



TRANSFORMING BANKING

ENABLING PROGRESS

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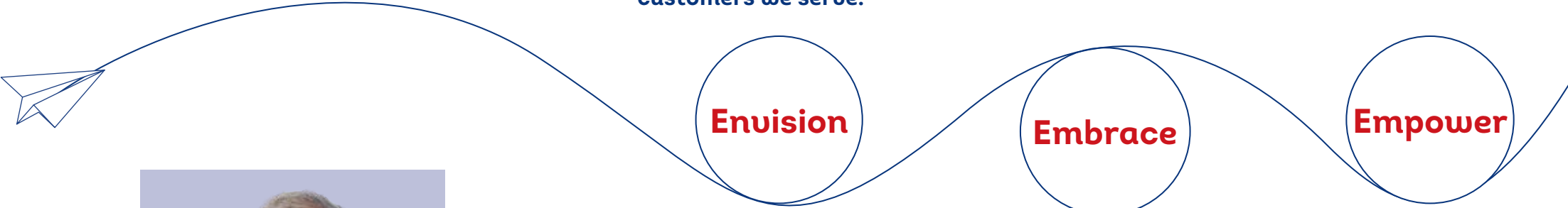
Disclaimer

This document contains statements about expected future events and financials of ESAF Small Finance Bank ('The Bank'), which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions, and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements, as several factors could cause assumptions, actual future results, and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications, and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.



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<https://www.esafbank.com/investor-relation/?id=annual-reports>

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TRANSFORMING BANKING

ENABLING PROGRESS

At ESAF Small Finance Bank, we believe that meaningful transformation begins with purpose. We continue to evolve as a socially committed and future-focused institution that brings banking closer to those who need it the most. Rooted in our mission of financial inclusion, ESAF Small Finance Bank is redefining the banking experience through innovation, sustainability, and a deep connection with the customers we serve.

To **Envision** is to look beyond the present and imagine what is possible. It is about dreaming big, breaking through possible barriers ahead, and innovating fearlessly. With a future-focused mindset, we anticipate challenges and seize opportunities. A strong vision is the compass that guides us through change and propels us towards progress.

A vision only becomes powerful when we fully **Embrace** it, both individually and collectively. Change is inevitable, and success lies in our willingness to welcome it. By embracing new ideas, emerging technologies, and diverse perspectives, we demonstrate our commitment to inclusivity, collaboration, and mutual respect. Embracing change is the first step towards meaningful transformation.

Ultimately, envisioning and embracing lead to **Empowerment**. At ESAF Small Finance Bank, we strive to uplift our employees, customers, and communities, enabling them to unlock their full potential. Empowerment means building capabilities, inspiring confidence, and providing the support needed for growth. When we empower each other, we foster a resilient, purpose-driven organisation that thrives together. As we look ahead, ESAF Small Finance Bank remains committed to nurturing a forward-thinking and resilient financial ecosystem, one that transforms lives through meaningful progress.

Key Highlights, FY 2024-25

₹2,32,764.4 million Total Deposits	₹ 1,87,787.93 million Gross Advances
₹2,71,782.89 million Total Assets	24.84% CASA Ratio

Our Approach to Integrated Reporting

Introduction to the Report

This Integrated Annual Report of ESAF Small Finance Bank showcases our efforts to provide holistic information and create long-term value for our stakeholders. Our integrated reporting follows the guiding principles and content elements as stated in the Integrated Reporting <IR> Framework of the International Integrated Reporting Council (IIRC), now part of the International Financial Reporting Standards (IFRS) Foundation. Our 2024-25 Integrated Annual Report offers a holistic perspective on our value creation and strategic orientation within the context of the current external environment. It incorporates stakeholder insights, material matters, and the key risks that impact our business. We adopt the six-capitals framework to articulate our value creation journey and provide comprehensive disclosures on our Environmental, Social, and Governance (ESG) performance, enabling providers of financial capital to make informed decisions. Upholding the highest standards of transparency and integrity, we remain committed to disclosing all material matters with clarity and accountability.

Reporting Frameworks

This report has been crafted in alignment with the principles of Integrated Reporting as outlined by the IIRC and the Business Responsibility and Sustainability Reporting (BRSR) framework, as mandated by the Securities and Exchange Board of India (SEBI) under the Listing Obligations and Disclosure Requirements (LODR) Regulations of 2015. It seeks to offer a comprehensive perspective on how ESAF Small Finance Bank (our Bank) creates value, encompassing both financial and non-financial aspects. Adhering to the nine guiding principles set forth by the BRSR, our Bank underscores its commitment to addressing Environmental, Social, and Governance (ESG) considerations, including associated risks, opportunities, and impacts.

Reporting Scope and Boundary

This report comprises qualitative and quantitative information on the performance of ESAF Small Finance Bank for the reporting period from April 01, 2024 to March 31, 2025 (2024-25).

Responsibility

The Board believes that the ESAF Small Finance Bank Integrated Annual Report 2024-25 addresses all the material topics relevant to our Bank and provides insight into our approach and processes to address the needs of our stakeholders and create long-term value. The Board acknowledges the integrity of the Report's content, which has been developed under the guidance of ESAF Small Finance Bank's senior management.

Forward-Looking Statements

The forward-looking statements include all statements other than historical facts, performance highlights, objectives, approaches, and mitigation plans. They are subject to change considering developments in the industry, geographical market conditions, government regulations, laws, and other incidental factors. Consequently, no forward-looking statement can be guaranteed, and actual results may vary materially, causing a material impact on our Bank's operations and performance.



ABOUT THE BANK

Rooted in Purpose. Driven by Progress.

At ESAF Small Finance Bank ('ESAF Small Finance Bank' or 'Our Bank' or 'the Bank'), our foundation is built on a strong social purpose, to redefine financial access for the underserved. What began as a conviction that banking can be a powerful enabler for inclusive growth has evolved into a sustained mission. Today, that same conviction continues to guide us as we expand our reach across urban, semi-urban, rural, and remote geographies. We are committed to driving progress by empowering communities, fostering responsible innovation, and delivering comprehensive financial services that generate long-term value for all stakeholders.

Our journey began in 1992 as an Non-Governmental Organization (NGO) with a vision to drive sustainable and holistic development for marginalised communities. Inspired by the pioneering success of the Grameen Bank in Bangladesh, our founder, Dr. K. Paul Thomas, MD & CEO and Individual Promoter of the Bank, initiated Micro Enterprises Development (MED) services in 1995. This laid the foundation for what eventually led to the creation of ESAF Microfinance and Investments Pvt. Ltd. in 2008. This evolution allowed us to pioneer structured group lending at the village level,

reinforcing trust and fostering financial discipline within communities.

Over the years, through our efforts, we have empowered individuals, especially women, to join the workforce and engage in income-generating activities to support their families. Our financial literacy programmes have equipped people to manage money wisely and build secure futures. Guided by our unique social business strategy rooted in the Triple Bottom Line—People, Planet, and Prosperity—we continue to combine financial inclusion with sustainable growth,

ensuring a brighter future for the people we serve.

This commitment to sustainable lending is reflected in our loan book, which is entirely dedicated to supporting the real economy. We prioritise lending to productive sectors that contribute meaningfully to the creation of goods and services. The priority sector lending target set by RBI requires 75% of our lending portfolio to be directed towards priority sectors. Our lending philosophy is grounded in addressing the real needs of individuals, enterprises, and communities—driving inclusive progress by supporting the productive economy, rather than merely enabling financial transactions.

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Our financial literacy programmes have equipped people to manage money wisely and build secure futures.

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Our Vision

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

Our Mission

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

Values

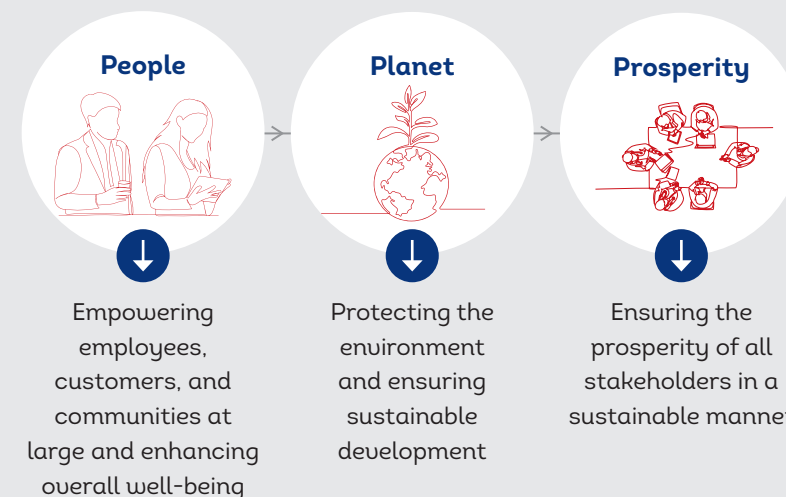
- + Servant Leadership
- + Customer Centricity
- + Accountability
- + Transparency
- + Commitment

Value Proposition

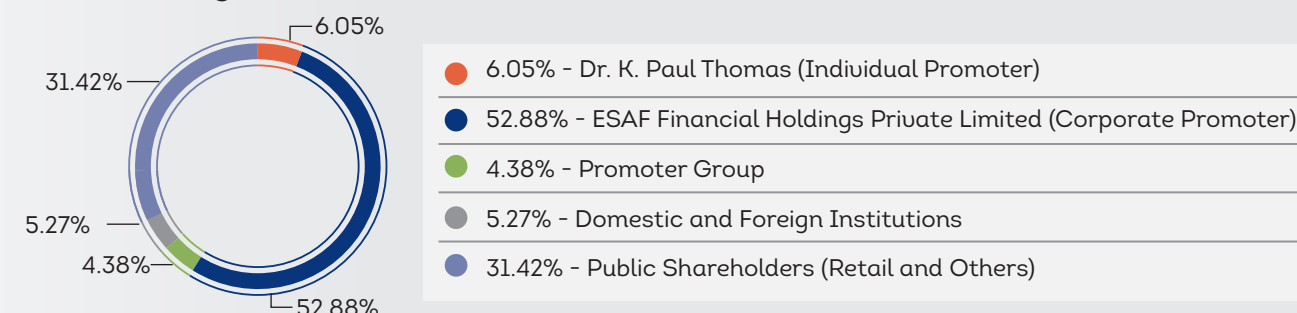
- + A strong customer-centric value proposition for 94.15 lakh customers
- + A full range of banking services and credit solutions catering to all segments of customers with equal importance, from the bottom of the pyramid to the middle and upper segments
- + Serving customers through 787 banking outlets in 24 States and 2 Union Territories

Triple Bottom Line Approach

Guided by the principles of People, Planet, and Prosperity, our Triple Bottom Line approach reflects our deep commitment to supporting livelihoods, driving sustainable economic growth, and serving the low- and middle-income segments across India. Anchored in our guiding motto, "fighting the partiality of prosperity", we strive to build a more equitable and inclusive society where opportunities are accessible to all.



Shareholding Pattern of ESAF Small Finance Bank Ltd. as of March 31, 2025



INVESTMENT CASE

Strong Fundamentals. Stronger Intent.

We set out not just to build a bank but to drive meaningful and lasting change. At the heart of our mission lies the belief that access to finance should be a fundamental right and not a privilege. With a foundation built on trust, purpose, and innovation, we have become a trusted partner in progress for millions. Our focus lies in the intent behind that growth. By combining financial strength with measurable social impact, we are building a future where today's efforts lay the foundation for enduring value tomorrow.

Our investment case reflects a distinctive ethos, one that unites performance with purpose. By directing our efforts towards underserved segments and leveraging technology, we continue to strengthen our business while creating a meaningful impact across communities.

Purpose-Driven Mission



At ESAF Small Finance Bank, we are deeply committed to fostering financial inclusion and driving social transformation. Our mission is to bridge the gap in financial accessibility across communities especially for the underbanked, aligning business growth with impactful social outcomes.



Dedicated Performance



Our steady efforts underline our resilience and operational strength. We have consistently grown our loan book and deposit base, reflecting customer trust and confidence. This is driven by our diversified portfolio, which spans microfinance, gold loans, agri loans, affordable housing finance, mobility loans, and MSME loans, thereby catering to specific needs while ensuring stability.



Sustainable Growth Vision



Looking ahead, our strategic focus remains on geographic expansion and deepening societal impact. Coupled with a robust governance framework and experienced leadership, our forward-looking approach positions us as a reliable partner for investors seeking sustainable, long-term value.



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With a foundation built on trust, purpose, and innovation, we have become a trusted partner in progress for millions.

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Impact in the Community



Our extensive branch network, complemented by robust digital outreach, keeps us closely connected to the communities we serve. With a strong focus on financial literacy and empowerment, we continue to foster trust and build enduring customer relationships, supporting individual aspirations while contributing to broader regional development.



Technology-Driven Solutions



Technology lies at the core of our operations. Strategic investments in digital platforms and solutions have strengthened operational efficiency, improved customer experience, and accelerated scalable growth. By embedding technology into our banking model, we are delivering accessible, frictionless services, particularly across rural and semi-urban markets.



KEY HIGHLIGHTS OF 2024-25

Fostering Development. Steering Stability.

In a year marked by both challenges and opportunities, we have remained committed to our pursuit of excellence while maintaining a strong foundation of stability. This balanced approach enabled us to navigate uncertainties with resilience and deliver results aligned with our purpose. Our performance during the year underscores our continued focus on sustainable growth, innovation-led progress, and operational excellence across all aspects of our business.



Inauguration of Regional Office in Kochi

On 12th April 2024, ESAF Small Finance Bank marked a key milestone with the inauguration of its new regional office and branch in Kalamassery, Kochi. This reinforces our Bank's continued commitment to deepening our regional presence and enhancing accessibility.

ISO Certification for Information Security Management Systems

In a major milestone, ESAF Small Finance Bank earned the prestigious ISO/IEC 27001:2022 certification for Information Security Management Systems (ISMS). This recognition underscores our efforts in maintaining top-tier data security across all IT and related operations, thus, reinforcing our dedication to safeguarding customer information across all digital and operational touchpoints.



Corporate Expansion in Mumbai

Strengthening our corporate presence, we inaugurated a Corporate Office Annex at the Adani Inspire building, Bandra-Kurla Complex, Mumbai, in May 2024. The launch was graced by Shri. Satish K. Marathe, Director of the Central Board of the Reserve Bank of India, with Shri. Shaji K. V., Chairman of the National Bank for Agriculture and Rural Development (NABARD) as the Guest of Honour. This strategic expansion, in the form of our new office, underlines our growing influence in India's business landscape.



Leadership Appointment

In May 2024, Shri. George K. John, a seasoned ESAF professional with over 25 years of dedicated service, was appointed as Executive Director of ESAF Small Finance Bank. His appointment adds strategic depth to the leadership team, bringing fresh perspectives to guide the Bank's continued growth.

Strategic Vehicle Financing Partnership with Ashok Leyland

We signed a Memorandum of Understanding (MoU) with Ashok Leyland to offer tailored vehicle financing solutions for commercial vehicle customers. This collaboration allows us to provide end-to-end financial services for Ashok Leyland's commercial vehicle customers, further broadening our portfolio of services.



Global Recognition at Cannes Lions

Our Dabba Savings Account campaign received global acclaim with a Bronze award at the Cannes Lions Festival under the Sustainable Development Goals category. The initiative empowers women in underserved regions to open bank accounts with simplified processes and improved accessibility.



Workforce Integration and Micro Banking Expansion

As part of a strategic restructuring, over 5,000 employees from ESAF Swasraya Multi-State Agro Co-operative Society Limited (ESMACO) were integrated into our operations. This initiative has created a new micro banking vertical, enhancing service delivery and reducing concentration risks.



Financial Literacy Partnership with IIM Kozhikode

In collaboration with Indian Institute of Management (IIM) Kozhikode, we launched an innovative financial literacy programme for school children aged 10-12. Leveraging participatory theatre and creative learning methods, this initiative instils financial discipline from an early age.

ISO Certification for Sustainable Development Practices

We were awarded the ISO 26000:2010 certification for our commitment to social responsibility and sustainable development. The certification affirms our focus on environmental stewardship, ethical governance, consumer protection, and employee rights.



Vehicle Finance Partnership with Tata Motors

We further expanded our vehicle finance offerings by partnering with Tata Motors. This collaboration aims to provide accessible vehicle loans to Tata's commercial vehicle customers, empowering individuals across various socio-economic backgrounds.



Success at MAD Stars, Busan

ESAF's Dabba Savings Account campaign achieved remarkable success at the MAD Stars Awards in Busan, South Korea, securing victories in four categories: Brand Experience & Activation, Innovation, Sustainable Development Goals, and Diverse Insights. This has further validated our creative impact on a global platform.



Strong ESG Performance

We earned an impressive ESG rating of 68.1 out of 100 based on the SEBI framework, surpassing industry median rating of 51.8, with an industry-leading score of 76.9 in the social pillar. This highlights our Bank's dedication to responsible governance and sustainable business practices, placing us at the forefront of the industry.

Launch of INORI Premium Credit Card

We launched the INORI Platinum Credit Card at the Global Fintech Fest in Mumbai, with key dignitaries, including Shri. P. R. Ravi Mohan, Chairman, and Shri. K. Paul Thomas, Founder, MD & CEO, present alongside leaders from NPCI. This product reflects our focus on expanding premium offerings for our customer base.



Recognition for CSR Efforts

We received a Special Commendation from The Economic Times for our impactful Corporate Social Responsibility (CSR) initiatives for the 2022-23 period. This recognition celebrates our comprehensive efforts in making a positive difference through our CSR programmes.



BUSINESS SNAPSHOT ON MARCH 31, 2025

Leading Transformation. Shaping Futures.

Progress is not always linear, but it is shaped by resilience, learning, and purposeful action. Even amid challenges, we remain focused on strengthening our core, deepening our impact, and building the foundation for long-term value and sustainable growth.

Financial

₹(5,213.89) million
Profit/(Loss) After Tax

₹19,450.12 million
Shareholders' Funds

21.84%
CRAR

8.08%
Net Interest Margin

(1.94%)
ROA

(22.68%)
ROE

Operational

24
States

2
UTs

787
Banking Outlets

693
ATMs

7,726
Customer Touchpoints

4,405
Banking Agents

735
Business Facilitators

35
Institutional Business
Correspondents

Advance Profile

₹1,96,427.82 million
Total Loan Book

(0.08%)
Total Loan Book Growth

4.18%
Asset Growth

18.3%
Yield on Advances

Deposit Profile

₹2,32,764.4 million
Deposits

17.2%
Deposits Growth

24.84%
CASA (% of Total Deposits)

7.50%
Cost of Deposits

68.1/100*
ESG Rating

22,689 KL
Water Saved

15 Tonnes
Paper Saved

1,84,500**
Beneficiaries Impacted

94,14,637
Customers Served

80% Women Customers
3 Exclusive Women Branches

12,520***
Employees

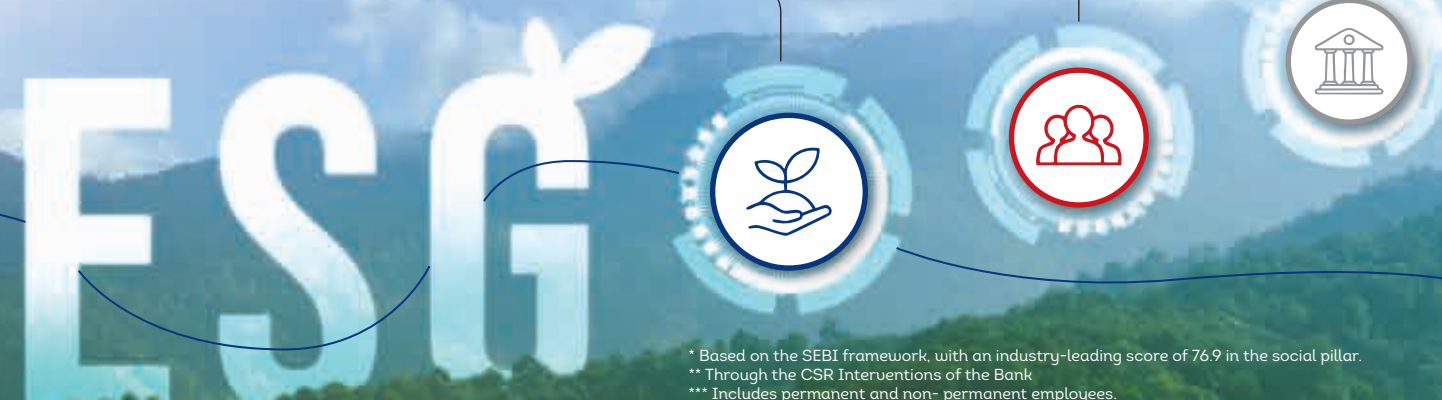
33.98%
Women Employees

1 Woman Director on the Board
0 Cases of Corruption
0 Data Breaches

Environment

Social

Governance

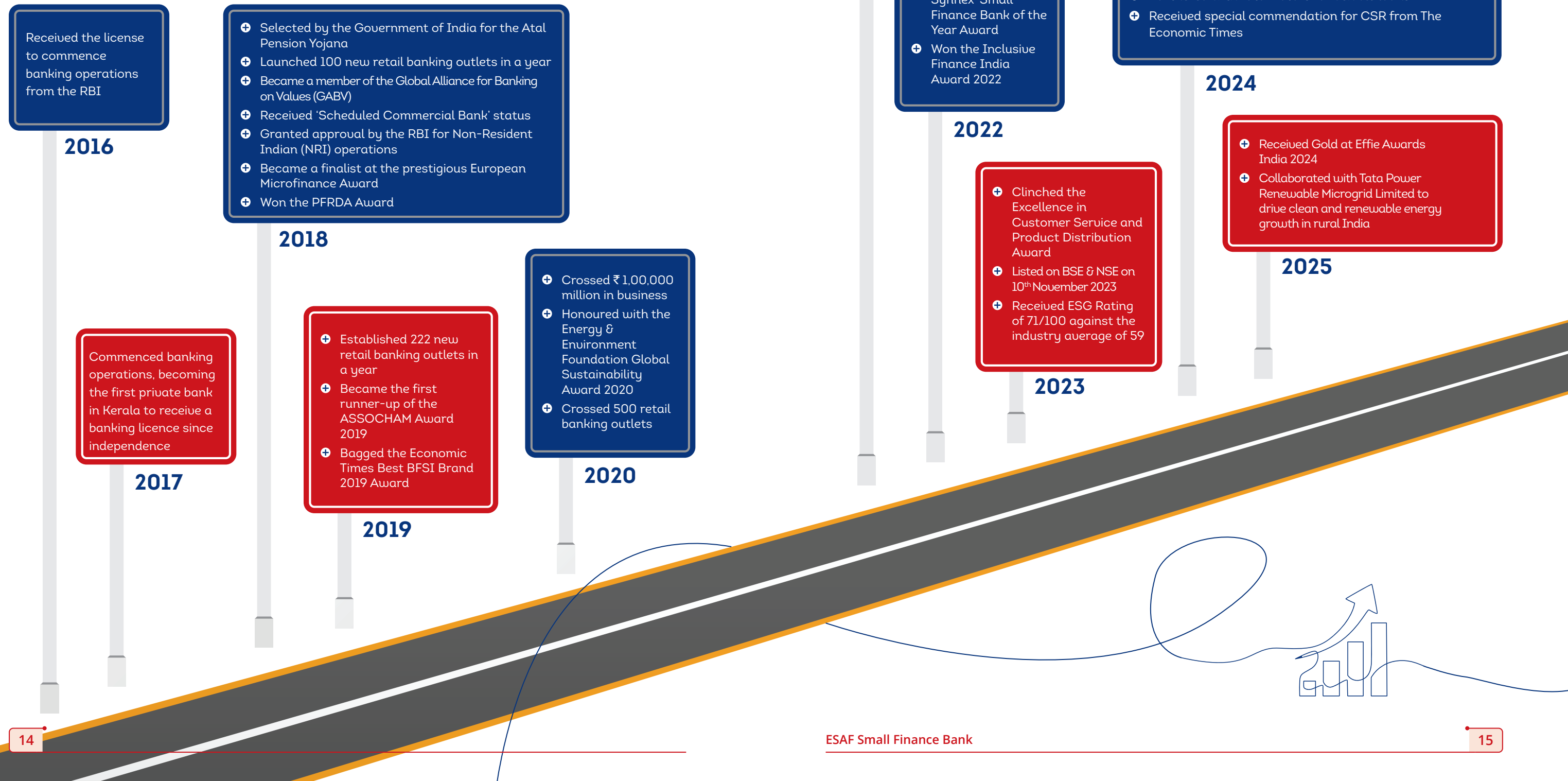


* Based on the SEBI framework, with an industry-leading score of 76.9 in the social pillar.
** Through the CSR Interventions of the Bank.
*** Includes permanent and non-permanent employees.

OUR JOURNEY

Transforming Services. Enhancing Lives.

Over the years, we have continuously adapted, evolved, and innovated to meet the changing needs of our customers. This has helped us ensure that every step we take not only enhances the services we provide but also enriches the lives of those we serve. As we look ahead, we draw strength from our journey, take pride in the milestones achieved, and remain focused on building a future rooted in shared progress and purpose.



MESSAGE FROM CHAIRMAN

Redefining Possibilities. Enabling Dreams.

Dear Stakeholders,

It is an honour to address you as we reflect on a year defined by transformation and resilience at ESAF Small Finance Bank. In the face of a dynamic and challenging macroeconomic landscape, we have remained committed in our purpose to serve the underserved with integrity, innovation, and decisive impact.

As one of India's leading small finance banks, our distinct positioning continues to be reinforced by a strong and stable retail deposit base, and a strategic focus on diversifying our loan book. With a legacy spanning over three decades, we have built a robust, technology-enabled platform that delivers comprehensive banking solutions tailored to the evolving needs of our customers.

Our focus remains unwavering: to address the financial aspirations of our communities with agility, responsibility, and a forward-looking mind set.

Transforming Banking. Enabling Progress.

India stands at a pivotal juncture in its economic journey, with a credible roadmap to becoming a US\$7 trillion economy by 2030. This ambitious trajectory, endorsed by leading global financial institutions, underscores the strategic significance of the coming five years in shaping the nation's long-term growth story. Structural reforms, accelerated digital adoption, rising domestic consumption, and a young, aspirational demographic are expected to foster sustainable and inclusive growth across sectors.

Amidst a global environment characterised by geopolitical uncertainties, global tariff wars, inflationary trends, and liquidity tightening, India's banking and financial system has demonstrated notable resilience. The Reserve Bank of India's prudent regulatory approach and steadfast commitment to financial stability have ensured that the sector

remains well-capitalised, responsive, and aligned with the needs of the real economy. In this context, ESAF Small Finance Bank finds itself uniquely positioned to contribute meaningfully to India's development narrative. With financial inclusion at the core of our mission, we are committed to enabling last-mile access to credit, empowering micro-entrepreneurs and nurturing livelihoods, especially in underserved and rural segments.



Ravimohan Periyakavil Ramakrishnan
Part-Time Chairman and
Non-Executive Independent Director

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While sectoral headwinds may persist in the near term, we remain confident that our disciplined approach—centred on risk containment, asset quality enhancement, and diversified growth—positions us well to navigate the environment and emerge

structurally **STRONGER.**

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Navigating Challenges. Broadening Horizons.

While the microfinance sector continues to grapple with structural headwinds—including regional concentration and funding limitations—we have adopted a proactive, risk-aware approach to portfolio resilience and long-term sustainability. Our response has been rooted in a clear strategy of asset diversification, with a steady expansion into MSME lending, gold loans, agri loans, affordable housing finance, and digital banking. This diversification is not only reducing concentration risk but also strengthening our overall asset quality.

