Chief Financial Officer
Place : Mannuthy
Date : 10 May 2022

Sd/-
Ranjith Raj P
Company Secretary