Recognising early indicators of sectoral stress, we proactively implemented a comprehensive framework of credit guardrails to foster responsible and sustainable growth within our microfinance portfolio. These included stricter borrower indebtedness norms, a maximum microfinance ticket size of ₹ 75,000, and limitations on the number of loans per client to two. We also capped overall borrower exposure at ₹ 1 lakh, down from ₹ 2 lakhs, and restricted new disbursements to clients with a Days Past Due (DPD) of over 60 days. These calibrated measures, while essential for portfolio protection, led to a measured de-growth in our microfinance portfolio as we prioritised quality over rapid expansion.

Complementing these policy interventions, we significantly reinforced our operational rigour. Our Non-Performing Asset (NPA) management framework was strengthened with deeper granularity in portfolio monitoring, allowing for more precise tracking and timely interventions. Controls around early defaults have been tightened, and

strict oversight mechanisms are in place to prevent slippages from SMA-2 to NPA categories. Recovery and upgrade efforts have been scaled up across all delinquency stages, with targeted re-engagement strategies for inactive NPA accounts showing early signs of success.

At the field level, we have intensified our focus on customer connection and collections. By increasing our field officer count and lowering the borrower load per officer, we are enabling more meaningful engagement and improving on-ground portfolio performance. In geographies where repayment behaviour had weakened, we adopted a calibrated disbursal approach—slowing or temporarily pausing microfinance lending as necessary to preserve quality.

To further de-risk our portfolio, we are consciously pivoting towards secured asset classes such as gold, MSME, and agriculture lending. These segments offer greater stability and are aligned with our long-term strategic roadmap. Our focus remains on growing our CASA franchise, maintaining strong provision coverage, and driving geographic diversification—cornerstones of a more balanced and resilient business model.

While sectoral headwinds may persist in the near term, we remain confident that our disciplined approach—centred on risk containment, asset quality enhancement, and diversified growth—positions us well to navigate the environment and emerge structurally stronger.

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At the heart of the Bank's sustainable development agenda is the Triple Bottom Line framework—People, Planet, and Prosperity. This serves as the foundation for enduring value creation.

Driving Change. Delivering Value.

We are pleased to share a pivotal strategic transformation that has significantly strengthened ESAF Small Finance Bank's operational framework and long-term growth trajectory. As of 30th June 2024, ESAF Swasraya Multi State Agro Co-operative Society Limited (ESMACO), one of our key institutional Business Correspondents (BCs), managed approximately 49.62% of the Bank's total gross advances and 70.54% of advances serviced by all our institutional BCs. While this model was instrumental in our initial expansion, we recognised the need to enhance integration and reduce concentration risk in customer-facing functions.

Accordingly, effective July 01, 2024, the Bank discontinued select services previously managed by ESMACO under the Business Correspondent (BC) framework. These functions are now handled directly by the Bank, marking a strategic shift towards internalising key operations and deepening our customer engagement.

A core focus during this transition was safeguarding continuity and valuing our people. We are proud to report that over 5,100 employees formerly engaged with ESMACO were seamlessly absorbed into the bank, on terms consistent with their prior employment. Their onboarding, effective 1st July 2024, was conducted without any service disruption and in full adherence to regulatory guidelines. As a result, our total workforce grew to 12,520 as of 31st March 2025.

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Following this transformation, ESMACO's share of our gross advances has reduced by 36.97%, reflecting our decisive move towards a consolidated, direct delivery model. This transition has enhanced our operational agility, brought us closer to our customers, and reaffirmed our long-term commitment to service excellence and responsible growth.



Recognises ESG excellence

We are proud to share that CareEdge has awarded us an ESG rating of 68.1 out of 100, the highest score in our peer group and significantly above the industry average of 51.8. This recognition is a commitment to our structured and proactive approach to responsible banking.



To support these ambitions, we continue to invest in cybersecurity, digital infrastructure, and strategic partnerships with fintechs, strengthening our agility, service quality, and innovation capabilities.

Empowering Growth. Upholding Integrity.

At the heart of the Bank's sustainable development agenda is the Triple Bottom Line framework—People, Planet, and Prosperity. This serves as the foundation for enduring value creation. As ESG principles gain prominence in shaping banking operations and investment decisions, we have strategically embedded them within

our long-term vision and business priorities.

Our ESG Roadmap 2023–27 outlines clear goals, including ESG-based customer assessments to facilitate access to green financing and related incentives. By integrating ESG considerations into our policies, governance structures, and operational practices, we are committed to generating sustainable value for all stakeholders.

Fuelling Aspirations. Advancing Together.

We are navigating a transformative phase—defined by strategic consolidation, operational resilience, and inclusive growth. Key decisions, such as the internalisation of our BC model, reflect our focus on operational efficiency and sustainable value creation.

On the liabilities side, we are strengthening our deposit base by deepening engagement with existing customers, acquiring new ones, enhancing service delivery, and tapping into high-potential NRI remittance corridors. On the advances front, we are scaling our lending across microfinance, retail, MSME, and agri segments, while intensifying our focus on gold loans and improving collections through targeted initiatives.

Our expansion strategy involves opening new branches, ATMs, and leveraging BCs to enhance our reach, particularly in underserved regions. We are also working to increase our fee-based income by offering value-added services and third-party products.

Technology and data remain central to our growth strategy. We are leveraging analytics to drive operational efficiency, deepen customer insights, and strengthen our risk management practices. Furthermore, by prioritising asset quality through rigorous credit assessment and recovery initiatives, we are building a more resilient lending portfolio.

These initiatives reflect our long-term vision—of building a strong, scalable, and customer-centric institution, committed to inclusive development and financial empowerment.



Our expansion strategy involves opening new branches, ATMs, and leveraging BCs to enhance our reach, particularly in underserved regions.



Thanking Note.

Before I conclude, I would like to take this opportunity to sincerely thank all our stakeholders who have been instrumental in facilitating our journey. To our valued shareholders, loyal customers, dedicated employees, esteemed Board of Directors, and trusted business and technology partners—your undeterred support has been integral to our progress. I also extend my sincere gratitude to

the regulatory authorities, especially the RBI, SEBI, Insurance Regulatory and Development Authority of India (IRDAI), and Pension Fund Regulatory and Development Authority (PFRDA), the Government of India and various state governments, whose guidance and encouragement continue to enable the Bank's growth.

Your belief in our purpose and long-term vision inspires us to evolve as a future-ready, impact-led institution. As we move forward, we remain deeply committed to strengthening this trust and delivering enduring value across every relationship.

We are grateful for the role each of you has played in shaping ESAF Small Finance Bank, and we look ahead with optimism—confident in your continued partnership on the road ahead.

Thank you once again for your trust and encouragement.

Warm regards,

Ravimohan Periyakavil Ramakrishnan,

Part-Time Chairman and Non-Executive Independent Director



People



Our commitment starts with people—our employees, customers, and the communities we serve. We strongly emphasise ethical practices, diversity, and inclusion, fostering an environment where individuals are empowered to grow and succeed.

Customer Centricity



Customer needs and aspirations are central to everything we do. Our products and services are designed with a deep understanding of our customers' evolving expectations, thereby ensuring accessibility, relevance, and impact. We are committed to building strong, trust-based relationships through responsive service, digital innovation, and personalised solutions that promote financial well-being and inclusion.

Planet



Environmental responsibility is deeply integrated into our operations. We actively promote sustainable finance through purpose-led offerings such as the Hrudaya Fixed Deposit, Green Wheels, and Clean Energy Loans, empowering customers to make environmentally conscious decisions. Our commitment to climate-positive growth is further reflected in our alignment with global frameworks like the Business Responsibility and Sustainability Report (BRSR) and Net Zero targets, as we continue to evolve our internal culture, policies, and systems to support a more sustainable future.

Prosperity



At ESAF Small Finance Bank, we view economic sustainability as integral to collective progress. Our focus on financial inclusion empowers underserved and underbanked communities by expanding access to

essential banking services. This, in turn, drives community-level development, supports entrepreneurial resilience, and fosters equitable growth. We believe that inclusive prosperity is not just a goal, but a foundational enabler of sustainable development.

Compliance



A strong culture of compliance is central to responsible banking. Our comprehensive compliance framework is closely aligned with regulatory requirements, the RBI guidelines, and global best practices. Through continuous monitoring, employee training, and sound governance, we uphold the highest standards of transparency and accountability—reinforcing stakeholder trust and long-term sustainability.

MESSAGE FROM MD & CEO

Innovating for Tomorrow. Enabling Prosperity Today.

Dear Stakeholders,

It is with great pride and a deep sense of purpose that I present to you ESAF Small Finance Bank's performance and strategic direction for the year. Amid a dynamic economic and social environment, the Bank remained resilient in its operations, agile in its execution, and firm in its commitment to inclusive growth.

Anchored in our philosophy of 'People, Planet, and Prosperity', we continue to shape a future-ready institution that is both purpose-led and impact-driven. We envision a financial ecosystem that leaves no one behind—one where underserved communities are not merely included but meaningfully integrated into the formal banking landscape.

Innovation remains central to this vision, as we combine cutting-edge digital solutions with a nuanced understanding of our customers' needs. Most importantly, we remain committed to empowering individuals and enterprises by delivering accessible, affordable, and tailored financial services that unlock potential and build long-term economic resilience.

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Anchored in our philosophy of
'PEOPLE, PLANET, AND PROSPERITY',

we continue to shape a future-ready institution that is both purpose-led and impact-driven. —99

India's Economic Resilience

India today stands at a critical juncture, a steadily growing economy projected to expand by 6.5% in FY 2024-25, supported by strong rural consumption, increased public infrastructure spending, and a robust policy environment. The nation's demographic dividend, innovation-led growth trajectory, and improving global standing have created a fertile ground for inclusive and sustainable development.

In this context, the Reserve Bank of India adopted a balanced monetary stance, keeping policy rates unchanged for the 11th consecutive time. However, in a bid to enhance systemic liquidity and support economic momentum, the RBI reduced the Cash Reserve Ratio (CRR) by 50 basis points to 4%. More notably, the central bank initiated a calibrated rate-cut cycle, beginning with a 35-basis point reduction in the repo rate, signalling a shift towards

a more accommodative interest rate regime. These monetary measures coincide with favourable agricultural conditions, including a strong Kharif and Rabi harvest, driven by a good monsoon. As a result, rural India witnessed a rise in consumption and credit demand, pointing to a revival in economic activity at the grassroots level.

These trends present a compelling opportunity for Small Finance Banks. With renewed budgetary focus on grassroots development, an enabling policy framework, and



Dr. Kadambelil Paul Thomas
Managing Director & CEO

expanding credit appetite in rural and semi-urban markets, the role of institutions like ESAF Small Finance Bank has never been more crucial. As financial inclusion becomes central to India's growth story, Small Finance Banks are emerging as key enablers of equitable progress, bridging gaps, building trust, and delivering impact where it matters the most.

Agriculture & Rural Economy

Agriculture supports a significant share of India's population, yet contributes only 18% to the GDP. To shift this paradigm, we must nurture an ecosystem that fosters passion-led agri-entrepreneurship, value-added agri-SMEs, and inclusive rural financing models.

At ESAF, we are actively enabling the transformation of rural India through:

- + Promotion and financing of Farmer Producer Organisations (FPOs)
- + Leveraging the Agri Infrastructure Fund and PMFME Scheme
- + Expanding outreach in unbanked and underbanked regions, where informal lending still dominates

One of the game changers we foresee is the rollout of collateral-free loans in the agricultural sector, made possible through digitised land records and improved credit assessment tools. This can fundamentally alter how agricultural credit is accessed, creating a more equitable and scalable model. The 2023-24 Household Consumption Expenditure Survey further reinforces this momentum. Rural per capita expenditure exhibited a 9.2% CAGR, outpacing urban growth at 8.5%. This trend signals

a silent transformation in rural India, driven by rising incomes, aspirations, and consumption.

To sustain and amplify this growth, we must ensure access to affordable credit, inflation management, and financial literacy at scale, and ESAF is fully committed to this cause.

The MSME Sector

The Micro, Small and Medium Enterprises (MSME) sector continues to be the backbone of the Indian economy, accounting for nearly 30% of the GDP and generating employment for over 110 million people. As drivers of innovation and catalysts for grassroots entrepreneurship, MSMEs play a critical role in both urban renewal and rural development. However, despite their importance, more than 70% of MSMEs operate outside the formal economy, lacking access to organised credit and institutional support. This sizeable, underserved segment presents a significant opportunity for financial institutions like ESAF Small Finance Bank.

At ESAF, our mission extends beyond the provision of capital—we aim to formalise, support, and financially empower small business owners across the country, enabling them to become part of the mainstream economy and realise their full potential. Through flagship schemes like PM SVANidhi, PM Vishwakarma, PMEGP, Mudra, and the FPO Scheme, ESAF Small Finance Bank is working at the grassroots to enable credit access, digital payments, and entrepreneurial development. However, challenges remain. The credit gap in the MSME sector is still alarmingly wide, and trust continues to be a critical barrier. We believe digital

payments can be a powerful catalyst for MSME growth but only if we first invest in building trust, simplifying the digital journey, and promoting financial literacy. We are committed to walking this path with our customers, step by step.

Strategic Transformation at ESAF Small Finance Bank

At ESAF Small Finance Bank, resilience is not just a principle—it is embedded in our DNA. FY 2024-25 marked a pivotal chapter in our evolution. We moved beyond a predominantly microfinance-led model to establish a more balanced and secured lending portfolio.

During the year, we strategically expanded into gold loans, affordable housing finance, MSME credit, mobility loans, mortgage-backed lending, and agricultural finance, thereby laying a more resilient and diversified foundation for long-term growth.

Gold loans and MSME financing stood out as the primary growth engines, while home loans and agriculture finance continued to gain healthy momentum. Notably, approximately 70% of our advances now originate from states outside our traditional base, affirming the success of our geographic diversification strategy. To support this growth and enhance accessibility, we have been steadily expanding our branch network across key regions. This broader footprint allows us to reach underserved communities, tap into new markets, and mitigate concentration risk through regional diversification.

On the liabilities side, we achieved strong growth in Fixed Deposits and CASA, underpinned by focused, customer-segmented strategies.

Our differentiated CASA offerings catering to students, professionals, salaried individuals, women, senior citizens, and pensioners have helped us connect more meaningfully with our customers, aligning products to their life goals and financial aspirations.

In a year marked by significant stress across the banking sector, particularly with regard to NPAs, we faced our share of challenges and have openly acknowledged the setbacks. While the broader environment led to pressures on asset quality, we responded with heightened vigilance and resilience. Through strengthened risk management, granular account monitoring, and tighter disbursement controls, we successfully prevented any fresh NPA additions. Our focus remained on early detection and timely intervention, especially in accounts nearing stress, helping us limit slippages from SMA-2 to NPA and stabilise our portfolio amid tough market conditions.

In regions with weaker repayment performance, we undertook a targeted approach. We decided to slow down or pause microfinance lending activities. Thus allowing us to refocus resources where repayment behaviour is stronger. This helped maintain a responsible and adaptive lending model that responds to local economic realities. To further de-risk our portfolio, we have progressively shifted focus towards secured retail assets, MSME, gold loan, and agriculture finance, reducing our exposure to unsecured microfinance lending and enhancing overall portfolio stability. A key area of strategic focus will be the expansion of our Authorised Dealer Category-I (AD-I) activities and the distribution of third-party financial products. We believe this initiative will play a pivotal role in diversifying our income streams,

enhancing customer value propositions, and contributing meaningfully to shareholder value creation. These initiatives are aligned with our long-term vision and will be central to our business strategy in the coming years.

Financial Performance

In FY 2024-25, we continued to expand our footprint across the country, with a strong presence in 24 states and 2 union territories. Our efforts to deepen our reach beyond Kerala resulted in gross advances to customers outside the state reaching ₹ 1,20,913 million, constituting 64.39% of our total gross advances. The top five states- Tamil Nadu, Maharashtra, Madhya Pradesh, Karnataka, and Chhattisgarh- collectively contributed ₹ 91,808.21 million, accounting for 48.89% of the total advances. Overall, gross advances grew from ₹ 1,87,723.56 million in FY 2023-24 to ₹ 1,87,787.93 million in FY 2024-25, marking a year-on-year growth of 0.03%. Additionally, we leveraged 1,106 Customer Service Centres through 35 institutional Business Correspondents (BCs), supported by a network of 4,405 banking agents and 735 business facilitators. Disbursements for the year stood at ₹ 2,09,844 million, up 23.34% from ₹ 1,70,137.40 million in the previous year. To support this, we continued to strengthen our infrastructure, operating 787 banking outlets and 693 ATMs across our regions. In line with our strategic focus, retail deposits increased by 17.89%, from ₹ 1,83,681.00 million to ₹ 2,16,534.4 million. Our Current Account and Savings Account (CASA) balances grew to ₹ 57,827.9 million, up from ₹ 45,019.20 million in the previous year, further strengthening our low-cost deposit base. On the earnings front, we reported a net

interest income of ₹ 20,515.30 million, compared to ₹ 23,696.93 million in FY 2023-24. Our net interest margin stood at 8.08%, as compared to 11.12% in the prior year. Profit after tax stood at ₹ (5,213.9) million. This was primarily due to the shift in our loan portfolio mix towards secured assets, reduction in Repo rates by RBI, the strategic decision to maintain excess liquidity, controlled loan book growth, and higher delinquencies in the high-yielding micro loan portfolio. We also witnessed some pressure on asset quality. Gross Non-Performing Assets (GNPA) increased to 6.87%, up from 4.76%, and Net Non-Performing Assets (NPA) rose to 2.99% from 2.26% in the previous year.

Technology, Digital Inclusion, and Customer Focus

As we continue to scale, we are undertaking a comprehensive technology transformation programme to redefine our operational landscape and elevate the customer experience. This end-to-end revamp is focused on accelerating digital adoption across our offerings while ensuring strict adherence to regulatory compliance. The initiative, titled 'Stratonext', is being implemented in collaboration with Kyndryl, our designated System Integrator. At the heart of this transformation lies our commitment to enhanced service excellence and operational efficiency. The rollout of digital loan repayment options and refreshed customer interfaces is already delivering a more seamless and personalised experience. These digital interventions are also instrumental in broadening

financial access, particularly in underserved and remote regions. Our Business Correspondents (BCs) continue to play an essential role in bridging the last-mile gap. Equipped with upgraded tools and digital support, they are extending vital financial services to communities that need them most. Their local presence, combined with our technology-led approach, is deepening engagement and trust across grassroots ecosystems. In parallel, we are placing a renewed focus on insurance as a means of financial protection, particularly in regions where insurance penetration remains low. Through customised offerings and targeted awareness campaigns, we are working to close this gap and empower individuals and families with the tools needed to build resilience.

Our People

We recognise that our people—our human capital—are the driving force behind our progress and purpose. In a landscape marked by rising unemployment and diminishing access to secure jobs, we remain committed to being part of the solution. Through targeted initiatives that create meaningful internship opportunities, and integrate with government livelihood schemes, we aim to build sustainable pathways to employment and empowerment. According to the latest Periodic Labour Force Survey, only 21.7% of workers in India hold regular salaried employment, with women continuing to be underrepresented in the workforce. These statistics underscore the urgent need to reimagine the employment ecosystem. At ESAF Small Finance

Bank, we believe women employees serve as a transformative lever for inclusive growth. In 2024-25, we have strengthened our focus on employee capability development, building a workplace culture rooted in mentorship, inclusivity, and purpose-driven growth. By nurturing junior talent, fostering a strong sense of belonging, and encouraging leadership at every level, we are preparing our teams to not only meet the challenges of today, but to lead the change for tomorrow.

The Road Ahead

Looking ahead, Small Finance Banks (SFBs), including ESAF Small Finance Bank, are well-positioned to evolve into universal banks—offering a comprehensive suite of financial services while remaining anchored in social impact. At ESAF, we see significant opportunity in segments such as affordable housing, climate-conscious lending, and next-generation financial solutions tailored to the dynamic needs of our customer base. Our commitment to sustainability continues to guide our approach to climate-resilient financing. In this context, we acknowledge the Reserve Bank of India's prudent efforts in maintaining inflation within target ranges—a critical enabler of rural and national economic stability. Our long-term aspiration is clear: to be India's leading social bank—a future-ready, resilient institution built on the pillars of customer centricity, inclusion, and enduring stakeholder value. Every strategy, product, and partnership is designed with this vision in mind. To ensure sustainable growth, we are strengthening our risk management practices and optimising our lending mix. While

short-term adjustments—such as elevated provisioning and portfolio clean-up—have had an impact, they were necessary steps to reinforce financial discipline and institutional strength. These actions have positioned ESAF as a more resilient, agile organisation capable of navigating future uncertainties with confidence. Our continued focus on secured lending, robust CASA growth, improving asset quality, strong provision coverage, and geographic diversification further solidifies our foundation for long-term success. I extend my heartfelt gratitude to our valued customers, shareholders, channel partners, regulators, advisors, vendors, the Government of India, state governments, and all other stakeholders for their trust and continued support. Your confidence in ESAF Small Finance Bank motivates us to pursue excellence with purpose and consistency. It strengthens our resolve to advance our mission of inclusive, impact-driven banking. Together, we are not merely building an institution—we are shaping a movement of financial empowerment that reaches every corner of the nation. It is a shared responsibility and a collective purpose we are deeply honoured to uphold.

Warm regards,

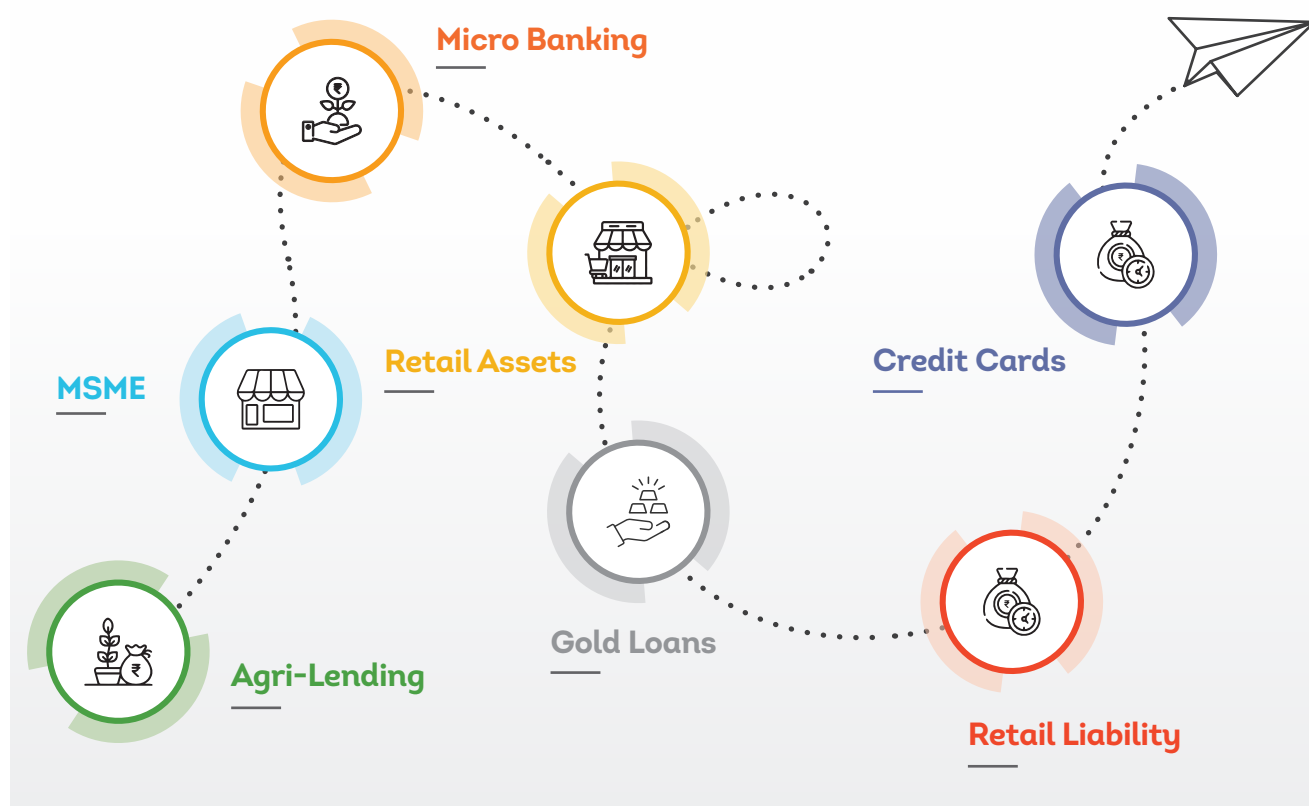
Dr. Kadambelil Paul Thomas,
Managing Director & CEO

BUSINESS SEGMENTS

Bridging Gaps. Creating Opportunities.

At the core of our operations lies a diverse portfolio of business segments that drive meaningful change and foster financial inclusion. Our offerings span Retail Banking, Small and Medium Enterprises (SME) Banking, and Microfinance, addressing the unique needs of individuals, families, and businesses alike. By providing innovative financial solutions, we make credit, deposits, and investment opportunities accessible, empowering communities to thrive. Through a customer-first approach and a commitment to sustainability, we continue to bridge gaps, create opportunities, and support economic growth.

Our Banking Products and Services Include



Agri-Lending Products

We recognise the critical role agriculture plays in driving India's economy and supporting millions of livelihoods. Our Agri-Lending products are thoughtfully designed to meet the unique financial needs of farmers, agribusinesses, and rural entrepreneurs. Whether for crop cultivation or allied activities, our offerings ensure timely access to credit, enabling sustainable growth and long-term prosperity in the agricultural ecosystem. Through a deep commitment to financial inclusion, we strive to equip our customers with the resources they need to cultivate opportunity and drive rural progress.



Key Offerings

- ESAF Dairy Development Loan
- ESAF Kisan Credit Card (E-KCC)
- ESAF Haritha Loan
- Kisan Jyothi
- ESAF Farmer Producer Organisation (FPO) Finance
- ESAF Kisan Pragati
- ESAF Kisan Saral
- ESAF Farmer Interest Group (FIG) Loan
- ESAF Self-Help Group-Bank Linkage Programme (SHG-BLP)
- ESAF Kisan Vriddhi

Growth Drivers

- Increased credit support for Farmer Producer Organisations (FPOs) through dedicated loan products like FPO Finance.
- Rising demand for green energy in agriculture, supported by loans for solar installations and clean energy products.
- Growth in digital platforms like TReDS for MSMEs, streamlining trade receivables financing for agri-allied sectors.
- New Pan-India government initiatives targeting low-productivity districts through credit access improvements, irrigation upgrades, and post-harvest infrastructure.
- Kisan Credit Card loan ceilings raised to 5 lakh under interest subvention schemes, broadening eligibility for small/marginal farmers.
- Skilling initiatives targeting agricultural underemployment, creating demand for allied-sector loans.

SDG Linkage



₹10,167.48 million
Asset Book

2,57,628
Customer Base

4.44%
Revenue Contribution

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MSME

Micro, Small and Medium Enterprises (MSMEs) form the backbone of India's economy, driving innovation and employment, and fostering grassroots development. Our tailored MSME banking solutions are designed to address the distinctive financial needs of businesses at every stage of their growth journey. Through flexible credit offerings, tailored savings, and investment products, we provide the financial support and strategic guidance essential for helping businesses thrive.



Key Offerings

- + TReDS (Trade Receivables Electronic Discounting System)
- + QR Loan
- + Udyog Saral Loan
- + MSME GST Power
- + MSME Business LAP
- + MSME Udyog Loans
- + Micro Enterprise Loan (MEL)
- + Vyapar Vikas Yojana (VYY)

SDG Linkage



₹5,577.14 million
Asset Book

2,106
Customer Base

0.70%
Revenue Contribution

Growth Drivers

- + Strengthened the role of Small Finance Banks in bridging India's persistent small-ticket loan gap, particularly for rural and semi-urban MSMEs, where limited formal lending access continues to constrain low-income, self-employed segments.
- + Adoption of tech-driven, data-analytics-based underwriting for faster and more inclusive credit flow.
- + Global shift towards green/sustainable MSME financing solutions, enhancing product innovation opportunities.



Micro Banking

Our Micro Banking products are crafted to bridge the gap between aspiration and access, especially for underserved and unbanked segments. Designed with a strong focus on financial inclusion, these offerings prioritise financial inclusion by providing credit, savings, and insurance solutions that cater to the diverse needs of individuals and small businesses. Through innovative products and a community-focused approach, ESAF Small Finance Bank empowers customers to achieve financial stability, drive entrepreneurial growth, and uplift their quality of life.



Key Offerings

- + Microfinance Loans
- + Other Microloans

Growth Drivers

- + Revival of micro-enterprises and tourism-linked sectors post-pandemic has spurred increased credit demand.
- + Strengthened cybersecurity framework to safeguard digital micro banking infrastructure amid evolving threats.
- + Strategic investments in AI, machine learning, and fintech partnerships are improving operational efficiency and transforming microloan delivery.

SDG Linkage



₹97,046.58 million
Asset Book

32,91,363
Customer Base

59.08%
Revenue Contribution



Retail Assets

We take pride in our Retail Assets segment, which is thoughtfully designed to cater to the financial needs of individuals and families. Whether it is housing, vehicle, or personal loans, we offer accessible and flexible solutions that empower dreams and support growth. With a strong commitment to affordability and customer satisfaction, we are dedicated to fostering financial independence and building lasting relationships with those we serve.



Key Offerings

- + Dream Housing Loans
- + Affordable Housing Loans
- + Loan Against Property
- + Dream Education Loans
- + Lease Rental Discounting
- + School Loans
- + Two-Wheeler Loans
- + Car Loans
- + Light Commercial Vehicle Loans
- + Personal Loans
- + Clean Energy Loans
- + Salary Overdraft
- + Easy Gold Loans
- + Agri Gold Loans

SDG Linkage



₹83,636.63 million

Asset Book

1,93,954

Customer Base

17.45%

Revenue Contribution

Growth Drivers

- + Continued expansion in gold loans, Loans Against Property (LAP), business loans, and agricultural lending is steadily diversifying the portfolio and reducing reliance on the Microfinance Institution (MFI) segment.
- + Gold loan disbursements increased by 98% year-on-year in FY 2024-25, accounting for 29% of the total loan book as of March 2025.
- + Geographic diversification efforts led to a reduction in single-state concentration (Kerala, Tamil Nadu, and Madhya Pradesh) by March 2025, thereby mitigating regional concentration risk.
- + Accelerated adoption of digital tools enhanced customer experience and operational efficiency, enabling scalable growth in retail assets.
- + Strategic shift towards secured lending—such as gold loans—reduced risk-weighted assets, indirectly reinforcing liability stability and enhancing investor confidence.



Retail Liabilities

Our Retail Liabilities segment is crafted to offer a wide array of financial products that cater to the unique needs of our individual customers. We are committed to delivering accessible and affordable banking solutions that simplify financial management while fostering long-term customer relationships. Through a comprehensive suite of offerings, including savings accounts, fixed deposits, and other liability products, we empower our customers with the right products to manage their finances confidently and pursue their financial goals with clarity and ease.



Key Offerings

Savings Account (Domestic)

- + Eleganza
- + Pradham
- + Royale
- + Mahila Sree
- + Senior Citizen
- + Pragati
- + Lalit Plus and Lalit
- + Student
- + Balajyothi
- + Krishak Bandhu
- + Zero Balance

Savings Account (NR)

- + SB NRE/NRO Pragati
- + SB NRE Royale
- + SB NRE/NRO Eleganza

Debit Card

- + Classic Debit Card
- + Platinum Debit Card

Current Account

- + Diamond
- + Premium
- + Classic
- + Basic

Term Deposits

- + TD (Normal)
- + TD (Hrudaya)

Growth Drivers

- + Continued investments in technology to elevate customer experience and operational efficiency, supporting sustained deposit mobilisation.
- + CRAR stood at 21.84% as of March 2025, ensuring regulatory compliance and strengthening depositor trust.
- + 4,53,170 lakh new customers onboarded in 2024-25, driving growth in retail liabilities and expanding the depositor base.

SDG Linkage



₹2,32,764.4 million

Asset Book

20,64,963

Customer Base

2.00%

Revenue Contribution

OPERATING ENVIRONMENT

Shifting Landscapes. Evolving Frontiers.

In FY 2024-25, we operated in a rapidly evolving environment shaped by economic shifts, policy changes, and digital acceleration. As customer expectations grew and financial inclusion deepened, we remained agile and purpose-driven, viewing these changes not as challenges but as opportunities to innovate and lead. We responded proactively to fluctuations in interest rates, liquidity dynamics, and regulatory developments, all while staying anchored to our mission. In doing so, we continued to evolve in step with the changing contours of India's financial ecosystem, reinforcing our relevance and resilience.

Product Diversification

Small Finance Banks are steadily expanding beyond their traditional focus on microfinance by offering a wider range of retail products such as Vehicle Loans, Business Loans, Loans Against Property (LAP), Gold Loans, and housing finance. This strategic diversification is helping them reduce dependence on unsecured lending while tapping into new customer segments and revenue opportunities. As a result, their portfolios are becoming more balanced and better equipped to withstand sector-specific disruptions.

Segmental and Geographical Expansion

SFBs are driving growth by actively expanding into new customer segments and underserved geographies. A growing focus on small businesses, MSMEs, and semi-urban or rural markets, where formal credit access remains limited, is fuelling this momentum. As traditional microfinance growth moderates, these efforts are helping sustain strong credit expansion.

Improved Funding Mix

SFBs have been steadily increasing their share of Current Account and Savings Account (CASA) deposits, leading to a more balanced and cost-effective funding mix. This shift is helping to stabilise funding costs, and provide a stronger foundation for sustainable growth, even amid heightened competition for deposits.

Alternative Funding Strategies

Facing challenges in deposit mobilisation, SFBs are increasingly turning to alternative funding sources beyond traditional deposits. Market borrowings and co-lending partnerships are emerging as key avenues, offering additional capital to sustain credit growth and maintain liquidity flexibility.

Technological and Digital Innovation

SFBs are making significant strides in leveraging digital platforms and technology-led processes to drive efficiency and scale. From enhancing customer acquisition and streamlining operations to strengthening risk management, this digital focus is helping them reach new customer segments, particularly in underserved and remote areas.

Favourable Policy Environment

Supportive government initiatives and regulatory measures, ranging from MSME schemes to rural credit expansion and digital financial inclusion, are providing a conducive environment for SFBs to grow. These policies enable SFBs to better serve priority sectors while aligning their efforts with broader national financial inclusion objectives.

Decreasing Gap between Rural and Urban Areas

The narrowing gap between rural and urban areas is a significant growth driver for Small Finance Banks. As rural markets become more connected and economically active, there is a growing demand for a wide range of financial products and services. This rural-urban convergence not only strengthens the financial inclusion agenda of SFBs but also opens up new avenues for sustainable business growth, driven by rising rural consumption, entrepreneurship, and investment.

STRENGTHS

Inclusive Finance. Impactful Reach.

Our strengths are rooted in a clear purpose: to bridge financial gaps and unlock pathways to prosperity for all, especially, underserved communities. With deep insight into grassroots realities and a relationship-driven approach to banking, we deliver inclusive financial solutions that are both meaningful and sustainable. Our expansive distribution network, agile operating model, and rapidly scaling digital infrastructure position us to meet evolving customer needs with speed and relevance. In doing so, we continue to build trust, broaden access, and strengthen long-term financial resilience across India.

Our success lies in our commitment to the principles of servant leadership, integrity, innovation, and inclusivity. Among these, servant leadership stands as our defining core value, deeply

embedded in the essence of our service and setting us apart. These guiding principles form the very foundation of ESAF Small Finance Bank, shaping our journey through challenges while charting

a course for sustainable growth. They continue to strengthen our enduring relationships with valued stakeholders, ensuring resilience and purpose in all we do.

Multi-Nodal Delivery Channels

We provide efficient and accessible customer service through multiple channels tailored to meet diverse needs. Our extensive Business Correspondent (BC) network offers a dual advantage, enabling a deeper understanding of customer requirements while ensuring hassle-free doorstep banking for microloan customers. Additionally, our advanced digital platforms, including internet and mobile banking, reflect our commitment to staying at the forefront of technological advancements in the banking industry. Complementing these efforts is our growing ATM network, focusing on rural areas, which further enhances accessibility and convenience for our valued customers.

693
ATMs

35
Institutional Business
Correspondents

32.42%

Gross Advances Sourced through Business
Correspondents

Strong Rural and Semi-Urban Banking Franchise

In rural and semi-urban areas, where banking credit penetration remains limited, we have built a strong and meaningful presence. Our efforts are directed towards channelling advances to these underserved regions, addressing their unique financial needs. Simultaneously, we are focused on strengthening our liability profile by engaging with and targeting customers in these areas, thereby fostering financial inclusion and sustainable growth.

52%

Customers in Rural and Semi-Urban Areas

66%

Banking Outlets in Rural and Semi-Urban Areas

Continued Focus on Secured Asset Portfolio

By catering to a wide spectrum of customer segments, from micro-enterprises and Self-Help Groups to SMEs and individual borrowers, we ensure financial access across various strata of society. This focused diversification mitigates risks and enhances our resilience against market volatilities. Each loan is tailored to address the specific needs of our customers, enabling us to build stronger communities and foster economic empowerment.

Our strategic shift towards a more secure, risk-mitigated lending portfolio is evidenced by the significant rise in secured disbursements. By prioritising secured lending, we have effectively reduced risk exposure, improved capital efficiency, and ensured sustainable growth, aligning with our long-term financial objectives. This transition reinforces our commitment to prudent lending practices, building confidence among stakeholders and investors.

₹64.36 million
Growth in Gross Advances

4.44%
Revenue from Agricultural Loans

14.43%
Revenue from Retail Loans

3.72%
Revenue from MSME Loans & Loans to
Financial Institutions

59.08%
Revenue from Microloans

85%
Secured Disbursement

11.97%
Revenue from Gold Loans

Robust Funding Profile and Healthy Capital Adequacy

With a robust funding profile rooted in stable deposits, diversified borrowings, and strategic financial instruments, we have built a reliable and adaptable financial foundation. Coupled with a strong Capital Adequacy Ratio, this solid base empowers us to effectively manage risks, drive growth, and uphold financial stability. These strengths underline our ability to deliver consistent value while navigating an evolving economic landscape.

₹34,086.36 million
Deposits Growth

₹2,16,534.40 million
Retail Share of Deposits

17.58%
Tier-1 Capital

4.26%
Tier-2 Capital

7.6%
Cost of Funds

Technology-Driven Model with an Advanced Digital-Centric Approach

We have embarked on a comprehensive technology transformation journey to enhance our customers' experience more cost-effectively. This initiative involves a complete overhaul of our technological infrastructure, aimed at improving every facet of our operations, all while adhering to regulatory standards. By embracing advanced digital solutions, we are focused on delivering a seamless and highly personalised banking experience for our customers.

Digital Measures

Digitalised Central CPU

Customer Servicing

Cashless Disbursement

Reduced TAT

E-Sign

Customer-Centric Approach

Our customer-centric philosophy is reflected in our diverse suite of products, thoughtfully designed to meet evolving lifecycle needs. This is complemented by proactive service initiatives aimed at enhancing the overall experience through the timely and effective resolution of queries. Our continued focus on responsiveness and care underscores our commitment to building trust and nurturing long-term customer relationships

24*7 Call Centre

Doorstep Banking

Customer Service Quality Department

Community-Building Programmes

Prudent Risk Management

Our robust risk management architecture provides vigilant oversight and proactive mitigation of potential risks. Anchored in a comprehensive framework, it emphasises the timely identification, assessment, mitigation, control, monitoring, and reporting of risks across the organisation. Enabled by advanced Management Information Systems (MIS), we capture and analyse critical data to support informed, risk-aware decision-making. Complementing this, our rigorous internal controls ensure operational integrity, regulatory compliance, and organisational resilience, positioning us to navigate an increasingly dynamic risk environment with confidence.

Concentration Reduction on Individual Business Correspondents

Competitive Product Lineup

We take pride in offering a comprehensive range of trusted banking products and services, positioning ourselves as the preferred choice for our customers. Through innovation, reliability, and customer-first solutions, we consistently deliver exceptional value and meet diverse financial needs.

Agri-Lending

MSME

Micro Assets

Retail Assets

Retail Liability

Third-Party Products

Other Services

Credit Cards

Experienced Management Team and Professional Board

Our Bank benefits from an experienced management team and a high-quality Board, both of which are key drivers of our success. The Board comprises distinguished leaders from diverse fields, providing strong governance and facilitating effective decision-making. Their collective expertise and deep industry knowledge empower us to navigate challenges with confidence and seize growth opportunities, thus solidifying our standing as a trusted and respected financial institution

11
Directors

Deep Understanding of Business Correspondent Model with Reduction in BC Concentration

Our Business Correspondents (BCs) operate on a non-exclusive basis, offering a broad range of products, including microfinance loans, microloans, mortgage loans, mobility loans, MSME loans, agricultural loans, and select deposit products. They also play a critical role in sourcing and managing banking agents. As of 30th June 2024, ESMACO was responsible for approximately 49.62% of our Bank's total gross advances and 70.54% of the gross advances handled by all our institutional BCs. However, starting July 01, 2024, our Bank discontinued certain aspects of the business correspondence services previously provided by ESMACO.

94.15 lakh
Customers

Large, Loyal, and Consistently Growing Customer Base

Our Bank has consistently demonstrated the capabilities of a full-service financial institution, guided by a well-defined strategy that reflects our commitment to financial inclusion and serving customers at the bottom of the pyramid. At the core of this approach lies a strong emphasis on the retail segment, guided by our 'Right for Customers' philosophy, an ongoing commitment to aligning offerings with customer needs and risk profiles. By strategically leveraging our expansive branch network, Business Correspondent (BC) model, and digital platforms, we aim to deepen our presence across diverse ecosystems. Our focus remains on expanding our customer base through savings, investment, and credit products, while enhancing value through seamless cross-selling of tailored financial solutions

12.43%
Growth in Customers

STRATEGIES

Reimagining Finance. Accelerating Progress.

We are reimagining the future of finance through a strategic focus on innovation, inclusion, and sustainable growth. Our strategies are centred on delivering personalised financial solutions that elevate customer experiences, thus expanding our reach to underserved communities and leveraging advanced technology to optimise operations. By diversifying our services and maintaining a commitment to responsible banking, we are positioning ourselves for long-term market leadership. Our initiatives are aimed at contributing to the broader financial ecosystem, ensuring financial stability and creating a foundation for accelerated progress.

Strategy	Description	Key Capitals Involved	Key Stakeholders Involved
 Increase Deposits	- Target new & existing customers for CASA, fixed deposits, and recurring deposits by focussing on customer service & offering competitive pricing. - Appoint dedicated Relationship Managers (RMs) to target High-Net-Worth Individuals (HNI) customers. - Focus on regions with high NRI remittance potential by launching targeted deposit mobilisation campaigns around festivals, conducting customer acquisition activities at airports and malls, and partnering with remittance service providers to channel remittances into deposits	 Financial Social & Relationship Natural	- Customers - Investors/ Shareholders - Government/ Regulators
 Increase Advances	- Cross-selling and up-selling to customer base. - Increase advances by targeting agriculturists/small farmers, salaried employees, and students, among others, in small towns/rural India. - Offer personalised loan products to salaried account holders. - Help microloan customers to grow their business with additional funding. - Expand the customer base for small-ticket term loans. - Increase supply chain finance by partnering with fintech/tech platforms to find more customers for its working capital loans. - Appoint agri Relationship Officers (ROs) in more states. - Establish partnerships with more Farmer Producer Organisations (FPOs) to expand agri-lending outreach. - Strengthen on portfolio collection. - Enhance asset quality to maintain a healthy advances portfolio.	 Social & Relationship Natural Human	- Business Partners/ Suppliers - Communities - Investors/ Shareholders - Customers - Employees - Government/ Regulators
 Deeper Penetration	- Open additional branches and ATMs, and encourage the existing & new BCs to go deeper in existing states. - Continue opening branches in urban and semi-urban areas, taking into account aggregate deposits, deposit growth, number of urban households, households with banking access, share of PSU deposits, and total NRI remittances.	 Manufacturing Social & Relationship Financial	- Customers - Employees - Communities/ NGOs
 Increase Fee Income	- Expand third-party product and service offerings, like mutual fund distribution and other fee-based offerings. - Plan to offer bank guarantees and letters of credit to MSMEs. - Commission income from Treasury/Forex Business.	 Financial	- Investors/ Shareholders - Government/ Regulators
 Leverage Technology and Customer Data Analytics	Enhance technology platforms such as Internet Banking, Mobile Banking, ATMs, customer service applications & payment interfaces, as it enables us to perform more reliable data analytics, resulting in more efficient risk management processes & targeted customer profiling.	 Manufacturing Financial Social & Relationship Intellectual Capital	- Customers - Employees - Communities/ NGOs

BUSINESS MODEL

Transforming Services. Enabling Impact.

At ESAF, we are dedicated to reshaping financial services to drive measurable impact across communities. We provide equal banking opportunities for individuals across diverse social, economic, and cultural backgrounds. Guided by a customer-centric approach, our focus remains on delivering meaningful outcomes, particularly for underserved and unserved segments, by bridging gaps in access and inclusion.

By offering a comprehensive range of financial products and services tailored to meet the unique needs of each customer, we are not only supporting their financial aspirations but also empowering them to achieve their goals. Our commitment goes beyond

just banking, as we align our operations with the Sustainable Development Goals (SDGs), ensuring long-term sustainability and positive transformation within the Bank and the communities we serve.

1 Our Key Partners



Collaboration is central to our growth strategy and service delivery model. We actively engage with a broad ecosystem of partners, including Business Correspondents (BCs), Insurance Providers, Asset Management Companies (AMCs), stockbrokers, the Pension Fund Regulatory and Development Authority (PFRDA), and the Unique Identification Authority of India (UIDAI), to extend our reach and broaden our suite of offerings. These alliances enable us to deliver integrated financial solutions that cater to diverse customer needs. Additionally, our partnerships with system integrators and fintech innovators allow us to embed cutting-edge technology into our operations, enhancing accessibility, efficiency, and overall customer experience.

3 Value Proposition

Our value proposition lies in our identity as a Social Bank dedicated to fostering financial inclusivity. We are steadfast in providing equal banking opportunities to all, transcending social, economic, and cultural differences. By focusing on underserved and unserved segments, we deliver client-centric financial products and services that create meaningful and lasting impacts. Our comprehensive range of banking solutions caters to the life cycle needs of our customers, ensuring financial security at every stage.

2 Our Key Activities



Our core activities revolve around lending, deposit mobilisation, and the distribution of third-party products, complemented by ancillary services tailored to meet our customers' diverse financial needs. Strengthening our liability base is a cornerstone of our strategy, with a dedicated focus on enhancing our retail presence through increased Current Account and Savings Account (CASA) deposits. We also prioritise retail deposits from High-Net-Worth Individuals (HNI) and Non-Resident Indian (NRI) customers, ensuring a balanced and sustainable growth trajectory. Additionally, sourcing micro-liabilities remains a key focus area, enabling us to build a well-rounded and resilient financial foundation.

Furthermore, our deep commitment to the Sustainable Development Goals (SDGs) underscores our efforts to drive growth that contributes to a more equitable and sustainable future for all. As a bank, we serve a diverse customer base, ranging from individuals at the bottom of the pyramid to High-Net-Worth Individuals (HNIs). In essence, we strive to be a unifying thread of financial empowerment and joy across all segments of society.

4 Key Resources



Our key resources are essential to our operations and growth. Our extensive network of 787 banking outlets spans across 24 states and 2 union territories, ensuring broad accessibility. Additionally, we have over 1,106 Customer Service Centres (CSCs) managed by our BC partners, which allow us to reach and serve even the most remote areas. Our substantial expertise in the BC model and its strategic application is a major asset. With guidance from experienced business leaders and support from skilled professionals, we continue to achieve success. Furthermore, our commitment to expanding digital products and capabilities, bolstered by a strong technology platform, enables us to provide efficient, customer-focused banking solutions with excellence.

5 Customer Relationship



Our approach to banking is rooted in responsiveness and inclusivity. We prioritise **Responsive Banking** by staying attuned to the evolving needs of our customers, ensuring that our products and services are always relevant and impactful. Our commitment to **Accessibility** drives us to extend financial services to all, including unserved and underserved populations, through diverse channels. With a customer-centric ethos, we design every process, product, and service with our customers' needs at the core.

Upholding the highest standards of **High-Quality Service**, we ensure equitable and seamless experiences for all. By leveraging advanced technology, we enhance efficiency and accessibility, offering multiple touchpoints such as banking outlets, doorstep banking, Customer Service Centres, digital platforms, and more to cater to every customer segment effectively.

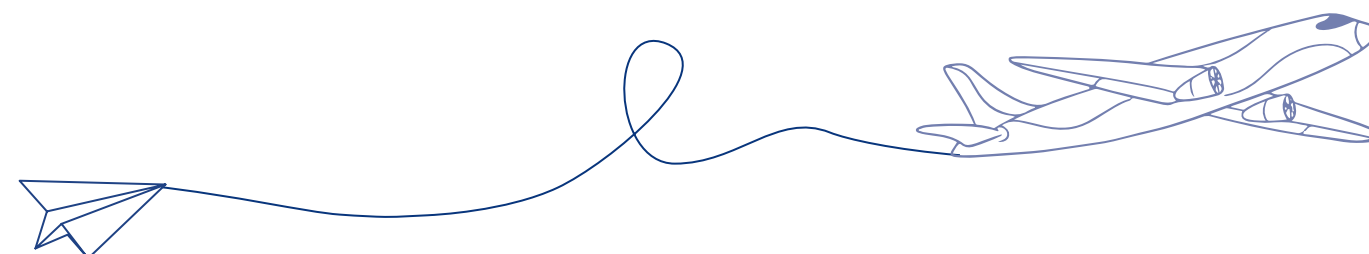
6 Customer Segments and Target Market



We aim to empower individuals and businesses across all regions / segments especially in rural and semi-urban regions, and unserved and underserved segments. Our focus includes significant areas such as MSME, agriculture, mobility, housing, and gold loans, providing customised financial solutions for various customer groups. Our outreach encompasses disadvantaged, aspirational, and middle-class households, senior citizens, small traders, migrant labourers, and small to marginal farmers. For middle-

class households, NRIs, and HNIs, we offer specialised services tailored to their distinct requirements.

In the MSME sector, we focus on aiding micro-entrepreneurs, particularly the 'missing middle'—individuals needing loans from ₹ 1 lakh to ₹ 10 lakh, a demographic frequently neglected by traditional banks. Furthermore, through partnerships with diverse financial institutions, we expand our reach and influence, promoting significant financial inclusion.



7 Channels



We utilise a diverse range of channels to effectively reach and serve our customers, prioritising convenience and accessibility. Our key channel, Branch Banking, serves as the foundation of our operations, facilitating client onboarding, relationship management, and customer service. This channel is also vital for brand promotion and building trust, utilising its physical presence to engage customers and promote additional products. In line with our growth strategy, we are geographically expanding, aiming for deeper engagement beyond Kerala and Tamil Nadu.

Complementing Branch Banking, our Business Correspondent channel drives customer acquisition, lending, and Micro Banking liability business through BC partners. Our Digital Banking platform enhances the customer journey with seamless, end-to-end, digitally driven processes. Additionally, our Direct Channel, comprising business facilitators, direct sales agents, and product sales associates, supports customer acquisition and sales. Lastly, the Agency Channel ensures last-mile financial inclusion through Micro ATMs, uplifting underserved and unbanked communities and reinforcing our commitment to financial inclusion.

8 Revenue Streams



Our diverse revenue streams form the foundation of our financial stability and growth. A significant portion of our income comes from the yields on loans and advances, showcasing our robust lending portfolio. Complementing this, we generate fee-based revenue through the distribution of third-party products, including insurance, pension plans, mutual funds,

foreign exchange services, and government schemes. Moreover, supplementary services, such as safe deposit lockers and foreign exchange transactions, further bolster our revenue base. This balanced strategy promotes sustainable growth and addresses the diverse financial needs of our clients.

9 Linkage to Sustainable Development Goals (SDGs)



Our Triple Bottom Line approach—focusing on People, Planet, and Prosperity—guides our commitment to inclusive growth and sustainable development. By prioritising livelihood and economic empowerment, we strive to create meaningful impact for low-income and middle-income segments in India. This holistic

approach allows us to foster financial inclusion while addressing our social and environmental responsibilities, ensuring long-term prosperity for our customers and communities alike.



Stakeholder Engagement

We understand that our capability to achieve outstanding customer satisfaction and create significant impact relies on ongoing engagement with all our stakeholders. This includes customers, employees, vendor partners, associates, government agencies, and communities. We promote continuous dialogue to establish trust and strengthen relationships.

Our stakeholders offer valuable feedback, insights, and perspectives that guide our decision-making and enhance our performance. By understanding their expectations, concerns, and priorities, we align our efforts to effectively meet their evolving needs.

We firmly believe that effective stakeholder engagement is crucial for generating shared value. Through active listening and collaboration, we incorporate stakeholder inputs into our strategies, ensuring sustainable outcomes that benefit our

stakeholders, drive business success, and contribute to societal advancement.

Shareholders/Investors

Key Areas of Engagement	Modes of Engagement	Engagement	Value Creation	Capitals Impacted
+ Ethical business practices and good corporate governance + Regular dividends + Sustainable performance and value creation + ESG integration into strategy and operations + Transparent reporting and disclosure	+ Annual and quarterly Investor meets/calls + Investor presentations + Annual General Meeting + Investor grievance channels + Annual Report + Sustainability Report	The Bank is committed to open dialogue and transparency, providing stakeholders with a well-rounded perspective on its progress and plans. By sharing meaningful context and comprehensive updates, we foster an environment where trust grows and informed decisions can be made.	Stable financial fundamentals despite market volatility and evolving dynamics.	+ Financial Capital + Natural Capital + Intellectual Capital + Social & Relationship Capital

Business Partners/Suppliers

Key Areas of Engagement	Modes of Engagement	Engagement	Value Creation	Capitals Impacted
+ Fair and ethical procurement and engagement practices	+ Regular meetings, seminars, and workshops	We invest considerable resources in fostering enduring relationships with our vendor partners. Our strategy prioritises responsible sourcing and sustainable practices, which strengthen supply chain resilience and cultivate mutually beneficial partnerships over time.	Creating a network of partners who exemplify ethical and forward-thinking procurement standards throughout the value chain.	+ Financial Capital + Social & Relationship Capital + Natural Capital



Employees

Key Areas of Engagement	Modes of Engagement	Engagement	Value Creation	Capitals Impacted
+ Training and development + Fair and timely remuneration + Reward, recognition, and appreciation of performance + Diverse, open, non-discriminatory, and safe working environment + Work-life balance + Internal newsletters + Creative internal engagement programmes	+ Town hall meetings + One-on-one meetings + Learning and Development workshops + Employee engagement initiatives + Learning through online modules + Digital apps for employees and collection officers + Performance appraisals	Incorporating employee insights into our overall business priorities is fundamental to our People strategy. By fostering open communication and responding to feedback, we cultivate a culture where each individual feels appreciated and aligned with our larger mission.	Nurturing growth paths while prioritising People-first practices for a fulfilling work environment.	+ Financial Capital + Intellectual Capital + Human Capital

Customers

Key Areas of Engagement	Modes of Engagement	Engagement	Value Creation	Capitals Impacted
+ Bespoke financial products and services + Competitive interest rates + Access to physical and digital channels + Seamless customer service + Secure transactions + Fair and responsive grievance redressal mechanism	+ Ongoing and regular engagement through emails, calls, SMS, WhatsApp, branches, and Relationship Managers + Social media communication + Marketing campaigns + Customer satisfaction surveys	The Bank is dedicated to creating unique offerings and carefully crafted services that cater to each customer's specific preferences. By doing so, we deliver seamless and tailored financial journeys that support individuals to make informed and confident financial decisions.	All customers gain measurable value, resulting in higher retention rates and smoother operations.	+ Financial Capital + Manufactured Capital + Social & Relationship Capital

Local Communities

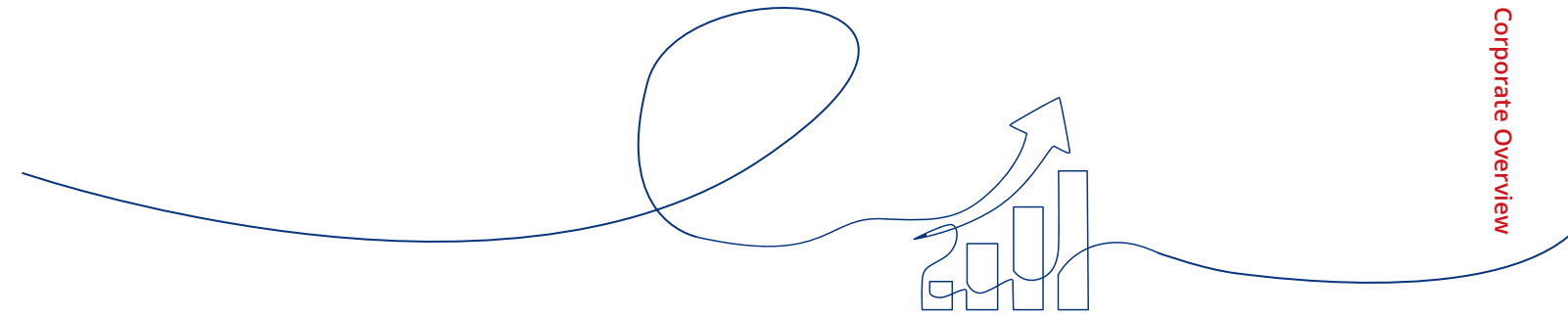
Key Areas of Engagement	Modes of Engagement	Engagement	Value Creation	Capitals Impacted
+ Social upliftment + Enhancing financial literacy + Community welfare initiatives	+ Financial inclusion and literacy initiatives + Focus on health, education, livelihood, and poverty alleviation + Employee volunteering	As a key player in livelihood banking, we prioritise eco-conscious practices and inclusive growth, fostering positive change within our communities.	Fostering positive change via meaningful CSR initiatives focused on environmental conservation, education, and skills development.	+ Natural Capital + Social & Relationship Capital + Manufactured Capital

Regulatory Authorities

Key Areas of Engagement	Modes of Engagement	Engagement	Value Creation	Capitals Impacted
+ Compliance with laws and regulations + Ethical business + Active participation in industry and regulatory working groups	+ Mandatory regulatory filings + Periodical submission of business performance + One-on-one or group meetings + Written communications	As a responsible and compliant small finance bank, we engage proactively with regulatory authorities, aligning our operations with evolving policy frameworks while upholding transparency, governance, and prudential standards to support financial stability and inclusion.	Leading by example, we actively contribute to government initiatives, ensuring full compliance with relevant laws while taking proactive steps to manage and mitigate potential risks.	+ Financial Capital + Human Capital + Natural Capital + Social & Relationship Capital + Intellectual Capital

Integrating Strengths. Advancing Growth.

We recognise that the long-term sustainability and growth of our business are intrinsically linked to the effective management of the six capitals we oversee. These capitals serve as the foundation for value creation across our stakeholder ecosystem, which includes customers, employees, investors, and communities. We view them as interdependent and integral to our strategic priorities, reinforcing our commitment to responsible and sustained performance.



Financial Capital

Our financial capital is fundamental in driving our operations, investments, and expansion plans. It allows us to meet the financial needs of our customers, including savings, loans, and other banking products. Our ability to manage financial capital efficiently ensures the stability and growth of our Bank. We are committed to maintaining a strong balance sheet, robust liquidity, and a focus on profitability to create long-term value for our shareholders.



Manufactured Capital

Manufactured capital refers to the physical infrastructure and assets that enable us to deliver our banking services. This includes our branches, ATMs, data centres, and technology systems. We continuously invest in upgrading our infrastructure to ensure seamless and efficient service delivery to our customers. By leveraging advanced technology, we enhance the customer experience, ensure the security of financial transactions, and streamline our operations. Our commitment to maintaining high-quality, reliable, and secure infrastructure allows us to support the growing needs of our customers while maintaining operational excellence.



Intellectual Capital

We focus on creating a robust intellectual foundation through innovation, R&D, technology, and digital transformation. By leveraging advanced analytics, AI, and data-driven insights, we offer personalised financial solutions tailored to customer needs. We continuously enhance our products and services to meet the evolving demands of the market. Our team of thought leaders and domain experts drives this transformation, fostering a culture of continuous learning and innovation. Additionally, intellectual capital plays a crucial role in developing strong regulatory compliance and risk management frameworks, ensuring the security and resilience of our operations.



Human Capital

Our employees are fundamental to our growth. We prioritise onboarding, developing, and retaining top talent that aligns with our vision and values. Through investments in continuous learning, skill enhancement, and leadership initiatives, we enable our team to provide outstanding customer service and drive innovation. We cultivate a culture of inclusion, collaboration, and ethics, which allows us to create a positive work environment and foster a motivated workforce.



Natural Capital

At ESAF Small Finance Bank, we understand the significance of environmental sustainability in our operations. We aim to reduce our environmental impact by implementing energy-efficient technologies, minimising waste, and encouraging eco-friendly practices. Our dedication to natural capital embodies our duty to safeguard the planet and contribute to a sustainable future. Additionally, we support green financing options for businesses and individuals that prioritise environmental conservation.



Social and Relationship Capital

As a customer-centric institution, we prioritise building strong, enduring relationships with our customers, communities, and partners. By focusing on customer satisfaction, transparency, and integrity, we reinforce these connections and bolster our market reputation. Additionally, through strategic partnerships with community groups, government entities and not-for-profit organisations, we actively support financial inclusion and socio-economic growth in underserved communities, especially in rural regions.





Financial Capital

Growing Prudently.

ADVANCING ASPIRATIONS.

At ESAF Small Finance Bank, financial capital transcends mere numbers; it is fundamental to our mission of promoting financial inclusion, creating livelihoods, and fostering sustainable, inclusive growth. Through carefully crafted financial products that cater to a variety of needs, we equip individuals and businesses with the resources necessary for investment, growth, and success.

We channel our financial capital with a strong focus on responsibility and impact, guided by the following principles:

- We actively work to bridge financial gaps by extending inclusive and accessible banking services to unserved and underserved communities.
- We support Joint Liability Groups (JLGs) and women-led enterprises with capital that powers both social progress and economic empowerment.
- Our lending practices are rooted in responsibility, and we promote sustainability through green loan offerings that support environmentally positive initiatives.

- Financial decisions are aligned with our ESG framework, ensuring that capital deployment contributes meaningfully to sustainable development.

Our strategy for financial capital focuses on broadening our lending and investment portfolio, establishing robust risk management frameworks and utilising technological advancements and innovation. These initiatives are designed to improve operational efficiency, enrich customer experiences, and create a sustainable, profitable business model that delivers both immediate and long-term value to all stakeholders.

Stakeholders Impacted

- Employees
- Customers
- Communities
- Investors and Shareholders
- Regulatory Authorities
- Business Partners/Suppliers

SDGs Impacted



A Theatrical Recipe for Success

Sheela Bajju, hailing from Anandapuram in the Thrissur district, discovered her passion for acting at 18 and pursued professional theatre throughout Kerala. Her dedication to the craft, supported by her husband Bajju—who is also her creative partner—earned her accolades and admiration. Their scripts, centred on modern issues and values, resonated widely. However, theatre alone could not provide a stable income.

With performances limited to festive seasons, Sheela struggled to support her family of six, which included her husband, two children, and elderly mother. To supplement their income, she took on seasonal jobs and eventually turned to cooking—another skill in which she excelled. Upon a friend's suggestion, she started making and selling achappam door-to-door.

Recognising potential, Sheela sought a loan from ESAF Small Finance Bank to grow her small business. Her prompt repayments enabled her to secure additional loans, allowing her to increase production and distribute her products to local stores. Her brand, Shraddha, expanded to offer kuzhalappam, murukku, and laddu, catering to the customers in Ernakulam, Thrissur, and Malappuram districts.

Throughout her nine years at ESAF Small Finance Bank, Sheela's business has thrived. Today, she supervises 16 employees, many of whom come from similar backgrounds, and she earns more than ₹ 1,00,000 in monthly profits. Honoured with ESAF's Best Women Entrepreneur Award, Sheela continues to have ambitious dreams – such as constructing a new home for her family and supporting her children's education, with one studying abroad and another in Bangalore. Despite her business achievements, Sheela remains active in theatre, which used to be her passion.

Catalyse. Elevate. Thrive.



Manufactured Capital

Utilising financial resources allows us to consistently enhance our infrastructure. This encompasses upgrading branch locations, improving ATMs, and creating more user-friendly digital platforms. Such enhancements lead to improved customer experiences and loyalty, increased operational efficiency, and the capacity to expand services as the Bank evolves.



Intellectual Capital

Financial performance gives us the ability to invest in Research and Development, enabling us to create new technologies and innovative financial products. These investments in intellectual capital, including the recruitment of thought leaders, drive a culture of innovation within the Bank. This allows us to stay ahead of market trends and deliver personalised, AI-driven services that meet evolving customer expectations.



Human Capital

Financial success enables us to invest in our team, helping us build a strong, skilled workforce. We provide training and development opportunities, ensuring our employees are equipped to meet evolving customer needs and comply with regulatory requirements. From leadership training to skills development, we cater to training requirements across cadres. This, in turn, improves service delivery and strengthens customer satisfaction.



Social and Relationship Capital

A healthy financial position allows us to build stronger relationships with our customers, employees, and communities. We can use financial resources to foster customer loyalty, expand our customer base, and contribute to community development initiatives. Additionally, our financial stability allows us to offer microfinance solutions and other services that improve social welfare.

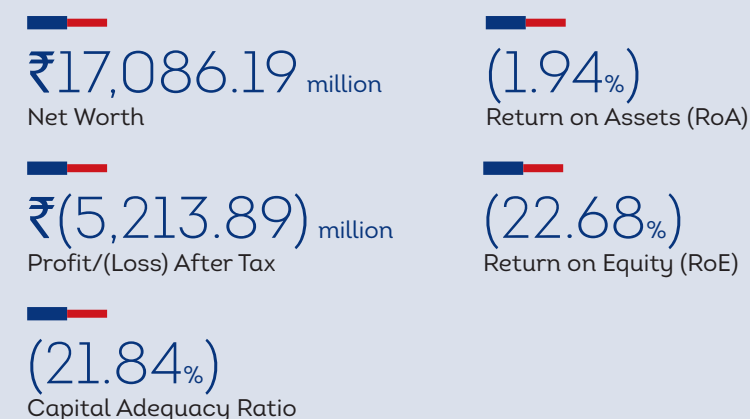


Natural Capital

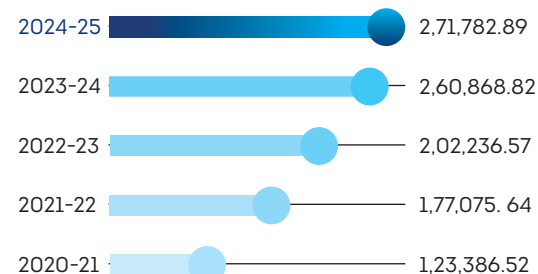
With the right financial resources, we can invest in sustainable business practices that reduce our environmental footprint. Through responsible financial management, we can introduce green banking initiatives, implement energy-efficient solutions in branches, and promote digital banking services that minimise paper use.



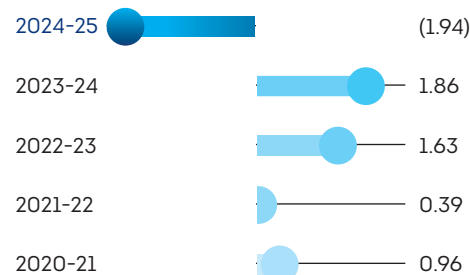
Key Performance Indicators (KPIs)



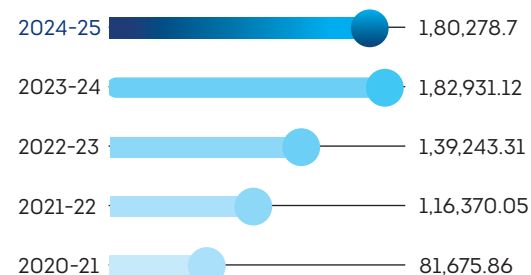
TOTAL ASSETS (₹ in million)



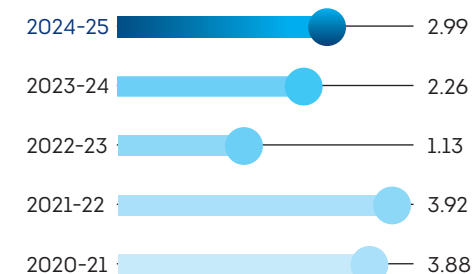
RETURN ON ASSETS (in %)



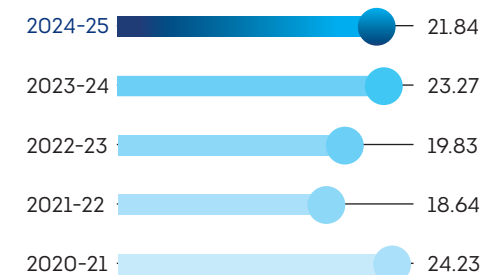
NET ADVANCES (₹ in million)



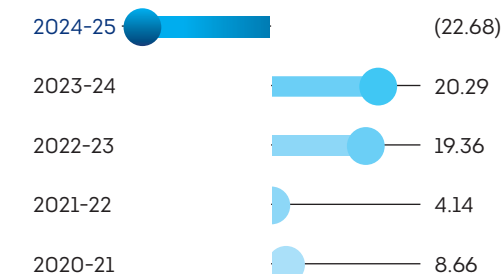
NET NPA (in %)



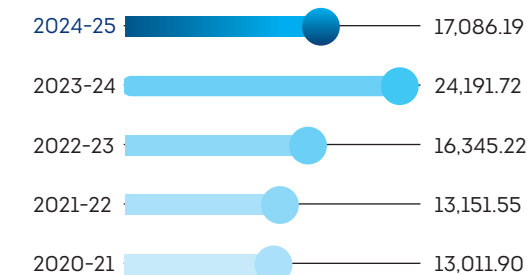
CAPITAL ADEQUACY (in %)



RETURN ON EQUITY (in %)



NET WORTH (₹ in million)



Economic Performance (₹ in million)

Particulars	2024-25	2023-24
Direct economic value generated: Net Total Income	25,186.19	28,115.18
Economic value distributed		
Operating costs	24,964.00	18,658.81
Employee wages and benefits	6,600.75	3,629.74
Payments to providers of capital (Dividends)	360.35	-
Provision for Current Tax Expense	(1,715.82)	1,448.45
Corporate Social Responsibility (CSR)	190.80	122.5
Economic value retained	(5,213.89)	4,255.68



Manufactured Capital Strengthening Resources.

ENABLING SCALABLE SOLUTIONS.

Our mission is to provide accessible financial services to unserved and underserved communities, contributing to the building of a resilient economy. With each new branch/ BCs, ATMs, and Micro ATMs, we establish in emerging locations, we move closer to serving the people in the last mile, making banking a source of empowerment and joy.

For a social bank like ESAF Small Finance Bank, the development of technology and the creation of strong infrastructure are key to community advancement. We are committed to supporting those in remote areas through various initiatives, such as Micro ATMs (a step towards digital banking) and financial literacy programmes. These efforts reflect our ongoing commitment to financial inclusion and community development. Our progress towards becoming India's leading social bank is strengthened by every ATM installed and each digital innovation we embrace.

Poised to become one of the country's leading one-stop small finance banks, we combine

advanced technology with robust processes to uplift communities. Our extensive network, with a strong foothold in semi-urban and rural regions, reflects our dedication to catering to diverse communities. Guided by a mandate to allocate 25% of our operations to unbanked rural areas, we have gone above and beyond, dedicating 66% of our services to these underserved regions. This achievement underlines our commitment to empowering marginalised populations and advancing our mission of fostering financial inclusion.

Stakeholders Impacted

- Employees
- Customers
- Communities
- Investors and Shareholders
- Regulatory Authorities
- Business Partners/ Suppliers

SDGs Impacted



Scan this QR Code

From Cash to Clicks

We are deeply committed to driving financial inclusion, believing it to be the key to national progress through grassroots development. As part of this mission, we launched a digital transformation initiative in Veliyankode, a coastal village in Malappuram, Kerala, focusing on improving digital literacy and financial competencies.

Nima, the Customer Service Manager at the Veliyankode branch, spearheaded a project to digitise our Bank's operations, working under the leadership's guidance. Her team, including Customer Service Officers (CSOs) Shameena, Neethu, and Muneera, worked diligently to implement the transformation. Previously, the cash collection process was manual, leading to delays and inefficiencies as it required personal interactions for each transaction.

To address this, the team launched a digital awareness campaign, engaging face-to-face with members to introduce digital payment methods. They set up a WhatsApp group to offer real-time support and maintain connections with the Sangam members. A tracking system was also implemented to monitor digital adoption and ensure the complete transition to digital payments.

The outcome has been impressive: Sangam members now enjoy instant money transfers from anywhere, with enhanced payment security and convenience, ensuring both efficiency and satisfaction within the community.

Catalyse. Elevate. Thrive.



Financial Capital

By ensuring that our infrastructure, technology, and physical assets are well-maintained and optimised, we reduce operational costs and maximise profitability. Efficient use of manufactured capital enables us to improve cost-effectiveness, increase revenue, and ensure financial sustainability.



Intellectual Capital

The utilisation of advanced technology and well-designed systems feeds directly into the development of intellectual capital. By investing in high-performing infrastructure, we create opportunities to innovate and improve processes, leading to the generation of new ideas, patents, and technologies that differentiate us in the market.



Human Capital

A robust and efficient infrastructure translates to a smoother working environment for our employees. The improved performance of manufactured capital reduces bottlenecks and enhances productivity, empowering our team to focus on delivering quality services to our customers. It also enhances job satisfaction and retention rates by providing employees with tools and resources that help them perform better.



Social and Relationship Capital

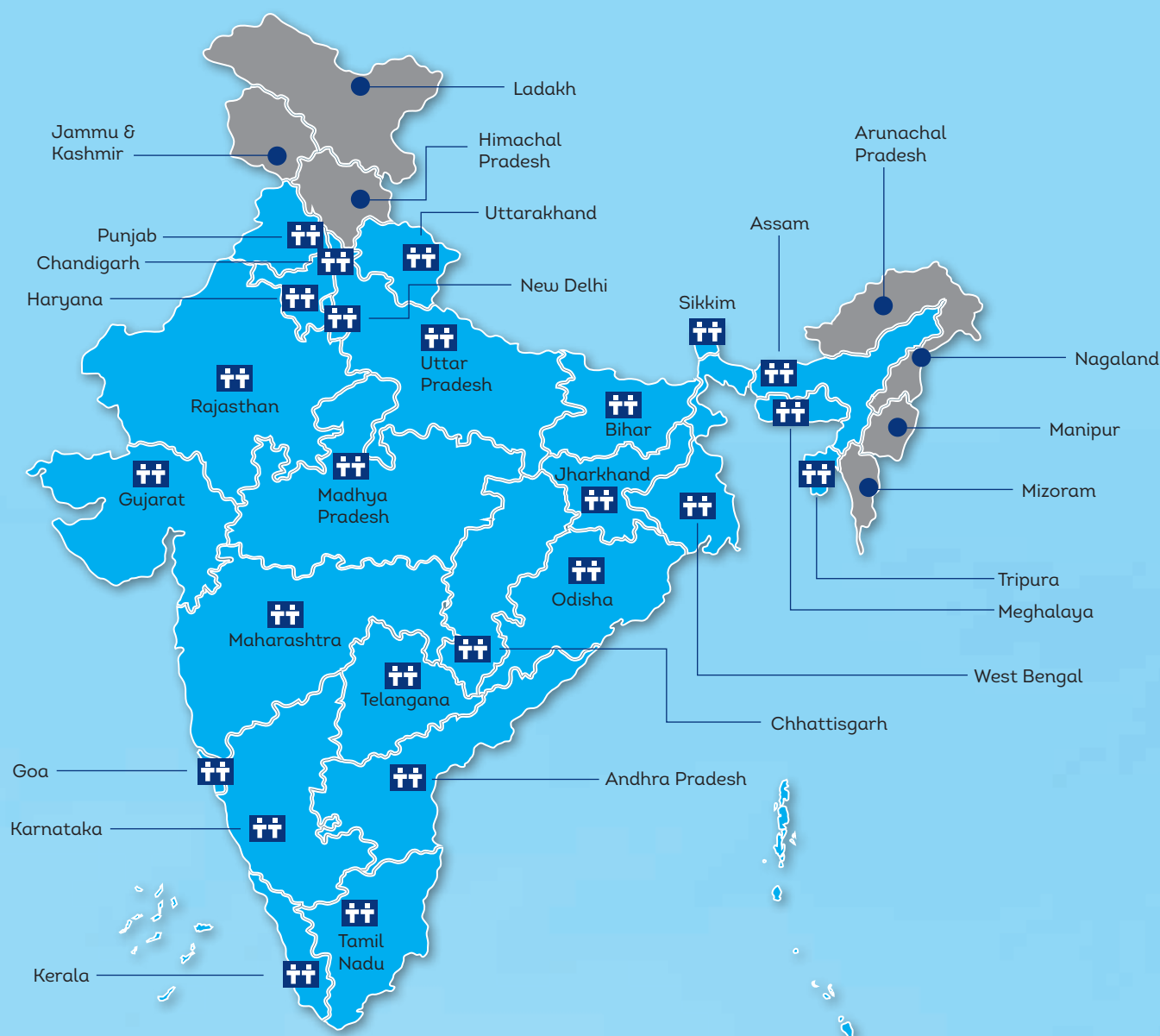
Efficient performance in manufactured capital also helps build trust and credibility within the communities we serve. By providing timely and reliable services backed by state-of-the-art infrastructure, we create stronger relationships with customers, partners, and stakeholders. This, in turn, enhances our reputation and strengthens our social capital, enabling us to form new partnerships and collaborations.



Natural Capital

Efficient use of resources in our manufactured assets directly impacts our environmental footprint. By optimising energy usage, reducing waste, and implementing sustainable practices, we contribute to preserving natural resources. This commitment to sustainability not only lowers operational costs but also aligns with our responsibility towards the environment, enhancing our standing as a forward-thinking and environmentally-conscious bank.

Key Performance Indicators (KPIs)



Empowering Change

We utilised our manufactured capital to launch an all-women branch that is redefining economic empowerment in communities where women have long faced barriers to financial independence. Comprising a team of four dedicated women—Branch Manager, Teller, Gold Loan Officer, and Sales Officer—this branch defies conventional stereotypes and demonstrates outstanding leadership, unity, and efficiency.

The team works tirelessly to provide vital banking services to those in need, especially focusing on women in the community. With a customer base predominantly made up of women, the branch supports daily wage workers and homemakers—who constitute 60% of the clientele—helping them achieve financial independence. Despite its small size, the branch has excelled in competitive environments. For example, during the Festive Dhamaka campaign, the branch surpassed expectations and emerged as

one of the champions, earning an international trip. Currently, they are also leading in a Life Insurance campaign, showcasing their ability to motivate and inspire excellence. Working at ESAF Small Finance Bank has become a source of pride for this team, who draw inspiration from the Bank's growth story. Their success exemplifies how a small, women-led team can achieve remarkable results and transform lives by enhancing financial access and opportunities for all, regardless of social status.

Disclaimer: This map is a generalised illustration only for the ease of the reader to understand the locations, and it is not intended to be used for reference purposes. The representation of political boundaries and the names of geographical features/states do not necessarily reflect the actual position. Our Company or any of our Directors, officers or employees cannot be held responsible for any misuse or misinterpretation of any information or design thereof. Our Company does not warrant or represent any kind of connection with its accuracy or completeness.



**Intellectual Capital
Digitally Agile.**

**OPERATIONALLY
STRONG.**

We have leveraged advanced technologies to create an ecosystem that not only enhances efficiency but also fosters innovation in our services. This commitment to technological progress helps us deliver sustainable solutions and improves the overall customer experience. With advanced data management systems in place, we prioritise the highest standards of cybersecurity and the protection of our customers' data privacy. Our Bank has earned the ISO 27001:2022 certification and has been recognised for its leadership in cybersecurity and privacy protection with top scores in ESG ratings.

Our technological capabilities enable us to stay ahead of industry trends, respond to evolving business needs, and maintain a competitive advantage, all while earning the trust of our stakeholders. This is why our latest technological advancements, such as the revamped mobile app and upgraded internet banking platform, are so exciting. The newly redesigned mobile app provides a seamless, secure, and user-friendly experience for our customers. We have integrated a modern platform design with a host of new features to make banking simpler and more intuitive. The goal is to offer enhanced security while providing

customers with a convenient and feature-rich mobile banking experience that reflects our commitment to continuous innovation. In addition, our upgraded internet banking platform offers a more secure and intuitive online banking experience. With improved functionality and added features, it empowers customers to manage their finances effortlessly, anywhere and anytime, ensuring the highest standards of convenience and security. These updates reflect our ongoing dedication to enhancing customer satisfaction and meeting the evolving needs of digital banking.

Bringing Banking to the Village

Seetha, a 35-year-old small grocery store owner from Daruwa, a rural village, faced daily struggles due to the lack of banking services nearby. Villagers had to travel 20 kilometres to access basic banking services, wasting valuable time and resources, particularly for small business owners like Seetha.

One day, her mother was suddenly hospitalised and required an immediate ₹ 15,000 for treatment. Panicked, Seetha realised that travelling to the town would take hours. Just then, she remembered ESAF Small Finance Bank's newly introduced Micro ATM services in the village. She quickly contacted Prafull, the Bank's Micro ATM agent, who arrived at the hospital within 30 minutes.

Using the Micro ATM, Prafull helped Seetha transfer ₹ 15,000 instantly from her account to the hospital. The process was smooth, secure, and hassle-free. Seetha's mother received the required treatment, and her condition improved.

The success of this service quickly spread, and other villagers began using the Micro ATM. Farmers could now easily deposit their crop earnings and access cash for seeds. Artisans could receive payments for their work, and small business owners like Seetha could manage finances more efficiently. Within months, the village's economy flourished as local businesses grew, thanks to ESAF's Micro ATM services.

Stakeholders Impacted



SDGs Impacted



Our focus lies in enhancing organisational agility and scalability through strategic investments in advanced technology. We aim to redefine customer experiences by harmoniously merging digital and physical touchpoints. By offering a combination of assisted, unassisted, and semi-assisted customer journeys, we are dedicated to delivering a seamless omnichannel experience that goes beyond expectations.



Catalyse. Elevate. Thrive.



Financial Capital

Intellectual capital plays a pivotal role in shaping financial performance. By harnessing our institutional knowledge, data analytics capabilities, and innovative financial products, we are better positioned to deliver customer-centric solutions. This approach not only strengthens customer engagement but also drives revenue growth, operational efficiency, and ultimately enhances the financial capital of ESAF Small Finance Bank.



Manufactured Capital

Through the application of intellectual capital, we can optimise the use of our physical assets and infrastructure. Advanced technologies and process improvements allow us to maximise the efficiency of our operations, reduce waste, and increase the effectiveness of our manufactured capital. This leads to cost savings and better use of our facilities, improving both short-term and long-term operational outcomes.



Human Capital

Intellectual capital enhances the knowledge, skills, and expertise of our workforce. By fostering a culture of continuous learning, innovation, and collaboration, we empower our employees to perform at their best. This leads to higher productivity, better decision-making, and a more engaged workforce, which, in turn improves overall human capital.



Social and Relationship Capital

Building intellectual capital also strengthens our relationships with key stakeholders—customers, partners, and the community. Knowledge-driven insights into customer needs and behaviours help us develop stronger, more personalised relationships. Our expertise in financial services builds trust and loyalty, reinforcing our social capital and improving our market reputation.



Natural Capital

As we innovate and refine our products and services, we consider sustainability and environmental impact. Intellectual capital helps us identify ways to integrate environment-friendly practices into our operations, such as offering eco-friendly products or implementing energy-efficient processes. This helps protect natural resources while contributing to long-term sustainability goals, enhancing our natural capital.

Key Performance Indicators (KPIs)

7,02,061
Total Digital Customers Registered

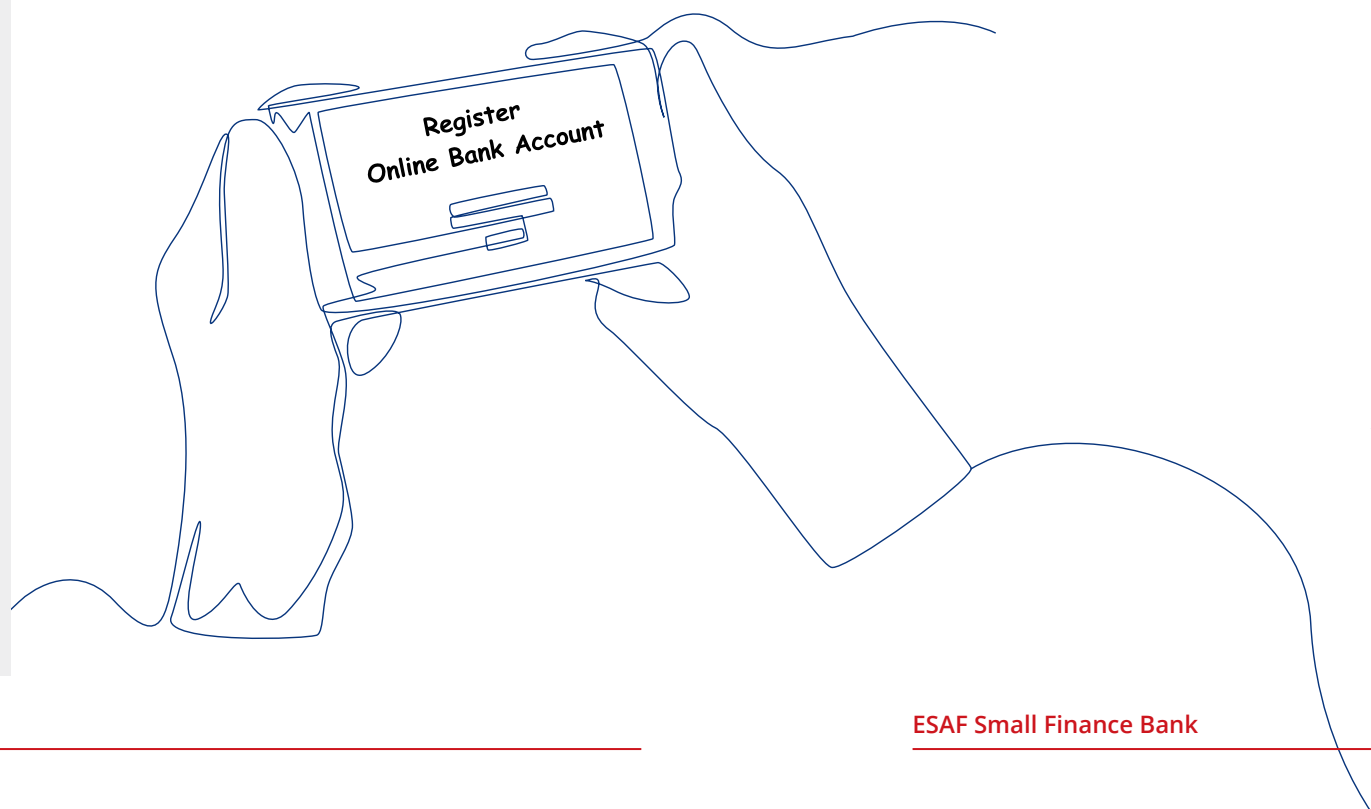
61,968*
Active Users

₹179 million
Average Transaction Value

1
Cybersecurity Incident

0
Data Breaches

*Average per month



Digital Banking and Alternate Channels (DBAC)

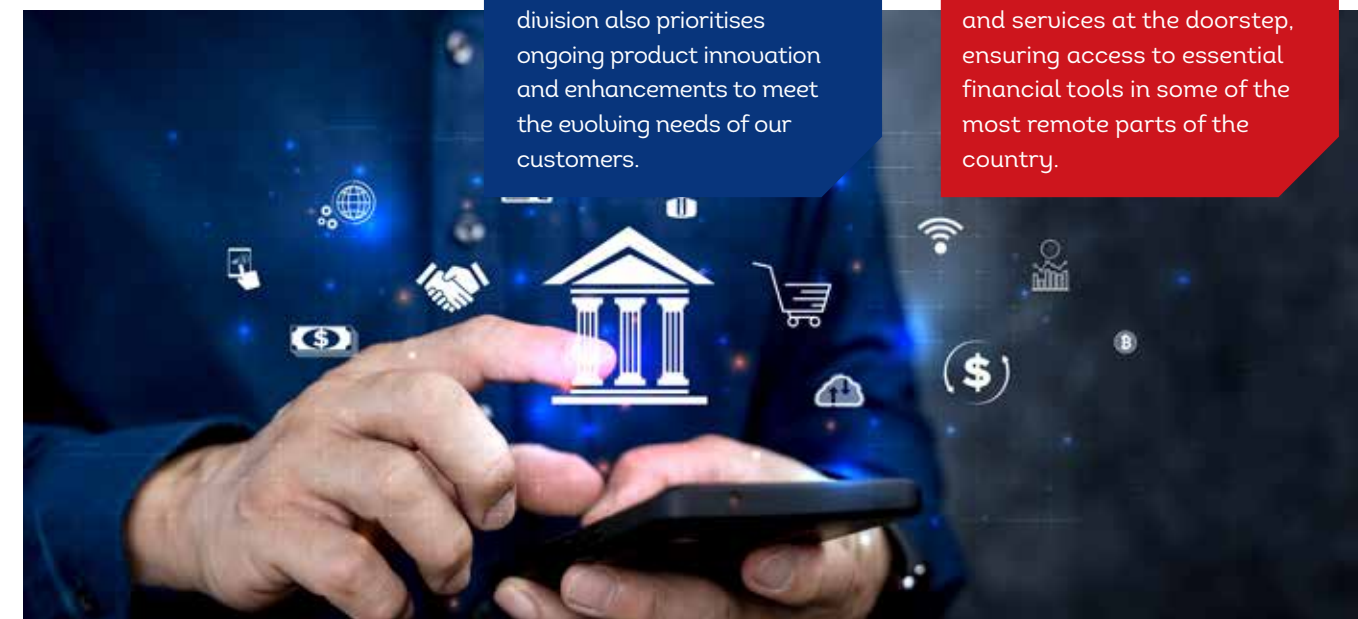
The DBAC department plays a pivotal role in driving the growth of our retail banking business through digital transformation. By continuously innovating our digital offerings, we aim to acquire, engage, and retain customers effectively. Our strategic focus is executed through two primary divisions:

Digital Banking Division

This division is responsible for the development and management of our digital banking products and services, including debit cards, credit cards, internet banking, mobile banking, and UPI QR solutions. These offerings are promoted through targeted, customer-centric campaigns and exclusive benefits. The division also prioritises ongoing product innovation and enhancements to meet the evolving needs of our customers.

Agency Banking Division

Focused on deepening financial inclusion, this division extends ESAF Small Finance Bank's reach into unbanked and underbanked rural areas through strategic partnerships with corporate Business Correspondents (BCs). The Agency Banking Division provides a comprehensive suite of banking products and services at the doorstep, ensuring access to essential financial tools in some of the most remote parts of the country.



Technology Products & Services of ESAF Small Finance Bank

Digital banking has witnessed remarkable growth, with an increasing number of customers seamlessly transitioning to digital platforms. The advent and rapid adoption of UPI have transformed the payments ecosystem, making contactless, real-time transactions the norm and redefining the way banking services are delivered.

At ESAF Small Finance Bank, we have remained at the cutting edge of this digital evolution. Our focus on innovation and customer centricity has driven us to continuously upgrade and diversify our digital offerings. From reimagining traditional banking products

to introducing modern, tech-enabled services, we have tailored solutions to meet the ever-evolving expectations of our customers.

Our comprehensive suite of digital services - including debit cards, internet banking, mobile banking with integrated UPI, QR-based payment solutions, and WhatsApp banking - has played a pivotal role in guiding customers from conventional branch-based interactions to the convenience of 24/7 digital banking.

Spearheading this digital transformation is our Digital Channels team, under the DBAC Department, which is dedicated to expanding the Bank's digital reach and strengthening customer engagement through cutting-edge digital solutions.

ESAF Small Finance Bank Mobile Banking App

Our mobile banking platform has created a transformative opportunity to expand access to financial services for underserved communities. By promoting financial literacy and reducing societal disparities, we are making significant strides in fostering inclusivity. With over 5,14,454 mobile banking customers, we remain dedicated to continuously innovating and enhancing our mobile banking services. Our goal is to meet the evolving needs of our customers while contributing to a more equitable and sustainable future.



31%

Growth in Users of Mobile Banking

49

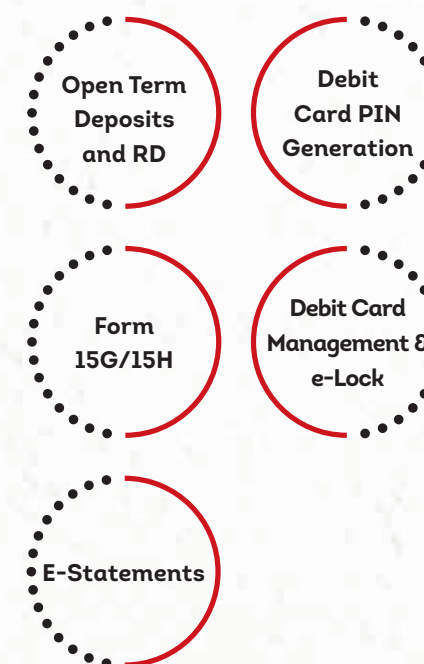
Versions Updated

55,548*

Customers Using the App

ESAF Small Finance Bank Internet Banking

We offer internet banking services designed for both retail and corporate customers, providing them with 24/7 access to their accounts and seamless transaction capabilities, all at their convenience. Key features of internet banking include:



1,77,449

Total Retail
Customers Registered

Types of Internet Banking

- Retail Internet Banking:** Our Retail Internet Banking platform offers customers a secure and convenient way to manage their finances online. This digital channel has not only allowed us to expand our reach but also helped reduce costs while promoting financial inclusion.
- Corporate Internet Banking:** Our corporate internet banking service is specifically designed to meet the unique needs of corporate clients. It facilitates seamless transactions and processing through both mobile and internet platforms. With modern features such as customised narration, enhanced authorisation levels, and a contextual help dashboard, we ensure a superior and efficient banking experience for our corporate customers.

23%

Growth in Users of
Internet Banking

Debit Cards

Our RuPay Debit Cards offer customers the convenience of seamless global transactions, allowing for online shopping, bill payments, and ATM withdrawals worldwide. Accepted at a wide range of merchant outlets that support RuPay, Diners Club, and Discover debit cards, our cards are equipped with advanced EMV chip and PIN technology for secure transactions. Additionally, OTP-based authentication adds an extra layer of security for online transactions. For our premium Platinum Debit Cardholders, we offer exclusive benefits such as supplementary insurance coverage and special purchase offers, making every transaction a rewarding experience.





Green PIN

We are enhancing customer convenience while reducing our environmental impact with our Green PIN facility. Available across our ATMs, mobile banking, and internet banking platforms, this innovative feature enables customers to generate their debit card PIN online, anytime and anywhere. By eliminating the need for physical PIN mailers, we provide 24/7 accessibility while also contributing to a more sustainable future.

Point of Sale (POS)

We have formed strategic partnerships with leading Point of Sale (POS) service providers to offer our customers easy access to POS machines through a referral model. These advanced POS terminals provide merchants with a seamless payment experience, featuring multiple payment options, enhanced security, and faster transaction processing. By reducing cash handling and boosting customer satisfaction, our POS solutions support merchants in driving sales growth and succeeding in an increasingly digital marketplace.



Payment Gateway Services

We have partnered with leading payment gateway service providers to offer our customers a seamless Internet Payment Gateway (IPG) experience through a referral model. This strategic collaboration allows customers to easily accept online payments, enhancing their e-commerce capabilities and opening up new sales opportunities. By providing a secure, reliable, and user-friendly payment gateway, we empower our customers to thrive in the digital economy and confidently grow their online businesses.

INORI Credit Card

ESAF Small Finance Bank's INORI Credit Card is designed to simplify customer transactions with effortless payments across multiple platforms, including POS, e-commerce, and UPI. Customers enjoy exclusive rewards with every transaction. Leveraging state-of-the-art technology, we ensure that transactions are secure, reliable, and hassle-free, and enabled through UPI Payments.



ESAF Merchant QR Services

ESAF Small Finance Bank has made a significant stride in digital payments with the introduction of the UPI Scan and Pay feature, enhancing our Merchant QR services. This innovative solution allows merchants to collect payments effortlessly, supported by real-time transaction alerts through our merchant app and the QR Sound Box—delivering unmatched convenience and ease of use. With over 45,000 merchants already onboard, we are proud to be driving financial inclusion and accelerating digital transformation across the country.



BBPS

We have transformed the bill payment experience for our customers by integrating the Bharat Bill Pay System (BBPS) into our digital platforms. This unified solution offers a seamless, hassle-free, and cost-free way to manage utility payments. Through BBPS, customers can conveniently pay electricity, water, gas, and other bills from a single, secure platform. Our aim is to simplify financial management by offering an efficient, reliable, and user-friendly bill payment experience that saves time and enhances convenience.



WhatsApp Banking

We are redefining banking convenience with the launch of WhatsApp Banking – a smart, user-friendly service that brings a range of essential banking facilities directly to our customers' fingertips. Through this intuitive platform, customers can easily access services such as balance enquiries, mini-statements, cheque status updates, and debit card management. WhatsApp Banking also offers instant access to information on our products, interest rates, branch locations, and more – helping customers make informed decisions and manage their finances with ease.



Micro ATM

Reinforcing our commitment to rural financial inclusion, we have significantly expanded our doorstep banking services to reach deeper into remote communities. Over the past year, our Micro ATM network has grown by an impressive 148%, with 5,024 units now operational through our corporate Business Correspondents (BCs) across the country. These Micro ATMs offer a wide range of services, including card-based transactions, Aadhaar-enabled payments, domestic money transfers, and utility bill payments—bringing secure, accessible, and convenient banking directly to the doorsteps of our rural customers.





Human Capital

Empowering People.

ENRICHING PURPOSE.

Our people are central to who we are and what we achieve. Through thoughtful Human Resource practices, we invest in their growth and well-being. By fostering a culture rooted in learning, inclusion, and meaningful engagement, we create an environment where talent thrives. This focus on nurturing potential, embracing diversity, and ensuring fairness underpins our ability to deliver exceptional service and build lasting relationships with stakeholders.

Our Human Resource Management framework is anchored in well-defined HR manuals that cover all critical functions—from recruitment and training to performance management, retention, and regulatory compliance.

To enhance the employee experience, we have rolled out a next-generation Human Resource Management System (HRMS) platform that offers seamless, digital HR services through an intuitive web interface. This forward-looking solution equips our workforce with easy access to HR tools and resources, reflecting our commitment to creating a supportive, efficient, and future-ready workplace.

Stakeholders Impacted

- Employees
- Customers
- Communities
- Vendors
- Value chain partners

From Fresher to Banker

Gokul, a fresh graduate, joined ESAF Small Finance Bank with a mix of excitement and apprehension. While thrilled to start his career at a respected institution, he had no prior experience in banking and was unsure of what to expect. His journey took a positive turn when he was invited to attend our Bank's induction training programme.

The week-long induction was a well-structured immersion into ESAF's world. From the Bank's values and mission to its wide range of products, policies, and regulatory requirements—the sessions covered it all. What stood out to Gokul was the clarity and depth of the training. Conducted by experienced bankers, the sessions translated complex banking concepts into practical, easy-to-understand lessons, often supported by real-life scenarios.

What started as nervousness soon gave way to confidence. Gokul found himself deeply engaged, asking questions, participating actively, and gaining clarity on processes that once seemed intimidating. By the end of the programme, he felt equipped not just with knowledge, but also with the confidence to take on his responsibilities.

The induction programme did not just introduce him to the Bank, it transformed him. It laid the foundation for his growth and gave him the tools to make a meaningful contribution to ESAF Small Finance Bank.

SDGs Impacted



Catalyse. Elevate. Thrive.



Financial Capital

Our skilled and motivated workforce plays a critical role in optimising financial performance. By empowering our employees with the right tools and knowledge, we contribute to effective cost management, revenue growth, and profitability. Strong human capital also ensures prudent risk management and compliance, safeguarding the Bank's financial health.



Manufactured Capital

The efficiency of our workforce influences the optimisation and maintenance of our physical infrastructure, including branch networks, technology systems, and ATMs. A well-trained team ensures that these assets are leveraged to their full potential, enhancing customer experience and operational efficiency.



Intellectual Capital

Human capital is at the heart of intellectual capital. Our employees, through their expertise, creativity, and innovation, contribute to the development of new banking products, processes, and services. Their knowledge and ideas drive continuous improvements in service delivery, customer satisfaction, and competitive advantage.



Social and Relationship Capital

The performance of our human capital directly impacts our relationships with customers, partners, and communities. A highly engaged workforce builds trust with clients, fosters strong partnerships, and creates positive community impact. Employee behaviour and ethics also reflect on the Bank's brand, which is critical for long-term success.



Natural Capital

Efficient human capital can contribute to the responsible use of resources and sustainability initiatives. Our employees are key in implementing eco-friendly practices within the Bank's operations, ensuring that we minimise our environmental footprint and comply with sustainability standards.



Key Performance Indicators (KPIs)

12,520
Employees

31.05 Years
Average Age of Employees

78.9%
Employee Retention
Rate in 2024-25

31
Average Training Hours
Conducted in 2024-25

28,123
Virtual Learning Man-
Hours of Training

18.66%
Middle-Layer Management
Associated for Over 3 Years

1
Female Board
Member

Employee Diversity and Inclusion

At ESAF Small Finance Bank, empowerment, development, and employee wellbeing are core values that drive our mission to foster a culture of inclusivity and social integration. Recognising the importance of a diverse workforce in achieving sustainable business growth, we have made gender sensitivity and inclusiveness a cornerstone of our HR policy. We are committed to promoting gender inclusivity, equal employment opportunities, and a culture of inclusion through targeted initiatives that celebrate workforce diversity.

Learning & Development Programmes

ESAF Small Finance Bank's Learning and Development (L&D) department plays a vital role in its HR strategy, focusing on building a high-performing workforce equipped to navigate the dynamic banking landscape. Comprehensive career and performance development strategies ensure employees are well-prepared to meet current demands and future challenges. This emphasis on continuous growth and development fosters talent retention, high employee satisfaction, and productivity. Key initiatives include a dedicated learning and training system, transparent performance evaluations, and annual performance reviews, all designed to promote professional and leadership development, objectivity, and alignment with organisational goals.

External Capacity Building

Through our external capacity building initiatives, we have leveraged external expertise to drive innovation, hosting 78 training programmes that have empowered 277 participants to tap into cross-industry insights. Spanning 1,379 hours, these programmes have yielded 3,290

hours of specialised training, significantly enhancing our team's collective knowledge and expertise.

Internal Capacity Building

Through our internal capacity building initiatives, we have unlocked the full potential of our internal talent, harnessing

a rich repository of expertise. A remarkable 8,672 employees have benefitted from 330 training programmes, totalling 2,303 hours of peer-to-peer knowledge sharing, ultimately yielding 1,35,832 person-hours of enriched understanding and skills.

Unnati Programme

The Unnati Programme was a standout initiative in FY 2024-25, facilitating a seamless transition for over 5,000+ employees from ESAF Co-operative to ESAF Small Finance Bank. This comprehensive onboarding programme, conducted across 50+ locations in India and led by internal experts, equipped employees with essential banking knowledge, ensuring a smooth transition and enhanced capabilities.



Induction & CBS Training

The L&D Department, in partnership with the Talent Development Team of Micro Banking HR, delivered comprehensive training programmes, including over 150 induction training sessions for new employees in Retail Banking and Micro Banking, reaching 4,000 employees, as well as 60+ Core Banking Solution (CBS) training sessions, covering approximately 700 employees across critical operational roles, such as tellers, branch operations officers, managers, and heads.



Capacity-Building Programmes

To enhance workforce capabilities, the organisation conducted over 380 internal capacity-building programmes, supported by various departments. These initiatives included a Senior Management Annual Retreat, as well as 20 Gold Appraisal & Standard Operating Procedures (SOP) Training Programmes, 19 Leadership Training Programmes for Branch Heads and Area Sales Managers (ASMs), 15 Customer Service Excellence Programmes for Relationship Officers and ASMs, 51 Diligence Training Programmes for Gold Loan Officers and Branch Operations Managers, and 10 Pragati refresher training programmes for Customer Service Officers.



Lakshya Programmes

The Lakshya Programme was a strategic initiative designed to enhance skills at the cluster level through decentralised training. Under this programme, 36 customised training sessions were conducted, led by cluster leaders and tailored to address specific needs of each cluster.



Leadership Development Initiatives

The Bank undertook several leadership development initiatives, including 3 GATI Leadership Training Programmes for Customer Service Managers and Assistant Customer Service Managers, 12 UMANG Training Sessions focused on leadership development for team leaders, and 5 batches of the EmpowerHER Programme, specifically designed for the leadership development of women officers.



Technical & Emotional Intelligence Training

To augment employees' technical prowess and emotional intelligence, the organisation conducted specialised training programmes, including 5 batches of MS Excel training for select officials from the Head Office, as well as 3 Emotional Quotient (EQ) sessions tailored for functional heads, empowering them to excel in their roles.



External Training & Learning Opportunities

To foster growth through external exposure, we nominated over 270 employees to participate in training programmes conducted by esteemed institutions, including the Reserve Bank of India (RBI), Institute for Development and Research in Banking Technology (IDRBT), Bankers Institute of Rural Development (BIRD), National Institute of Bank Management (NIBM), Centre for Advanced Financial Research and Learning (CAFRAL), Indian Institute of Management (IIM), Institute of Rural Management Anand (IRMA), Foreign Exchange Dealers' Association of India (FEDAI), and Fixed Income Money Market and Derivatives Association of India (FIMMDA), providing them with valuable learning opportunities and industry insights.

Learning Management System

Our Learning Management System, 'eShiksha', was significantly enhanced, offering over 200 courses to support employee development. Additionally, the platform was utilised to conduct quizzes and assessments for various departments, further leveraging eShiksha's capabilities to foster a culture of continuous learning.



SARG

SARG is a comprehensive employee engagement initiative designed to foster a positive, inclusive, and collaborative work environment. It promotes employee well-being, recognises outstanding contributions, and nurtures teamwork and camaraderie. This programme includes competitions, recognition events, wellness initiatives, volunteering opportunities, and social gatherings, all curated to build a strong sense of belonging and connection among employees. By investing in our employees' growth and happiness, we aim to build a motivated and engaged workforce that is committed to delivering exceptional results and making a



positive impact on our customers and communities.

Wall of Joy - Birthday Wishes & Work Anniversary Wishes

The Wall of Joy is a dedicated board to celebrate employees' milestones and achievements. It not only fosters joy and positivity among our employees but also instils a sense of pride in our customers. Additionally, it serves as a platform to recognise the Employee of the Month and promote a culture of appreciation.



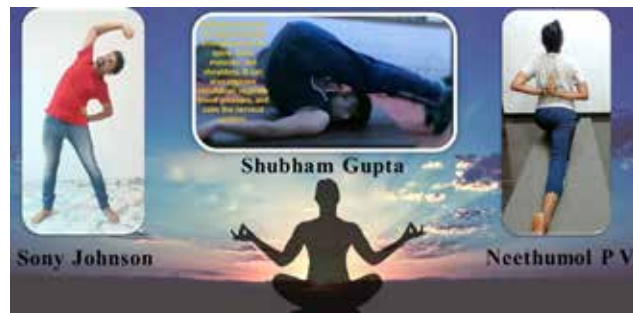
Special Observations

Special observance day programmes are organised to commemorate and recognise the significance of occasions, such as Teachers' Day, Farmers' Day, Women's Day, etc.



Wellness Programme

Wellness programmes are organised for employees through virtual sessions or in-person events on occasions like Mental Health Day, Diabetes Day, etc.



Voice Listening to You

It is an informal interactive session between HR and branch employees to share their experiences, concerns, suggestions, and complaints, creating a positive work environment and improving the relationship between employees and management.



Fun Day

Fun Day involves fun games and activities in the workplace to promote work-life balance, build team bonding, and foster a positive environment in branches as well as in departments. We celebrate Fun Day across India.

ShramJyothi

ShramJyothi encourages employees to volunteer in our Bank's CSR activities, contributing a positive impact on society by fostering team bonding and aligning employees with the organisational goals as a social bank.



Retention

We connect with all employees who have initiated their resignations to understand the reasons for employee attrition, address their concerns and complaints, and explore potential opportunities to encourage them to reconsider their decision and stay with the Bank.



Long Service Recognition (5 Years)

Long Service Recognition is for employees at ESAF Small Finance Bank who have completed 5 years with the Bank.



Natural Capital

Preserving Nature.

CREATING IMPACT.

Natural capital is central to our operations and sustainability initiatives. As a financial institution closely linked to rural communities, we understand the vital role that natural resources play in sustaining livelihoods and driving economic activities. Protecting ecosystems and biodiversity is essential not only for environmental conservation but also for the resilience of the communities we serve. By incorporating natural capital into our business practices, we contribute to long-term environmental sustainability while supporting socio-economic development in rural areas.

We are committed to sustainable growth, consistently integrating eco-friendly practices across our operations. Beyond adopting environmentally responsible methods, we are dedicated to empowering our clients to embrace cleaner energy solutions and play a role in creating a brighter future by enhancing water and sanitation infrastructure.

Stakeholders Impacted

- Communities
- Regulatory Authorities
- Customers
- Investors
- Vendors
- Value chain partners

From Desert Sands to Solar Success

Returning home to Palakkad, Kerala, after 15 years as a CCTV technician in Saudi Arabia, 46-year-old Dinesh brought back more than just memories—he carried a vision. Inspired by the sun-drenched landscapes of his hometown, he dreamed of building a venture that could align purpose with prosperity. His search led him to ESAF Small Finance Bank's Urjabandhu programme, an initiative that empowers renewable energy entrepreneurs through practical training and mentorship.

Through Urjabandhu, Dinesh gained hands-on expertise in solar energy technologies and sharpened his business skills. Armed with technical know-how and entrepreneurial confidence, he launched Dakshin Energy Solution LLP. The firm soon earned accreditation from the Ministry of New and Renewable Energy (MNRE), and began installing solar systems across Kerala.

In just a few months, Dakshin Energy deployed 70 kW of solar capacity, generated ₹ 49 lakh in revenue and ₹ 5.8 lakh in profit, and created employment for eight individuals—four in permanent roles and four on daily wages. More than just a business, the venture became a source of clean energy and economic upliftment.

Dinesh's journey stands as a powerful example of how access to the right resources and knowledge can turn returning migrants into local changemakers—illuminating homes, lives, and futures.

SDGs Impacted



Catalyse. Elevate. Thrive.



Financial Capital

Efficient investment in natural capital directly contributes to financial capital by helping us reduce operational costs and mitigate environmental risks that could otherwise impact asset quality or compliance costs.



Manufactured Capital

Our commitment to green infrastructure and sustainable design enhances the durability and resilience of our physical assets—our manufactured capital—ensuring that they support long-term service delivery even under changing environmental conditions.



Intellectual Capital

Our investment in green innovation and sustainable banking solutions enriches our intellectual capital. It compels us to rethink processes, design new products, and stay ahead of regulatory and stakeholder expectations. In this way, natural capital becomes a driver of knowledge, innovation, and future-readiness.



Human Capital

Our initiatives in environmental sustainability increase employee engagement and purpose. Employees today value organisations that act responsibly; our efforts reinforce pride and well-being at the workplace.



Social and Relationship Capital

Our customers, particularly in the underserved and rural segments, are directly impacted by environmental challenges. When we promote eco-conscious lending or support renewable energy projects, we deepen community trust and ensure their long-term prosperity.



Key Performance Indicators (KPIs)

7,02,061

Total Digital Customers

Installation of Solar Power Plant

One of our most impactful initiatives in recent years has been the installation of solar power systems across multiple schools, a project that has brought clean, renewable energy to the heart of the education sector.

This intervention has gone well beyond environmental impact—it has touched the lives of hundreds of students by providing a reliable power supply, supporting digital and modern learning

environments, and fostering environmental consciousness. By installing solar power units, we have helped schools reduce their reliance on conventional electricity sources, significantly

lowering energy costs and enabling them to reallocate funds towards educational resources and infrastructure.

Beyond the financial savings, the initiative has also opened a unique learning opportunity. Students are being introduced to concepts of sustainability and renewable energy as part of their regular school curriculum. The presence of solar infrastructure on campus allows them to see clean energy in action—enhancing awareness and encouraging responsible attitudes towards natural resources. This hands-on experience has helped students realise that electricity is not always 'black' from coal—it can be 'green' when derived from the sun.

We believe that access to uninterrupted energy is essential for a productive and inclusive learning environment. This initiative reflects our long-term commitment to social equity, environmental stewardship, and sustainable development.



SDGs Impacted

Our solar energy projects align with multiple Sustainable Development Goals (SDGs) of the United Nations, underscoring our holistic approach to sustainability:



Affordable and Clean Energy

The installation of solar power plants has enabled schools to access a modern, renewable energy source that is both cost-effective and environment-friendly. It has also reduced their dependence on fossil fuels, lowering carbon footprints and supporting clean energy transitions.



Quality Education

By providing a consistent electricity supply, the projects have enhanced the educational experience—improving access to digital tools, reducing class disruptions, and offering real-world insights into sustainability. The result is a more inclusive and engaging learning environment.



Climate Action

Through these initiatives, we have helped reduce over 1,32,900 kilograms of Carbon Monoxide (CO) emissions—a direct contribution to climate mitigation efforts. This impact is equivalent to planting more than 5,300 mature trees.



Clean Water and Sanitation

Unlike thermal power generation, solar energy does not require water for cooling. Our intervention has helped conserve approximately 3,75,329 litres of freshwater—a meaningful contribution towards sustainable water use.



Responsible Consumption and Production

Our solar energy projects promote the use of renewable energy over extractive, polluting energy sources. They align with our broader goal of encouraging sustainable consumption and minimising waste and emissions associated with energy production.

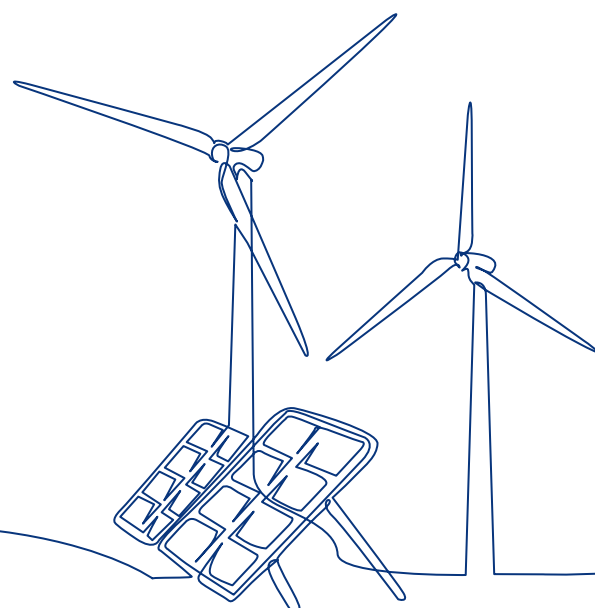


Life on Land

By lowering carbon emissions and encouraging environmental education, our solar initiatives indirectly contribute to the restoration and conservation of terrestrial ecosystems. The emissions saved are comparable to the environmental benefit of over 5,300 fully grown trees.

Benefits Derived

As of 31st March 2025, the solar power systems installed under these initiatives have generated approximately 1,70,604 kWh of electricity. This has resulted in projected savings of ₹ 13,13,651 for the participating schools—money that can now be reinvested into student learning and school development. Most importantly, the environmental gains reaffirm ESAF Small Finance Bank's commitment to climate responsibility and inclusive growth.



Green Partnerships

ESAF Small Finance Bank entered into a partnership with Tata Power Renewable Microgrid Limited (TPRMG), formalised through the signing of a Memorandum of Understanding (MoU) on 22nd February, 2025. This collaboration marked an important milestone in driving clean and renewable energy growth in rural India, enabling both organisations to make a significant impact on sustainable energy access for underserved communities.

Through this strategic partnership, ESAF Small Finance Bank and Tata Power Renewable Microgrid will work together to enhance the availability of sustainable energy solutions for rural communities and entrepreneurs. ESAF Small Finance Bank will provide affordable financing schemes tailored specifically to rural micro-entrepreneurs, empowering them to adopt renewable energy technologies and contribute to cleaner, more sustainable practices.

On the other hand, TPRMG will lend its technical expertise in designing, supplying, and installing renewable energy systems. This expertise will facilitate a seamless transition for rural entrepreneurs to cleaner, more reliable energy sources, and support the growth of innovative renewable energy solutions in rural India. Moreover, our joint efforts will also include public policy advocacy initiatives, aligned with India's net zero commitments.

ESAF Go Green

Launched in 2021, the 'ESAF Go Green' initiative offers a range of loan schemes designed to accelerate the transition to Electric Vehicles (EVs) and clean energy solutions. Rooted in the Triple Bottom Line approach – People, Planet, and Prosperity – this initiative reinforces our commitment to sustainable development by making clean energy and EV technologies more accessible and affordable. With competitive low-interest rates, ESAF Go Green empowers individuals and businesses to embrace a greener future while aligning with India's net zero goals.

Our loan schemes are tailored to meet the unique needs of our customers, offering a seamless and hassle-free experience. Through 'ESAF Go Green', we aim to incentivise sustainable living, with the belief that our loan offerings play a significant role in driving positive environmental change.

We are determined to continue promoting environmentally friendly vehicles and reducing our carbon footprint. With this initiative, we are making a tangible difference in the environment while encouraging a greener way of life.

Loan Category	Amount Disbursed (₹ in crores)	Total Loans Disbursed
Electric Two-Wheelers	3.70	357
Electric Four-Wheelers	9.22	77
Clean Energy Loans	6.28	227



Green Procurement and Conservation

We prioritise green procurement practices across all our purchasing requirements, as part of our ongoing commitment to reducing our environmental footprint. Through careful and deliberate steps, we have ensured that our operations are in line with sustainable and energy-efficient standards, demonstrating our dedication to environmental responsibility.

A key aspect of our green procurement policy involves the use of energy-efficient electrical appliances in all our offices across

the nation. Our procurement team ensures that every piece of electrical equipment, including air conditioners and fans, meets the highest energy efficiency standards. This is a non-negotiable requirement, ensuring that our electricity consumption is kept to a minimum.

In line with our sustainability goals, we have made the switch to using only energy-efficient LED lighting in all our office spaces. The adoption of LED lights, which are mandatory across all facilities, has significantly reduced our overall energy consumption, contributing to considerable savings and a reduction in our carbon footprint.

In addition to energy efficiency, we are also dedicated to water conservation. To this end, we have installed dual-flush systems in all our office toilets. This simple yet effective measure allows users to control the amount of water used for flushing, encouraging water efficiency and reducing unnecessary waste.



Green Protocol

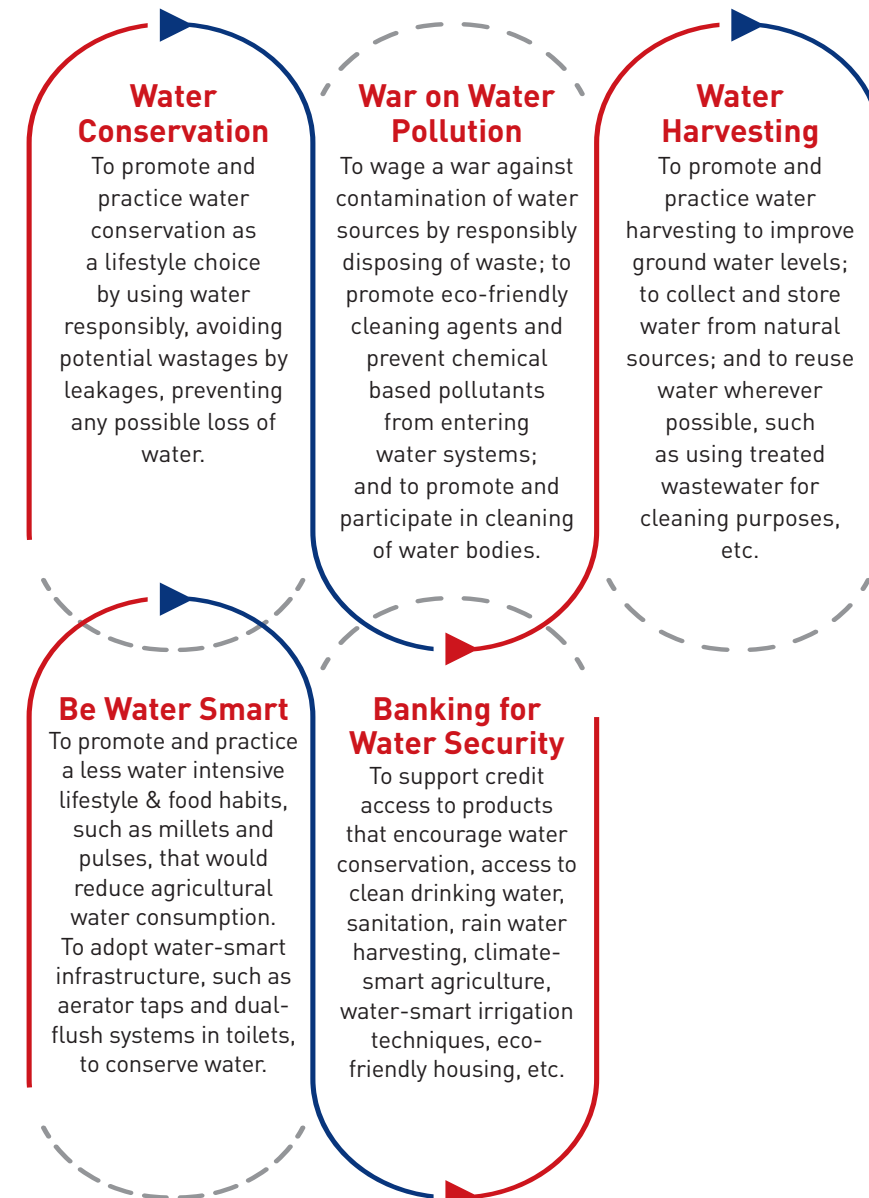
We have embraced a comprehensive Green Protocol that underscores our commitment to promoting an environmentally responsible lifestyle. This initiative is integral to our sustainability strategy, ensuring that we not only meet regulatory standards but also actively contribute to environmental preservation.

Water Protocol

We have embraced a comprehensive Water Protocol that reiterates our commitment to using water resources cautiously.



ESAF WATER PROTOCOL



ESAF Small Finance Bank Environment Commitment Statement

ESAF SMALL FINANCE BANK is committed to:

- + Building awareness and encouraging participation in to environmental protection, climate change risk mitigation, and compliance among staff, customers, and other stakeholders, to encourage them to adapt an environment-friendly lifestyle.
- + Facilitating the development and access to clean energy and natural resources for ESAF Small Finance Bank customer community, especially the economically deprived and the marginalised by providing appropriate financial products, services, and training, thus responding to climate change risks.
- + Promoting the stewardship of natural resources, eco-friendly livelihoods, green enterprises, local economic ecosystems, etc, in line with the Sustainable Development Goals (SDGs), practices for an inclusive society.

Green Audits

As part of our ongoing commitment to sustainability and environmental responsibility, ESAF Small Finance Bank conducts regular green audits across our branches. These audits serve as a crucial tool for closely monitoring our progress in implementing the green protocol, in alignment with our Environmental, Social, and Governance (ESG) policy. By evaluating the environmental impact of each branch, we can pinpoint areas for improvement and drive continuous enhancement in our sustainability practices.

Green Salute Awards

Our employees play a pivotal role in the success of these initiatives, and we firmly believe that their dedication is key to achieving our sustainability goals. To recognise and celebrate their exceptional contributions to sustainability and ESG performance, we introduced the Green Salute Award. This prestigious accolade is awarded to branches, and clusters that have gone above and beyond in promoting sustainable practices and environmental stewardship.

ESAF Small Finance Bank Environment Week 2024

ESAF Small Finance Bank has long been dedicated to promoting sustainability and green practices, consistently striving to make a positive impact on both the environment and our communities. One of the ways we reinforce this commitment is through our annual ESAF Small Finance Bank Environment Week, a vibrant and dynamic event that engages both employees and customers in a variety of environmentally focused activities.

The theme of the year, 'Our Land, Our Future', resonated deeply with our goal of ensuring a sustainable future through collective action and awareness. Throughout the week, branches across the country actively participated in a range of initiatives, providing an opportunity for our employees and customers to come together in support of sustainability. Some of the key activities included:

Joy of Planting

A fun and engaging activity where employees, customers, and local communities came together to plant trees and create green spaces, contributing to the preservation and enhancement of our environment.

Green Expo & Green Finance Promotion

This was held at both the branches and the Head Office, showcasing our sustainable products and services. Customers had the chance to learn about eco-friendly financing options and the role of financial services in supporting green initiatives.

Green Joy Awards

We, through our branches, celebrated the outstanding contributions of individuals, who had gone above and beyond in promoting sustainability within their respective spheres. This recognition acknowledged their sustainable efforts.

Climate-Smart Agriculture Awareness and Trainings for FPOs & FIGs

As part of our broader community outreach, we host sessions to educate Farmers' Producer Organisations (FPOs) and Farmer Interest Groups (FIGs) on climate-smart agricultural practices. This initiative helps ensure that our local farming communities are equipped with the knowledge and resources to combat the impacts of climate change.

ESAF Water2Earth Campaign

Organised to commemorate World Water Day and Earth Day, this campaign was a concerted effort to raise awareness about water and planet conservation. It encouraged both employees and customers to take actionable steps towards reducing water consumption and preserving nature.

Water Day Pledge & Greetings

On World Water Day, we invited our customers and employees to take a pledge to support water conservation efforts. This was an opportunity to reinforce the importance of water conservation and inspire collective action to safeguard this vital resource for future generations.

ESG Rating

CareEdge ESG Ratings

We have achieved an ESG score of 68.1, placing us in the 'Strong Position' category for managing ESG risks through superior disclosures, policies, and performance. This score significantly exceeds the industry median of 51.8, positioning ESAF Small Finance Bank in the top quartile among Small Finance

Banks (SFBs), Microfinance Institutions (MFIs), and Non-Banking Financial Companies (NBFCs). Our Bank has been recognised for industry-leading performance in key ESG areas, including:

- + Community Support and Development
- + Privacy and Data Security
- + Human Rights
- + Products Safety and Quality
- + Business Ethics



Social & Relationship Capital

Creating Value.

**BUILDING
BONDS.**

We aim to shape meaningful outcomes for both society and the communities we engage with. By broadening access to financial services, we open pathways for empowerment and participation. Our relevance as a Bank stems from the real-world value we create. A clear sense of purpose informs how we think, plan, and act, ensuring that long-term value creation is pursued with the same rigour as short-term results.

We are committed to advancing financial inclusion while prioritising sustainable value creation for our stakeholders. Our focus on community well-being involves responsible financing and client protection. We continue to implement stakeholder engagement programmes, and remain dedicated to empowering women as part of our ongoing initiatives.

Stakeholders Impacted

-  Customers
-  Suppliers
-  Communities
-  Investors

Journey to Emotional Resilience through Tele-Counselling Services

Rama, a 52-year-old homemaker from Thiruvananthapuram, faced deep emotional distress stemming from marital issues and financial struggles. Her decision to remarry, against her family's wishes, added to the emotional burden as she navigated relationship challenges and a constant sense of despair. Seeking help, Rama reached out to a tele-counselling helpline through ESAF Small Finance Bank.

The counsellor provided a safe, non-judgmental space, encouraging Rama to express her feelings freely. With weekly sessions, she slowly explored her options and reconnected with what truly mattered to her. The consistent support helped her build inner strength and develop a renewed sense of purpose.

Empowered by new perspectives, Rama pursued a legal battle over her inheritance and eventually gained support from her mother. Winning her property rights eased her financial strain, enabling her to focus on caring for her 13-year-old child and prioritising her self-care.

Today, Rama works part-time as a legal assistant, striking balance between personal responsibilities and professional growth. Her journey reflects a powerful transformation—one where emotional healing and self-acceptance paved the way for empowerment and autonomy. Rama's resilience stands as a testament to how support and inner strength can lead to meaningful life changes.

SDGs Impacted



Catalyse. Elevate. Thrive.



Financial Capital

By maintaining strong relationships with rural and underserved populations, the Bank experiences higher customer loyalty, greater financial inclusion, and consistent growth in deposits and loan portfolios. These relationships lead to healthier credit behaviour, lower default rates, and stronger financial sustainability, thereby positively impacting the Bank's profitability and return on assets.



Manufactured Capital

Our Bank's strong community connections help pinpoint high-impact locations for new branches, banking correspondents, and service touchpoints. Insights drawn from local engagement also inform decisions around deploying mobile banking units and ATMs, ensuring services are accessible and relevant. By aligning capital investments with ground realities, we optimise outreach and operational efficiency.



Intellectual Capital

Close interactions with customers and communities provide insights that shape product innovation, risk management strategies, and enhance service delivery.



Human Capital

Our Bank's mission-driven social relationships attract individuals who resonate with our purpose of serving the unbanked and underbanked. Through strong internal and external relationship management, ESAF fosters a culture of empathy, inclusion, and integrity, resulting in better employee morale, lower attrition, and a highly motivated workforce that contributes meaningfully to our Bank's inclusive goals.



Natural Capital

Strong social and relationship capital plays a vital role in advancing our sustainability initiatives and promoting the responsible use of resources. By fostering meaningful engagement with customers, communities, and partners, we drive collective action towards eco-friendly practices. Through collaboration and shared values, we ensure that our environmental efforts are inclusive, impactful, and aligned with broader sustainability goals.

Key Performance Indicators (KPIs)

34,41,159
Women Borrowers

₹19.08 million
Fund Allotted for CSR Activity

CSR Initiatives



ESAF Balajyothi

Purpose

Holistic development of underprivileged children through dedicated study centres and clubs focusing on literacy, leadership, life skills, and financial education.

Locations

Kerala, Tamil Nadu, Assam, Jharkhand, Maharashtra, Chhattisgarh, Madhya Pradesh, Odisha

Reach

13,124 children were reached

Impact Story

Beauty Kumari from Dumka, Jharkhand, raised by a single mother, excelled in education and cracked prestigious nursing entrance exams with our Bank's support, becoming a symbol of perseverance and hope.



ESAF Village-Level Entrepreneurship Development Programme

Purpose

Strengthen rural entrepreneurship in sectors like clean energy, dairy, and agriculture.

Locations

Kerala, Tamil Nadu, Maharashtra, Madhya Pradesh

Initiatives

- Urabandhu (Solar energy entrepreneurs)
- Pashumitra (Dairy entrepreneurs)
- Krushakmitra (Agri-entrepreneurs)

Highlights

On 8th March 2025, during ESAF's 33rd Foundation Day, the Urjabandhu Excellence Awards recognised top solar entrepreneurs. March alone saw 165 kW of new installations, totaling 10,820.74 kW to date.

Reach

314 beneficiaries (Indirectly reached 25,000 individuals)

Key Stories

Nesla P. K. (Thrissur)

Launched Dunzo Power to promote solar solutions

Payal Chaudhari (Yavatmal)

Became an AI technician and veterinary leader

Renuka Gaykwad (Yavatmal)

Turned to sustainable farming and biopesticide production



ESAF Skill LEAP (Livelihoods & Entrepreneurship Acceleration Programme)

Purpose

Empower women and rural youth through vocational training, financial literacy, and entrepreneurship development.

Locations

Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Telangana, Assam, Jharkhand, Maharashtra, Madhya Pradesh, Odisha.

Reach

4,874 beneficiaries

Impact Story

Jiji V. D. transitioned from a High Court job to becoming a successful food entrepreneur in Aluva, Kerala, by launching Sreebhadra Food Products through ESAF Skill LEAP training.



ESAF Capacity Building & Marketing Linkages for Entrepreneurship Collectives

Purpose

Strengthen Farmer Producer Organisations (FPOs) and women-led collectives with governance training, sustainable farming practices, and market linkages.

Locations

Kerala, Tamil Nadu, Telangana, Odisha, Maharashtra, Madhya Pradesh, Chattisgarh, Jharkhand

Target Beneficiaries

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

Indirect: Rural agricultural communities

Reach

18,717 beneficiaries

Impact Story

Jyoti Nehare (Yavatmal)

Balanced farming, goat-rearing, and a small food business to build resilience against climate challenges.



ESAF Bharat Centre for Excellence in Collective Enterprises

Purpose

Offers training, research, and policy advocacy to uplift FPOs and co-operatives across India.

Highlight

Best Collective Award recognised high-performing collectives from 17 states, fostering rural innovation and entrepreneurship.

Locations

Kerala, Tamil Nadu, Karnataka, Maharashtra, Jharkhand

Reach

3,000 beneficiaries



ESAF Santhwana

Purpose

Address mental health issues through tele-counselling, life skills training, and palliative care for the terminally ill.

Locations

Kerala and Tamil Nadu

Reach

5,000 beneficiaries

Impact Story

Suma from Thiruvananthapuram found emotional support through ESAF's tele-counselling service, helping her rebuild personal resilience during a tough phase in life.



ESAF Infrastructure & Development Support

Purpose

Improve rural healthcare and education infrastructure (schools, hospitals).

Locations

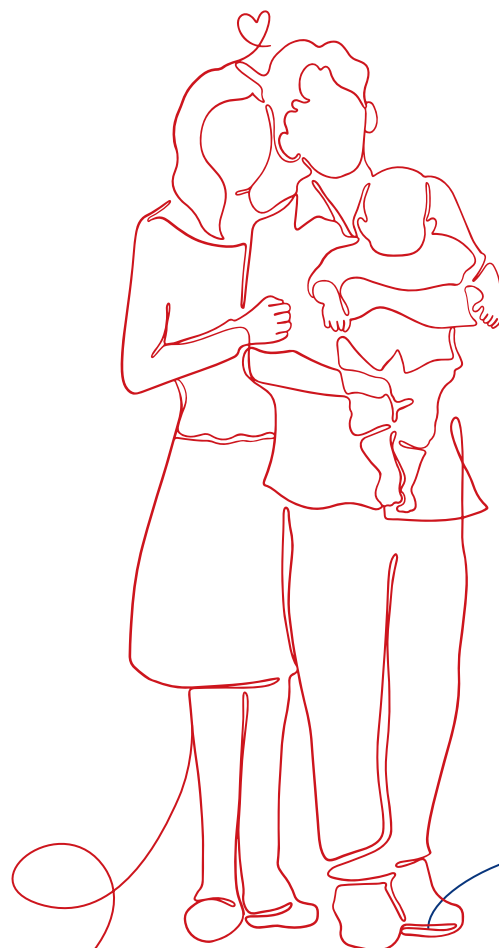
Kerala, Jharkhand, Assam

Reach

39,500 beneficiaries

Highlight

Upgrades to ESAF Hospital (Thachampara), Lahanti Public School (Nonihat), and Ayakkad Admin Block.



ESAF Chair for Business on Values at IRMA

Objective

Promote ethical business leadership.

Locations

Gujarat

Beneficiaries

- + **Direct:** Students and universities
- + **Indirect:** Business community

Reach

150 beneficiaries

Highlights

- + **National Case Study Competition:** 77 teams participated; 6 finalists.
- + **Management Development Programme:** Focused on ethical leadership and value-based banking.
- + Empowered ESAF senior executives and students with decision-making rooted in ethics and sustainability.

Partners

Institute of Rural Management Anand (IRMA)



ESAF Garshom

Objective

Empower migrant workers via social, legal, and skill support.

Location

Kerala

Beneficiaries

- + **Direct:** Migrant labourers
- + **Indirect:** Families, communities, health departments

Reach

10,000 guest workers

Impact Story

Raju Roy's Story

From construction worker to a performing singer supported by ESAF Garshom, earning Rs. 2,000 per show and achieving personal transformation.



ESAF Community Interventions (Pan India)

Objective

Emergency relief, solar energy, healthcare, education, and clean water access.
Some of the interventions under this projects are given below.

Direct Community Intervention	Number of Institutions	States
Education		
Digital Lab with Desktop	7	Kerala, Maharashtra, Bihar
Water Purifier	17	Madhya Pradesh, Maharashtra, Kerala, Chattisgarh
Mini School Van	1	Jharkhand
LED TV	2	Kerala
Sports Equipment	1	Kerala
Clean Energy		
Solar Panel	10	Maharashtra, Chattisgarh, Kerala, Tamil Nadu
Healthcare		
EECO Ambulance Medical Service Van	4	Kerala, Karnataka
Medical Camps	7	Kerala, Tamil Nadu, Maharashtra, Bihar, Jharkhand, Madhya Pradesh
Medical Equipments	2	Kerala
Water Purifier	1	Kerala
Bedside Locker	1	Kerala
Wheel Chair and Stretchers	2	Madhya Pradesh
Dialysis Machine	1	Kerala
Emergency Flood Relief and Rehabilitation	15	Kerala, Tamil Nadu, Maharshtra, Madhya Pradesh, Uttar Pradesh
Infrastructure Development Support		
Water Treatment Plant	1	Kerala
Bamboo Bridge	1	Assam
Upgradation of Shuttle Court	1	Kerala
Support for Community Development		
Hand Pump	1	Jharkhand
Plantation Drive - "Ek Ped Maa ke Naam	1	Maharashtra
Bicycles Distribution	1	Assam



Udyami Awards 2025 - Honouring Women Entrepreneurs

ESAF Foundation celebrated the achievements of its women entrepreneurs through the Udyami Awards 2025. Five women who were trained under different skills development programmes under Corporate Social Responsibility (CSR) projects were honoured for their successful start-ups and for achieving business milestones.

ESAF Foundation Honours Solar Entrepreneurs with Urjabandhu Excellence Awards 2025

As part of the ESAF Urjabandhu programme, the Excellence Awards 2025 were announced during the 33rd Foundation Day celebrations of ESAF Foundation, held on 8th March 2025. The awards recognised and celebrated visionary solar entrepreneurs for their outstanding contributions to the renewable energy sector.

The ESAF Urjabandhu Excellence Awards served not only as a recognition of entrepreneurial excellence but also as a source of inspiration for aspiring Urjabandhus to pursue clean energy ventures, and drive sustainable change in their communities.

In the Gold Category, Shri. Dinesh K., Dakshin Energy Solutions LLP, Palakkad, was recognised. The Silver Category award was presented to Shri. Jijesh K.,



Sun Beats, Palakkad. Kerala Solar Energy Bunk LLP, Thrissur, was honoured as the Emerging Solar Enterprise, while Smt. Nesla P. K., Dunzo Power, Thrissur, received the Emerging Woman Entrepreneur award for her exemplary efforts in advancing solar solutions.



FIG Business Training Empowers Women in Kanhangad

In Kanhangad, a two-day Farmer Interest Group (FIG) Business Training Programme was held for 60 shareholders, focusing on sustainable livelihoods within the FPO ecosystem. The programme included:

- Training in milk processing (paneer, ghee, buttermilk, cream).
- Demonstrations of portable women-friendly machinery.
- Mushroom cultivation for low-cost high-return farming.

ISO 26000:2010 Certification

ESAF Small Finance Bank was awarded the ISO 26000:2010 certification for our commitment to Social Responsibility. The certification affirms our focus on environmental stewardship, ethical governance, consumer protection, and employee rights.

The Bank received ISO 26000:2010 certification during FY 2023-24. It recognised the Bank's comprehensive range of inclusive financial services that promote social and environmental resilience, delivering sustainable returns to individuals, professionals, and businesses through ethical practices and adherence to global standards. It is a comprehensive certification on Social Responsibility, covering seven core subjects:

- + Community Engagement and Development
- + Environmental Stewardship
- + Human Rights
- + Labour Practices
- + Consumer Protection
- + Fair Operating Practices
- + Organisational Governance

Customer Service Quality Department

Over the past seven years, the Bank has witnessed steady growth in its customer base. In response, the **Customer Service Quality Department** has implemented a series of strategic initiatives aimed at standardising service delivery across all customer touchpoints and ensuring high service quality. These initiatives are regularly reviewed and guided by the **Customer Service Committee of the Board**. Below is a summary of the department's key programmes and achievements.

Customer Service Excellence Awards

To promote a spirit of healthy competition among branches and enhance the customer experience, the Bank introduced the Customer Service Excellence Awards. This initiative aims to:

- + Encourage a culture of proactive customer service.
- + Strengthen customer relationships.
- + Promote digital banking adoption.
- + Ensure timely fulfilment of customer requests.
- + Reduce customer complaints.



ISO Certification

In pursuit of international service excellence, the department revised several processes and successfully attained ISO 9001:2015 certification. The certification covers:

- + Customer service quality initiatives.
- + Regulatory and statutory reporting.
- + Grievance redressal mechanisms.
- + Call centre monitoring.

Awards and Recognition (2024-25)

Owing to exemplary service standards and coordinated efforts across the organisation, ESAF Small Finance Bank received the following prestigious award in early 2024:

- + **Small Finance Bank of the Year at India Banking Summit & Awards 2024**, hosted by Synnex Group at the Taj, Mumbai.

No Penalties from the Banking Ombudsman

In the Financial Year 2024-25, our Bank received just 64 complaints via the Banking Ombudsman – which is one of the lowest in the country. All cases were resolved within the prescribed timelines, maintaining our Bank's clean record of nil 'awards' since ESAF's inception.

'CX Guru' – Staff Awareness Series

The department launched 'CX Guru', an internal email series designed to enhance staff awareness around customer experience. The series provides:

- + Service excellence insights.
- + Industry best practices.
- + Practical tips for improving service delivery.

Process Improvements & Reduction in Turnaround Time (TAT)

Using insights from the Customer Relationship Management (CRM) platform, the department evaluated service workflows to identify delays and reduce TAT across various processes. This led to:

- + Faster resolution of customer requests.
- + Improved service efficiency.
- + Increased customer satisfaction.

Workplace Transformation – Five-S Initiative

In line with Kaizen principles, the department, in collaboration with the Sarg-HR team, rolled out the Five-S workplace transformation initiative (Sort, Set in order, Shine, Standardise, Sustain). Though launched in 2023-24, the programme was reinforced in December 2024 through a five-day review across all branches. Key outcomes include:

- + Enhanced efficiency and productivity.
- + A more organised and professional workplace.
- + Stronger culture of discipline and excellence.

Branches submitted photographic evidence to confirm uniform adoption of Five-S practices.

Digital Premier League (DPL)

The Digital Premier League, held from 1st May to 30th June 2024, aimed at:

- + Increasing internet and mobile banking registrations.
- + Encouraging digital engagement across branches.
- + Improving the overall digital experience for customers.

Branch-Level Customer Service Committee Meetings ('Sampark')

Formerly known as Branch Customer Service Committee Meetings, 'Sampark' is now held monthly at each branch to:

- + Review customer feedback and complaints.
- + Discuss service challenges and improvement areas.
- + Collaborate across Customer Service, Branch Banking, and Micro Banking teams.

Direct Engagement with Sangam Members

Members of the Customer Service Quality team visited Micro Banking customers at various locations to collect feedback on:

- + Loan application processes
- + Repayment collection experiences
- + Awareness of online repayment options

Responses were gathered via structured questionnaires, and findings were presented to the Board Committee for further improvements.

Telephonic Surveys – Micro Banking Customers

A dipstick telephonic survey was conducted with Micro Banking customers who had completed six months of banking with ESAF. The survey measured:

- + Satisfaction with staff and service quality
- + Suggestions for improvement
- + Interest in home loan products

Digital Enhancements and Technology Integration

The department presented a report to the Board Committee showcasing modern digital trends, including:

- + AI-based customer service solutions
- + Innovative use cases for enhanced service journeys
- + New-age technologies in the banking sector

Customer Awareness Programmes – 2025

Following the RBI guidelines (Ref: CEPD.CO.PRS. S1245/20-43-001/2024-25, dated 3rd January 2025), the Bank launched a year-long campaign to promote:

- + Awareness of grievance redressal mechanisms
- + Safe and secure banking practices
- + Customer rights and digital banking education
- + Information on loan products and terms

Highlights from January to March 2025 include:

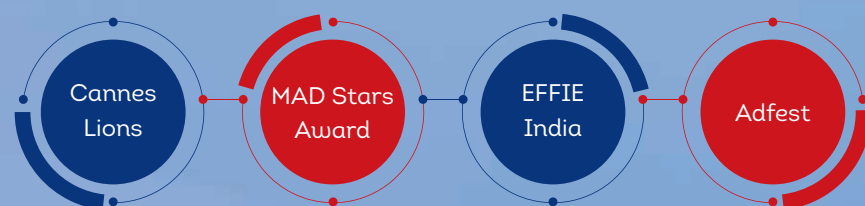
- + SMS alerts on safe banking
- + ATM posters on digital services
- + Financial and digital literacy workshops
- + Emailers on customer rights and safe banking (including tailored content for NRIs)
- + Educational segments during Sampark meetings



Marketing Initiatives

The Financial Year 2024-25 has been a landmark in our journey of blending purpose with performance. Our strategic, multi-channel marketing efforts have not only expanded our reach but also strengthened brand visibility and deepened customer relationships across geographies. From urban centres to the remotest corners of India, our campaigns have delivered meaningful engagement and tangible impact. Our flagship campaign, Dabba Savings Account, stood out as a symbol of inclusive and sustainable banking. Celebrated globally, this campaign earned ESAF prestigious accolades, reinforcing our commitment to socially responsible innovation.

Key Awards in 2024-25



Marketing for Financial Inclusion

Marketing played a pivotal role in amplifying our presence across urban, semi-urban, rural, and underserved regions, making banking more accessible than ever.

- + Conducted 3,168 financial literacy programmes, reaching 90,201 individuals.
- + Executed 16,384 marketing campaigns, connecting with 4,06,59,852 customers.
- + Rolled out 50,87,426 brand visibility initiatives.

We also launched microsites for over 770 branches, boosting hyperlocal digital access. These microsites enhance online discoverability, facilitate navigation via Google Maps, and serve as local touchpoints, strengthening grassroots engagement.

Driving Digital Adoption

Recognising the shift towards digital banking, ESAF adopted a data-driven marketing approach to simplify banking and promote self-service tools.

- + Achieved 133% increase in website usage through UI/UX enhancements.
- + Generated approximately 25.4 million reach across social media and digital campaigns.
- + Optimised Google Business Profiles for all branches, enabling localised updates, AI-powered FAQs, and better customer interactions.

Strengthening Brand Engagement

Our marketing strategy is anchored in **Inclusion, Innovation, and Impact**, with a focus on authentic, personalised engagement across every touchpoint.

Key Highlights

- + Branches served as financial awareness hubs.
- + Delivered 30% higher engagement, boosting acquisitions and deposits.
- + Built trust through campaigns on digital safety, microfinance, and planning.
- + Integrated digital, print, outdoor, on-ground, partnerships, and branch-level engagement.
- + Personalised communication boosted experience and response rates.
- + Strategically chose (ATL)/ (BTL) platforms to build brand awareness by optimising costs.

Impact Snapshot

For ESAF Small Finance Bank, marketing is not just about promoting products, it is about making a meaningful difference.

- + Advocated digital-first, paperless banking and eco-friendly promotions.
- + Expanded outreach in schools and colleges to build financially aware future generations.
- + Promoted education, skill development, and entrepreneurship through community-focused initiatives.

Way Forward

Our 2025-26 roadmap focuses on deepening impact through inclusion, innovation, and purpose. We aim to strengthen hyperlocal engagement by tailoring campaigns to regional needs, and conducting literacy camps and local activations. To expand our physical and digital presence, we will enhance regional marketing and promote digital banking through AI-driven engagement. Additionally, we will elevate purpose-led marketing by embedding sustainability across campaigns and sharing real customer impact stories. These initiatives will reinforce our commitment to meaningful, community-focused banking, thus ensuring we continue to grow as a bank, and also as a catalyst for positive change.



Digital Marketing Initiatives

As part of our continued focus on elevating customer experience and strengthening our digital footprint, our Bank rolled out a series of impactful digital initiatives. These efforts are designed to enhance accessibility, deepen customer engagement, and build trust across both local communities and the broader national landscape.

Microsites for 770+ Branches – Hyperlocal Marketing Platform

To make our services more accessible and strengthen our digital footprint, we have developed microsites for over 770 branches across India. Built on a hyperlocal marketing platform, these microsites allow customers to:

- + Easily find branch-specific information such as location, services, contact details, working hours, and even directions through Google Maps integration.
- + Discover and connect with the Bank more conveniently at the local level.
- + Enjoy a more consistent and branded digital experience across all our locations.

This initiative has helped us improve our visibility on search engines, increase footfall at branches, and better respond to customer queries, thus ensuring we stay connected with the communities we serve.

Revamped Website Homepage for Enhanced User Experience

Understanding the increasing importance of digital engagement, we undertook a complete revamp of our website homepage to provide a more intuitive and user-friendly experience. With this redesign, we have:

- + Streamlined navigation and reorganised content to align with user needs.
- + Enhanced loading speed and optimised access to our key services.
- + Introduced personalised content areas, an intuitive chatbot, and simplified pathways to popular products.

These improvements have led to greater engagement, longer visits, and a rise in conversions for our digital banking services, reinforcing our commitment to delivering seamless digital experiences.

Google Business Profile Optimisation for All Branches

To boost our discoverability and enhance customer engagement online, we have optimised Google Business Profiles for all our branches. As part of this initiative, we:

- + Update every branch's profile with accurate business hours, services, images, and more.
- + Respond to customer reviews personally to foster trust and meaningful interaction.
- + Use AI-powered tools to instantly answer Frequently Asked Questions..
- + Share branch-specific updates, campaigns, and offers to improve relevance and engagement.

This has significantly enhanced our online visibility, helping customers find us more easily and strengthening their connection with our local branches.

Google Reviews and Ratings Management

We understand the value of online feedback in influencing customer decisions. That is why we have established a structured approach to managing our Google reviews and ratings. We:

- + Actively monitor and respond to customer feedback in a timely and empathetic manner.
- + Conduct regular analysis to identify trends, pain points, and opportunities for improvement.
- + Support our branches in implementing feedback-driven service enhancements.



Branding Initiatives



Cake of Compassion 2024-25

ESAF launched Cake of Compassion - a heartfelt Christmas and New Year campaign aimed at spreading festive cheer to differently-abled and underprivileged children across India. The campaign stood as a true symbol of joy, generosity, and community care.



Onam Campaign – 2024

For Onam 2024, ESAF launched a bold and inclusive digital campaign under the theme: 'This Onam, let's make lives joyful through inclusion.' Challenging traditional norms, the campaign reimaged the iconic figure of Maveli—central to Kerala's Onam festivities—by featuring a woman in the role. This powerful representation delivered a compelling message about gender equality and inclusivity, aligning seamlessly with ESAF's mission of financial and social inclusion.



Christmas Campaign

In a touching Christmas advertisement, we narrated the story of a young girl who notices Santa Claus's nearly empty sack and selflessly offers him her own gifts. In return, Santa finds a small present just for her. This emotional exchange reflected the purity of generosity, innocence, and the joy of giving. The campaign resonated with audiences through its evocative message: 'Let's share our joy with innocence.' It was also a tribute to the countless men who bring joy to others by stepping into the role of Santa every festive season.



Diwali Campaign

This Diwali, we shared a heartwarming story of a couple longing to celebrate the festival with their son. Initially disappointed by his absence, the parents are overjoyed when he surprises them by arriving with his family. The cheerful twist is that their grandson is named Ram, reinforcing the message with a humorous nod: 'Someone named Ram would never miss Diwali.'

The campaign beautifully illustrated the importance of family moments and traditions, capturing the essence of togetherness with the tagline: 'Whenever you wish, we will be there, lighting your path with the Lamp of Joy'.



Teachers' Day Campaign

This heartfelt campaign honoured the guiding lights in our lives, our teachers. It showcased a young professional returning to her mentor with her first salary and a thoughtfully chosen gift: a saree, presented alongside her parents. This emotional moment served as a poignant reminder of the values we carry from those who shaped us, encapsulated by the message: 'Attitude is Gratitude.'



Women's Day Campaign

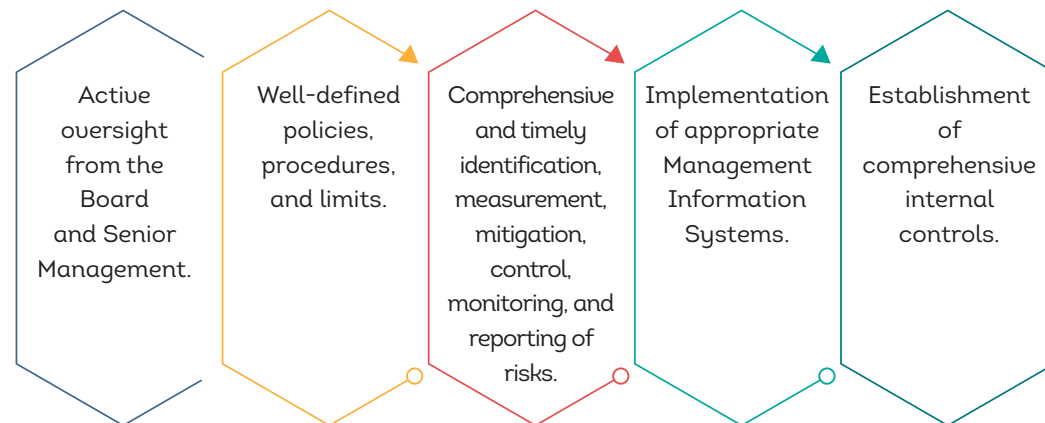
Our Women's Day initiative challenged conventional notions of protection by flipping the narrative. In this story, a father feels completely secure walking late at night—not because he is protecting his daughter, but because her strength makes him feel safe. The empowering message: 'Let her strength lead the way', highlighted our belief in gender equality, respect, and the empowerment of women as leaders in every sphere of life.

Regulatory Adherence. Transformational Aspirations.

We place corporate governance, ethics, and integrity at the core of our operations, recognising their critical role in building lasting relationships with stakeholders, and achieving our vision of becoming India's most respected Social Bank. Our governance framework is rooted in fairness, transparency, and reliability, with a firm commitment to adhering to applicable laws, Listing Regulations, and RBI Master Directions.

Risk Management Framework

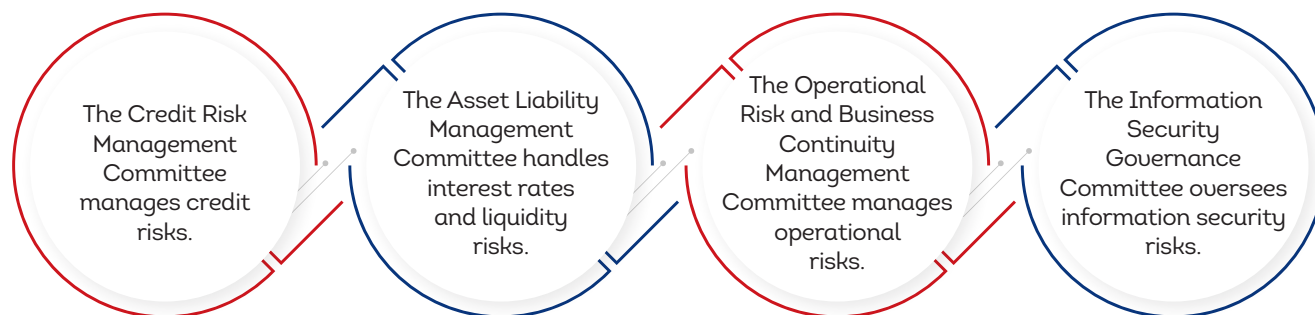
ESAF Small Finance Bank has a robust risk management architecture characterised by:



Our risk management framework is built on independent functions dedicated to risk management, compliance, and internal audit. At its core lies the development of an

annual risk strategy that aligns our Bank's risk appetite with capital allocation and performance objectives. This strategy is implemented through

targeted management of key risk categories, with oversight provided by specialised committees:



To ensure that the risk perspective is integrated into business decisions, the risk function is appropriately represented on management committees.

At its meeting on June 14, 2024, the Board of Directors of ESAF Small Finance Bank Limited

approved a strategic decision to reduce reliance on individual Business Correspondent. As part of this strategy, our Bank opted to discontinue a specific portion of the Business Correspondent services provided by M/s. ESAF Swasraya Multi State Agro

Co-operative Society Limited (ESMACO), the largest Business Correspondent and a promoter group entity. This decision was aimed at mitigating concentration risk, and aligning operations with our Bank's risk management and

efficiency goals. By bringing these business operations in-house, our Bank is seeking to enhance control and visibility.

The discontinuation became effective at the close of business on 30th June 2024. During this transition, our Bank successfully

absorbed 5,109 employees, ensuring a seamless shift in operations.



Environmental, Social, and Governance (ESG)

We embed sustainability into our core risk framework by aligning closely with defined development goals and regulatory expectations. Through a disciplined approach that involves setting clear priorities, tracking measurable objectives, and meeting defined targets, we strengthen our multi-layered risk management and internal control systems. This integrated model not only mitigates risks effectively but also positions the Bank as a proactive contributor to positive social and environmental impact.



BOARD OF DIRECTORS

Enabling Aspirations. Leading with Purpose.



1 **Kolasseril Chandramohan Ranjani**
Non-Executive Independent Director

2 **George K. John**
Executive Director

3 **Ravi Venkatraman**
Non-Executive Independent Director

4 **Dr. Kadambelil Paul Thomas**
Managing Director and CEO

5 **Biju Varkkey**
Non-Executive Independent Director

6 **Ajayan Mangalath Gopalakrishnan Nair**
Non-Executive Nominee Director

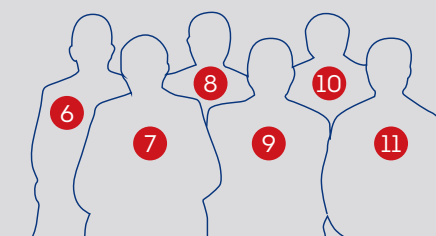
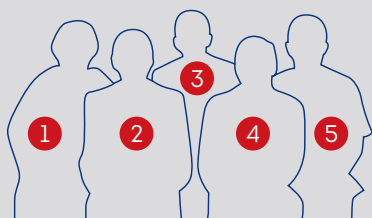
7 **Raumohan Periyakavil Ramakrishnan**
Part-Time Chairman and Non-Executive Independent Director

8 **John Samuel**
Non-Executive Nominee Director

9 **Thomas Jacob Kalappila**
Non-Executive Independent Director

10 **Dr. Joseph Vadakkekara Antony**
Non-Executive Director

11 **Vinod Vijayalekshmi Vasudevan**
Non-Executive Independent Director



AWARDS & RECOGNITIONS

Transforming Banking. Winning Trust.

2024 Highlights: A Year of Prestigious Wins

DHANAM BFSI Summit & Awards

The Bank was honoured as the Emerging Bank of the Year, underlining its rapid growth and impactful presence in the financial sector.



BFSI CXO Summit & Awards

The Bank was awarded for its 'Innovative Initiative in the Social Sector', recognising its unique and inclusive banking efforts.



Indian Chamber of Commerce (ICC)

ESAF achieved Runner-Up for Best Performance on Growth, affirming its consistent expansion and performance excellence.



Cannes Lions Award

ESAF Small Finance Bank proudly secured Bronze in the Sustainable Development Goals category, showcasing its commitment to creating a better world through responsible banking.



BFSI Leadership Awards

ESAF was acknowledged with the 'Fastest Retail Loan Approval Award' for its Gold Loan services, reinforcing its promise of speedy and customer-centric offerings.



Dabba Savings Account Campaign

ESAF Small Finance Bank's Dabba Savings Account Campaign has garnered multiple accolades at the MAD Stars Awards in Busan, South Korea. The campaign was a finalist in six categories and won awards in four remarkable categories.



2025 Achievements: Continuing the Momentum

4th Eggfirst Chalo Bharat Conclave & Awards

The Bank shined brightly with four major awards, including:

- + Gold in Best Product Innovation for the MSME QR Loan
- + Silver in Best Rural-Focused Short Video for the heartwarming 'I Am Papai' film
- + Silver in Best Occasion Marketing Campaign for the innovative Seed-Embedded Lord Ganesha Sculpture
- + Bronze in Best TVC Campaign for the inspirational 'Power to Dream Bigger' campaign



Effie Awards India 2024

ESAF Small Finance Bank struck Gold in the Finance category for its innovative Dabba Savings Account. The campaign also clinched two Bronze awards in the Small Budgets - Services and Positive Change - Social Good categories, marking a major milestone in creative and purposeful marketing.



ADFEST 2025 in Pattaya

Our Dabba Savings Account won four prestigious awards at ADFEST 2025 in Pattaya, Thailand. Adding to the glory, ESAF also secured the third spot as "Advertiser of the Year" among top global brands.



LEADERSHIP TEAM

Leading with Purpose. Delivering Progress.



George Thomas

Executive Vice President - Human Resources



Hari Velloor

Executive Vice President - Credit



Wilson Cyriac

Chief Risk Officer



Sivakumar P.

Head - Internal Audit



Hemant Kumar Tamta

Executive Vice President - Assets



Gireesh C.P.

Executive Vice President - Finance
and Chief Financial Officer



Paul M.C.

Chief of Internal Vigilance



George Varghese

Chief Compliance Officer



Bosco Joseph

Executive Vice President - Micro Banking



Sudev Kumar V.

Executive Vice President - Branch Banking





Corporate Information

Chief Financial Officer

Gireesh C. P.

Company Secretary

Ranjith Raj P.

Statutory Auditors

Abarna & Ananthan | Kirtane & Pandit LLP

Secretarial Auditors

SEP and Associates, Company Secretaries, Ernakulam

Registered & Corporate Office

Building No. VII/83/8, ESAF

Bhavan, Thrissur - Palakkad

National Highway Mannuthy,

Thrissur, Kerala - 680651

CIN: L65990KL2016PLC045669

RBI Registration Number: MUM 124

Management Discussion & Analysis

MACROECONOMIC LANDSCAPE AND BANKING SECTOR TRENDS

India's Economic Overview (2024-25)

India's economy is projected to grow by 6.5% in 2024-25, reflecting resilience amid global uncertainties. This moderation from the previous year's 8.2% growth rate is primarily attributed to weaker private sector investments and uncertainties owing to changes in US tariff policies. However, the nation's strong domestic framework—supported by extensive structural reforms, technological advancements, and infrastructure enhancement—has maintained a stable economic outlook. Private consumption grew by 7.3%, driven by rising incomes and urbanisation, while government-driven investments played a key role in sustaining growth momentum.

The agriculture sector witnessed a robust growth of 3.8%, propelled by favourable monsoons and record Kharif harvests, which significantly improved rural incomes and demand. Industrial growth at 6.2% was fuelled by increased output in steel, cement, chemicals, and consumer goods such as automobiles and electronics, reflecting stronger domestic demand and manufacturing incentives. The services sector remained the key driver at 7.2%, led by financial services, real estate, and IT, supported by digitalisation and global outsourcing trends. Merchandise exports grew by 1.6%, while strong services exports and record remittances helped contain the current account deficit at 1.2% of GDP, stabilising external balances. Forex reserves stood at US\$ 640.3 billion, ensuring macroeconomic stability.

To address slowing growth and support job creation, the Reserve Bank of India's Monetary Policy Committee (MPC) cut the repo rate by 25 basis points to 6.25% in its meeting held from February 5 to 7, 2025—the first reduction in two years. This decision was influenced by easing retail inflation, which fell to 4.9%, although food price volatility remains a concern. Despite the rate cut, the MPC maintained a neutral stance to balance inflation control with economic expansion.

The banking sector remained strong, with Non-Performing Assets (NPAs) declining to 2.6% due to improved credit discipline and regulatory measures. However, challenges such as geopolitical risks, food inflation volatility, and weak private investments persist, requiring strategic policy interventions. Growth in 2025-26 is projected at 6.3-6.8%, supported by rising rural demand, public-private investments, and improving business confidence.

Key policy initiatives in infrastructure, AI, renewable energy, and skill development will be instrumental in achieving long-term economic goals, including Viksit Bharat@2047. Structural reforms, fiscal discipline, and continued digital

transformation will ensure India's sustained growth trajectory in the coming years.

(Source: <https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf>)

Banking Sector Trends

India's Banking, Financial Services, and Insurance (BFSI) sector is undergoing significant changes, driven by technological advancements, evolving regulatory frameworks, and the dynamic nature of customer demands. This sector is strategically positioned to catalyse economic growth by facilitating broader access to credit and advancing financial inclusion.

Key Trends

- **Consolidation:** Increased mergers and acquisitions aim to achieve economies of scale, strengthen financial institutions, and streamline operations.
- **Digitalisation:** Fintech innovations and the adoption of digital banking services have transformed the customer experience. Non-Banking Financial Companies (NBFCs) and Small Finance Banks (SFBs) are particularly active in leveraging technology to cater to underserved markets.
- **Credit Growth:** Strong demand for credit, particularly from Micro, Small, and Medium Enterprises (MSMEs), is driving growth in the banking sector. NBFCs continue to capture a significant share due to their willingness to take on higher risks and offer diverse financial products.

Impact of Budget 2025-26 on the Banking Sector

The Union Budget for 2025-26 is set to introduce a series of reformative measures to strengthen the banking sector's strength and enhance its operational efficiency. A primary focus will be placed on reducing Non-Performing Assets (NPAs) through improved recovery mechanisms and regulatory measures to strengthen asset quality. In parallel, the expansion of credit frameworks is expected to facilitate greater funding for MSMEs, thereby benefitting Non-Banking Financial Companies (NBFCs) that serve this key segment. To further boost the sector's financial stability, the government aims to raise the Foreign Direct Investment (FDI) threshold in insurance from 74% to 100%, attracting more capital and reinforcing the sector's long-term growth.

Liquidity and Consumption Support Measures by the Indian Government and RBI

Liquidity Support Measures

To ensure adequate liquidity in the banking system and support economic stability, the Reserve Bank of India (RBI) has introduced several measures:

Management Discussion & Analysis (Contd.)

- The RBI conducted Open Market Operation (OMO) purchase auctions of government securities amounting to ₹ 60,000 crore in multiple tranches. Additional bond purchases worth ₹ 1 trillion have been scheduled to further enhance liquidity.
- A 56-day Variable Rate Repo (VRR) auction of ₹ 50,000 crore was conducted to address short-term liquidity requirements of financial institutions.
- The RBI executed a USD/INR swap auction of US\$5 billion to inject rupee liquidity and maintain currency market stability. Another swap auction of US\$10 billion has been planned to reinforce liquidity buffers.
- Additional funding was provided to key financial institutions - National Bank for Agriculture and Rural Development (NABARD) (₹ 25,000 crore), National Housing Bank (NHB) (₹ 15,000 crore), and Small Industries Development Bank of India (SIDBI), ensuring credit flow to agriculture, Housing Finance Companies (HFCs), and Microfinance Institutions (MFIs).
- Since the beginning of the year, over ₹ 4.5 trillion has been infused into the banking system through bond purchases, forex swaps, and repo auctions.
- In February 2025, the RBI reduced the policy interest rate by 25 basis points to lower borrowing costs and improve credit accessibility.

Measures to Boost Consumption

To stimulate demand and support economic growth, the Indian government has introduced multiple initiatives:

- Increased budgetary allocations for employment programmes such as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to strengthen rural income security and drive consumption.
- Proposed revisions to direct tax structures for middle-income groups and rationalisation of GST on essential goods to enhance disposable income.
- Higher infrastructure spending in housing and transportation to generate employment and encourage consumption-driven growth.
- Introduction of a pension scheme – the National Pension System (NPS) Vatsalya Scheme – enabling contributions to minors' accounts, fostering a culture of long-term savings and financial security.
- Strengthening rural distribution channels and offering incentives for businesses investing in rural products to unlock untapped consumption potential.
- Enhancements in the digital payments ecosystem to improve accessibility and convenience, fostering financial inclusion across both urban and rural regions.

These measures collectively aim to ensure financial stability, enhance liquidity, and drive economic growth by encouraging investment, employment, and consumer spending.

Role of Small Finance Banks (SFBs)

Small Finance Banks (SFBs) play a central role in bridging the gap in financial inclusion by providing banking services to underserved and unbanked communities, predominantly in rural and semi-urban areas. These banks address the limitations of traditional banking institutions by offering customised financial products, including microloans, funding for small-scale businesses, and savings accounts tailored to the needs of low-income households and small enterprises. By leveraging technology and innovative banking models, SFBs enhance accessibility, promote economic participation, and contribute to inclusive growth.

The growth of SFBs has significantly impacted India's socio-economic domain by fostering economic development and expanding financial access. Established to serve the unbanked and underbanked populations, these banks have rapidly expanded their branch networks, particularly in rural and semi-urban areas, where traditional banking services were previously limited. By targeting low-income individuals and small businesses, SFBs provide essential financial services that empower these segments, facilitating access to credit and promoting entrepreneurship. Their role in addressing the funding needs of Micro, Small and Medium Enterprises (MSMEs) has been instrumental in job creation and overall economic development. With a focus on low transaction costs and innovative banking solutions, SFBs not only mobilise savings but also reduce reliance on informal lending sources. Additionally, their emphasis on digital transformation enhances service delivery, making banking more accessible and convenient for rural populations.

Among the prominent SFBs, ESAF Small Finance Bank stands out for its mission-driven approach and commitment to social impact. Originating from a microfinance background, ESAF has expanded its reach across both rural and urban areas, offering a diverse range of financial products that cater to various customer segments. The Bank places strong emphasis on empowering marginalised communities through microloans, financial literacy programmes, and sustainable banking initiatives. By integrating technology with customer-centric banking solutions, ESAF continues to drive financial empowerment, foster entrepreneurship, and enable economic transformation at the grassroots level.

In summation, the proliferation of SFBs is reshaping India's financial landscape by driving inclusive growth

Management Discussion & Analysis (Contd.)

and contributing to poverty alleviation through improved access to financial resources. By bridging the financial gap and fostering economic participation, SFBs continue to play a crucial role in the nation's development. They ensure that financial services reach even the most remote and underserved communities.

Trends in Non-Performing Assets (NPAs)

The Indian banking sector is witnessing a significant decline in Non-Performing Assets (NPAs). According to Fitch Ratings, the gross NPA ratio was expected to reach 2.4% by March 2025. This improvement is primarily driven by strong economic growth, increased loan recoveries, and effective write-off strategies. However, in contrast to the broader banking sector, Small Finance Banks (SFBs) are experiencing a rise in NPAs, underlining the distinct challenges they face.

The overall reduction in NPAs across the banking sector is attributed to favourable economic conditions and proactive regulatory measures by the Reserve Bank of India (RBI). In contrast, SFBs—primarily focused on lending to low-income borrowers—are witnessing an increase in NPAs due to their reliance on unsecured loans, which are inherently more vulnerable to defaults. This heightened exposure to riskier lending segments makes SFBs more susceptible to asset quality deterioration, particularly during economic downturns.

Additionally, competitive pressures further exacerbate the challenges faced by SFBs. The growing presence of fintech firms and Non-Banking Financial Companies (NBFCs) in similar market segments intensifies the competition. Moreover, the RBI's decision to raise risk weights on unsecured retail loans aims to curb excessive lending, but it may add to the difficulties for SFBs given their business model and borrower profile.

Overall, while the broader banking sector benefits from economic resilience and regulatory support, the increasing NPAs in the SFB segment highlight the complexities of risk management in serving financially vulnerable customer groups.

Microfinance

Microfinance plays a vital role in financial inclusion by providing essential financial services to individuals and small businesses without access to traditional banking. These services include microloans, microsavings, microinsurance, and payment systems, designed to empower marginalised and low-income groups, especially women, by fostering economic growth and enabling better risk management. Microfinance Institutions (MFIs) facilitate these services through relationship-based or group-based models, ensuring accessibility and affordability.

Despite many benefits, the microfinance sector is currently under significant strain. Increasing customer indebtedness and reduced loan disbursements have driven up credit costs, complicating the operational landscape for MFIs. Furthermore, external factors have intensified difficulties, particularly for the low-income communities that microfinance primarily serves.

Unregulated entities have significantly contributed to the challenges faced by the microfinance sector, often resulting in irresponsible lending practices and increased borrower indebtedness. In response to these risks, several state governments have introduced interventions to curb the activities of such entities, aiming to protect low-income borrowers and stabilise the sector. However, these measures can sometimes restrict the overall credit flow, complicating the operational environment for regulated Microfinance Institutions (MFIs). Striking the right balance between regulation and access to finance remains a critical challenge for the sustainable growth of the sector.

Compounding these challenges, extended collection periods have exacerbated liquidity issues, making it harder for institutions to sustain lending operations. Additionally, recurrent heat waves in certain regions and the lingering effects of the pandemic have weakened borrowers' repayment abilities, leading to increased default risks and intensifying financial stress across the industry.

Despite these hurdles, microfinance continues to be a key driver of social equity and economic resilience, particularly during periods of economic uncertainty. While concerns about high interest rates and over-indebtedness remain, the sector continues to support millions, enhancing financial stability and promoting entrepreneurship. To ensure long-term sustainability, it is crucial to implement policy reforms, enhance risk management strategies, and develop adaptive financial solutions tailored to the evolving needs of borrowers and institutions alike.

ESAF Small Finance Bank: Overview

In 1992, Dr. Kadambelil Paul Thomas, our Managing Director & CEO, founded ESAF Foundation alongside a cohort of like-minded individuals. The Foundation's central aim was to catalyse the growth of micro-enterprises, foster socio-economic development, and elevate community health standards. In 1995, the Foundation introduced its microloan initiatives, heralding a new era of empowerment for marginalised groups.

Dr. Kadambelil Paul Thomas, along with his associates, acquired the Corporate Promoter of ESAF Small Finance Bank in 2006. Following this acquisition, ESAF Foundation transferred its microloan operations to the Corporate Promoter through a formal business transfer agreement

Management Discussion & Analysis (Contd.)

executed on March 31, 2008. The Corporate Promoter achieved Non-Banking Financial Company – Microfinance Institution (NBFC-MFI) status in 2014, further solidifying its position in the financial ecosystem. Later, on March 10, 2017, the Corporate Promoter transferred its lending and financing operations to ESAF Small Finance Bank, marking the official beginning of ESAF's transformation into a Small Finance Bank. This transition was formalised through a business transfer agreement signed on February 22, 2017.

Rooted in a legacy of over three decades, ESAF Small Finance Bank (also referred to as 'ESAF Small Finance Bank', 'The Bank', 'Our Bank', or 'We') is firm in its commitment to providing inclusive banking solutions to underserved and unserved communities, aligning ourselves with India's aspirations for universal financial inclusion. As a Small Finance Bank, ESAF is mandated to direct at least 75% of its adjusted net bank credit to priority sectors. Upholding the tenets of responsible banking, our Bank leverages innovative technology to offer customer-centric products and services.

Rural and Semi-Urban Focus

ESAF Small Finance Bank's focus is squarely on providing financial services to the customers in rural and semi-urban areas. As of March 31, 2025, 56.4% of our Bank's gross advances were allocated to these regions. Additionally, 66% of our banking outlets were strategically located in these underserved locales to broaden our reach and enhance service delivery.

Commitment to the Triple Bottom Line: People, Planet, and Prosperity

ESAF Small Finance Bank is deeply committed to making a lasting difference through its efforts in three key areas:

- **People:** Ensuring inclusive banking access for all, particularly underserved and marginalised communities.
- **Planet:** Advocating sustainable practices that minimise the Bank's ecological footprint and contribute to environmental well-being.
- **Prosperity:** Empowering individuals and communities through responsible financial solutions, fostering economic growth, and promoting financial literacy.

Aligned with its Triple Bottom Line approach, ESAF Small Finance Bank has implemented a comprehensive ESG (Environmental, Social, and Governance) policy. The policy targets:

- Safeguarding the environment and promoting sustainable development.
- Advancing financial inclusion and gender equality through tailored financial services.
- Establishing a governance framework that ensures accountability, transparency, and adherence to internal and external ESG standards.

Product Portfolio

The Bank's diverse asset product offerings include:

- **Microloans:** Covering microfinance loans and other small loans.
- **Retail Loans:** Encompassing gold loans, mortgages, personal loans, and vehicle loans.
- **MSME Loans:** Targeting Micro, Small and Medium Enterprises.
- **Loans to Financial Institutions.**
- Agricultural Loans.

Total Loan Book as of March 31, 2025, and March 31, 2024

Loan Type	2025 Amount (₹ in million)	% of Total Loan Book (2025)	2024 Amount (₹ in million)	% of Total Loan Book (2024)
Microloans	97,046.58	49.41%	1,37,663.20	70.02%
Retail Loans	73,312.19	37.32%	37,001.17	18.82%
MSME Loans	5,577.14	2.84%	2,265.49	1.15%
Loans to Financial Institutions	10,324.44	5.25%	9,211.40	4.69%
Agricultural Loans	10,167.48	5.18%	10,452.30	5.32%
Total Loan Book	1,96,427.83	100%	1,96,593.56	100.00%

Our Bank presents an extensive array of liability products, including current accounts, savings accounts, term deposits, and recurring deposits. As of March 31, 2025, we served 9.41 million deposit customers, with total deposits reaching ₹ 2,32,764.4 million, a significant increase from ₹ 1,98,678.04 million as of March 31, 2024. This growth reflects our commitment to broadening our deposit base,

with retail deposits constituting 93.03% of the total deposit base as of March 31, 2025.

ESAF Small Finance Bank operates a comprehensive network that includes 787 Banking Outlets (of which 60 are run by Banking Correspondents), 1,106 Customer Service Centres managed by Banking Correspondents, 35 Business Correspondents, 4,405 Banking Agents, 735 Business

Management Discussion & Analysis (Contd.)

Facilitators, and 693 ATMs. This broad infrastructure spans 24 states and 2 union territories, serving over 9.41 million customers as of March 31, 2025. Our Business Correspondents play a key role in sourcing and servicing microloan customers and acquiring customers for mortgage loans, vehicle loans, MSME loans, agricultural loans, and specialised deposit products.

We are strongly committed to leveraging technology to enhance our product and service delivery by continuously improving the customer experience through innovation. During 2024-25, we disbursed our microloans using e-signatures. Our customers enjoy access to a variety of digital platforms, including an internet banking portal, a mobile banking app, SMS alerts, bill payment services, and RuPay-branded ATM and debit cards. Additionally, customers can conveniently open ESAF Savings Accounts through Unified Payment Interface (UPI)-based mobile applications.

We have digitalised key processes, including account openings and loan underwriting, using tablets. Our Bank also operates a centralised digital credit-processing unit for microloans, and has predominantly digitised the customer

onboarding process for microloans. These advancements have streamlined operations, enabling cashless loan disbursements and electronic signing for microloans, thereby minimising paperwork.

Furthermore, we have modernised our loan collection process through mobile applications and a payment gateway, making it easier for borrowers to repay their loans. Additionally, we have adopted a Customer Relationship Management (CRM) system to improve the handling of customer requests, further strengthening our focus on operational efficiency and customer satisfaction.

Key Factors Influencing ESAF's Financial Performance, Operations, and Cash Flow

The financial standing, operational performance, and cash flow dynamics of our Bank are shaped by a range of key factors. Among these, the following elements hold particular weight:

Business Expansion

The table below highlights the growth of our total loan book, deposits, and other critical business metrics over the recent years:

Particulars	As of March 31, 2025	% Increase	As of March 31, 2024	% Increase
Total Loan Book (₹ in million)	1,96,427.8	-0.08%	1,96,593.56	20.39
Deposits (₹ in million)	2,32,764.4	17.16%	1,98,678.04	35.47
States/UTs Combined (Number)	26	4%	25	4.35
Banking Outlets (Number)	787	4.51%	753	7.57
Business Correspondents (Number)	35	0	35	75.00
Customer Service Centres (Number)	1,106	18.92%	930	25.17
Banking Agents (Number)	4,405	-12.32%	5,024	148.34
Business Facilitators (Number)	735	-4.79%	772	60.50
ATMs (Number)	693	12.87%	614	16.29

Note: The Total Loan Book includes gross advances, as well as advances originated and transferred through securitisation, assignment, and interbank participation certificates for which the Bank continues to hold collection responsibilities.

Net Interest Income

For the financial year 2024-25, our Bank's net interest income saw a decrease of 13.43%, from ₹ 23,696.93 million in 2023-24 to ₹ 20,515.3 million in 2024-25. Below is a table showcasing the net interest income for the outlined periods.

Net Interest Income Details (₹ in million)

Particulars	2024-25	2023-24
Interest Earned [A]	38,622.20	38,184.27
Interest Expended [B]	18,106.90	14,487.34
Net Interest Income [C] = [A] - [B]	20,515.3	23,696.93

Our interest income is influenced by the following factors:

1. Average balance of interest-earning advances and their corresponding yields and the mix of secured/unsecured during the year, and also on account of higher slippages in microloans.



Management Discussion & Analysis (Contd.)

- Average balance of investments that generate interest income and their respective yields.
- Average interest-earning balances held with the Reserve Bank of India (RBI) and other interbank funds, along with their yields.

Our interest expenditure is influenced by:

- Average balance of total deposits and their associated costs.
- Average balance of borrowings and their related costs.

Average Interest-Earning Advances and Yield

The table below highlights the average balances of advances (net of provisions) across the following categories:

- Microloans:** Comprise microfinance loans and other microloans.
- Other Loans:** Include retail loans, gold loans, MSME loans, loans to financial institutions, and agricultural loans.
- Total Advances:** Combine the balances of microloans and other loans.

It also includes the corresponding interest earned, providing the yield for the fiscal years covered.

(₹ in million, except percentages)

Advances (Net of Provisions) Category	2024-25			2023-24		
	Average Balance	Interest Earned	Yield (%) [C=B/A]	Average Balance	Interest Earned	Yield (%) [C=B/A]
Microloans (2)(3)	1,08,937.10	24,296.5	22.30%	1,08,699.17	27,809.02	25.58%
Other Loans (4)	76,192.13	9,808.50	12.87%	47,799.16	6,804.22	14.24%
Total Advances	1,85,129.23	34,105.00	18.42%	1,56,498.33	34,613.23	22.12%

Notes

- The calculation of average balances is calculated as the average of the opening balance at the start of the relevant fiscal year and the closing balance at the quarter-end for all quarters in the relevant fiscal year.
- Our Microloans portfolio includes both Microfinance Loans and Other Micro-assets, which are unsecured and extended to individuals without the need for collateral. To be eligible for a loan, an individual must belong to a sub-group of two to ten members. Multiple sub-groups, typically ranging from one to five, converge to form a 'Sangam,' which plays a key role in ensuring loan repayments and coordinating various activities through regular meetings. Prior to the enforcement of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, all loans disbursed to individuals within a sub-group were uniformly categorised as Microloans. However, since October 17, 2022, we have redefined the classification, distinguishing them into Microfinance Loans and Other Microloans.
- Average Microloans are calculated as gross Microloans, net of provisions for NPAs, based on the average of the opening balance at the start of the fiscal year and the closing balance at the end of each quarter throughout the fiscal year (Average Interest-Earning Microloans). Similarly, Average Other Loans—comprising (a) Retail Loans, (b) MSME Loans,

(c) Loans to Financial Institutions, and (d) Agricultural Loans—are determined as gross Other Loans, net of provisions for NPAs, using the same averaging method (Average Interest-Earning Other Loans).

Key Observations

- Microloans remain the largest portion of the loan book, contributing 49% in 2025, though this is a decrease from 70.02% in 2024.
- Retail Loans have grown significantly, rising from 18.82% in 2024 to 37.32% in 2025, indicating an increasing focus on personal, gold and household loans.
- MSME Loans and Loans to Financial Institutions have shown growth in both absolute terms and as a percentage of the Total Loan Book.
- Agricultural Loans have also grown, reflecting ESAF Small Finance Bank's commitment to supporting rural and farming communities.

Growth Trends

- Total Loan Book stood at ₹ 1,96,427.82 million as of March 31, 2025.
- The diversification of the loan portfolio suggests a strategic shift to reduce reliance on Microloans while strengthening other loan segments like Retail and Agricultural Loans.

Management Discussion & Analysis (Contd.)

Advances and Yields

The Bank's Average Interest-Earning Advances increased by 18.29%, rising from ₹ 1,56,498.33 million in 2023-24 to ₹ 1,85,129.23 million in 2024-25.

- Microloans:** The average interest-earning microloans grew by 0.22%, from ₹ 1,08,699.17 million in 2023-24 to ₹ 1,08,937.1 million in 2024-25.
- Other Loans:** Average interest-earning other loans saw a sharp rise of 59.40%, growing from ₹ 47,799.16 million in 2023-24 to ₹ 76,192.13 million in 2024-25.

The yield on Average Interest-Earning Advances is given below :

- Overall Yield:** Decreased to 18.42% in 2024-25 from 22.12% in 2023-24.
- Microloans Yield:** Decreased to 22.30% in 2024-25, from 25.58% in 2023-24.
- Other Loans Yield:** 12.87% in 2024-25 as compared to 14.24% in 2023-24.

Investments and Yields

The Average Interest-Earning Investments grew by 9.72%, increasing from ₹ 53,173.94 million in 2023-24 to ₹ 58,341.09 million in 2024-25.

- Yield on Investments:** Improved slightly to 6.89% in 2024-25, compared to 6.64% in 2023-24.

Balances with RBI and Interbank Funds

Average interest-earning balances with the Reserve Bank of India and other interbank funds increased significantly by 1,922.93%, from 351.75 million in 2023-24 to ₹ 7,115.65 million in 2024-25.

- Yield on Balances:** The yield decreased to 6.98% in 2024-25, from 11.82% in 2023-24.

Deposits Analysis for 2024-25 and 2023-24

(All Amounts in ₹ million, Except Percentages)

Deposit Type	2024-25			2023-24		
	Average Balance (A)	Interest Expended (B)	Cost% (C = B/A)	Average Balance (A)	Interest Expended (B)	Cost% (C = B/A)
Demand Deposits	3,089.27	-	-	2,738.50	-	-
Savings Bank Deposits	49,156.28	2,914.9	5.93%	31,654.07	1,622.12	5.12%
CASA (A + B)	52,245.55	2,914.9	5.58%	34,392.57	1,622.12	4.72%
Term Deposits	1,63,874.87	13,210.6	8.06%	1,38,537.81	10,776.46	7.78%
Total Deposits	2,16,120.42	16,125.6	7.46%	1,72,930.38	12,398.59	7.17%

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



Management Discussion & Analysis (Contd.)

Key Highlights

1. Savings Bank Deposits

- The average balance increased from ₹ 31,654.07 million in 2023-24 to ₹ 49,156.28 million in 2024-25.
- Interest expended rose slightly and cost stood at 5.93% in 2024-25 against 5.12% in 2023-24.

2. CASA Deposits

- Average balances grew from ₹ 34,392.57 million in 2023-24 to ₹ 52,245.55 million in 2024-25.
- The cost of CASA increased from 4.72% in 2023-24 to 5.58% in 2024-25.

3. Term Deposits

- Average balances surged from ₹ 1,38,537.81 million in 2023-24 to ₹ 1,63,874.87 million in 2024-25.
- The cost of term deposits rose from 7.78% in 2023-24 to 8.06% in 2024-25.

4. Total Deposits

- The total average balance increased significantly, from ₹ 1,72,930.38 million in 2023-24 to ₹ 2,16,120.42 million in 2024-25.
- The overall cost of deposits increased from 7.17% in 2023-24 to 7.46% in 2024-25.

CASA and Total Deposits: 2024-25 vs. 2023-24

(All Amounts in ₹ million, Except Percentages)

Particulars	2024-25	2023-24
Average CASA [A]	52,245.55	34,392.57
Average Total Deposits [B]	2,16,120.42	1,72,930.38
Average CASA to Total Deposits [C=A/B] (%)	24.17	19.88

Key Observations

- The share of CASA deposits as a percentage of total deposits increased from 19.88% in 2023-24 to 24.17% in 2024-25.
- To uphold a stable, cost-efficient CASA portfolio, it is essential to ensure customer ease of access, while offering compensatory rewards to offset the lack of returns on demand deposits and the lower yields on savings bank deposits.

- Influences from external factors—like evolving customer expectations, increasing competition, fluctuations in interest rates, and the directives of the RBI (e.g., liquidity and reserve requirements)—could necessitate revisions to the interest rates on savings deposits. We have improved our Credit-to-Deposit (CD) ratio, demonstrating our commitment to stronger credit growth, while maintaining a healthy Liquidity Coverage Ratio (LCR) to ensure liquidity and financial stability.

Borrowings and Cost of Borrowings

The sources of our borrowings include funds from the Reserve Bank of India, institutional agencies, other banks, subordinated debt, and perpetual debt instruments.

Particulars	2024-25	2023-24
Cost of Average Borrowings (%)	8.58	7.38

Key Observations

- The cost of average borrowings increased from 7.38% in 2023-24 to 8.58% in 2024-25.
- This rise was predominantly influenced by interest rate fluctuations.

Non-Performing Advances and Provisioning Policies

At ESAF Small Finance Bank, our operational performance is closely tied to our capability to effectively manage credit quality, which is partially gauged through the analysis of Non-Performing Assets (NPAs). As mandated by the RBI, loans are classified as NPAs based on the duration of non-payment, necessitating the creation of provisions accordingly, including for standard assets. NPAs are further delineated into sub-standard, doubtful, and loss assets.

To safeguard against such risks, we have adopted stringent credit approval mechanisms and loan allocation protocols, complemented with vigilant monitoring systems. Additionally, we leverage advanced data analytics and automated credit scoring methods to enhance the precision of credit assessment.

Certain loan categories like microloans and select retail financing, are unsecured, which increases the credit risk due to the absence of collateral. In default situations, our recovery strategies are constrained to legal recourse.

Management Discussion & Analysis (Contd.)

Results of Operations Comparison: 2024-25 vs. 2023-24

Profit and Loss Account Summary

(₹ in million)

Particulars	2024-25 (₹ in million)	% of Total Income (2024-25)	2023-24 (₹ in million)	% of Total Income (2023-24)
Income				
Interest Earned	38,622.2	89.21	38,184.27	89.63
Other Income	4,670.88	10.79	4,418.25	10.37
Total Income	43,293.08	100.00	42,602.52	100.00
Expenditure				
Interest Expended	18,106.90	41.82	14,487.34	34.01
Operating Expenses	19,615.08	45.31	16,488.30	38.70
Provisions and Contingencies	10,785.00	24.91	7,371.20	17.30
Total Expenditure	48,506.98	112.04	38,346.84	90.01
Net Profit for the Year	-5,213.89	-12.04	4,255.68	9.99

ESAF Small Finance Bank's total income rose by ₹ 690.56 million (1.62%), reaching ₹ 43,293.08 million in 2024-25, up from ₹ 42,602.52 million in 2023-24. This robust growth was driven by the following factors:

- ₹ 437.93 million or 1.15% increase in interests earned to ₹ 38,622.20 million in 2024-25 from ₹ 38,184.27 million in 2023-24
- ₹ 252.63 million or 5.72% increase in other income to ₹ 4,670.88 million for 2024-25 from ₹ 4,418.25 for 2023-24.

Interest Earned Details

Particulars	2024-25 (₹ in million)	2023-24 (₹ in million)	% Increase/ Decrease
Interest/Discount on Advances/Bills	34,105.01	34,613.23	(1.47%)
Income on Investments	4020.42	3,529.48	13.91%
Interest on Balances with RBI & Other Interbank Funds	496.76	41.56	1095.28%
Total Interest Earned	38,622.12	38,184.27	1.15%

The Bank's interest earnings grew by ₹ 437.93 million (1.15%) to ₹ 38,622.12 million in 2024-25 from ₹ 38,184.27 million in 2023-24. The key factors contributing to this growth are outlined below:

- Income on investments noted an increase of 13.91% or ₹ 490.94 million to ₹ 4020.42 million in 2024-25 from ₹ 3,529.48 million in 2023-24.
- Interests on balances with RBI & Other Interbank Funds noted an increase of ₹ 1,095.28% or ₹ 455.20 million from ₹ 41.56 million in 2023-24 to ₹ 496.76 million in 2024-25.
- Interest/ Discount on Advances/ Bills is reduced by 1.47% of on account of higher slippages and change in mix of advances.

Other Income

Particulars	2024-25 (₹ in million)	2023-24 (₹ in million)	% Increase/ Decrease
Commission, Exchange, and Brokerage	2,292.24	2,915.04	(21.37%)
Profit on Sale of Investments (Net)	791.57	206.52	283.30%
Profit/(Loss) on Revaluation of Investments (Net)	23.37	201.65	(88.41%)
Profit/(Loss) on Sale of Land, Buildings and Other Assets (Net)	0.94	0.90	5.26%
Profit on Foreign Exchange Transactions (Net)	16.14	10.27	57.15%
Income Earned by Way of Dividends, among others, from Companies	2.10	1.16	80.97%
Miscellaneous Income	1,544.51	1,082.71	42.79%
Total	4,670.88	4,418.25	5.74

Management Discussion & Analysis (Contd.)

ESAF Small Finance Bank's other income increased by ₹ 252.63 million (5.74%) to ₹ 4,670.88 million in 2024-25 from ₹ 4,418.25 million in 2023-24. The primary reasons for this increase are enumerated below:

i) Other income increased majorly on account of increase in profit on sale of investments and miscellaneous income. ₹ 461.80 million or 42.79% increase in Miscellaneous Income to ₹ 1,544.51 million in 2024-25 from ₹ 1,082.71 million in 2023-24 on account of increase in Priority Sector Lending Certificate (PSLC) income by 19.46% and recovery from written-off MB loans by 15.67% from ₹ 21.59 million in 2023-24 to ₹ 37.26 million in 2024-25.

ii) The increase in profit on sale of investments (Net) by ₹ 585.05 million, or 283.30%, to ₹ 791.57 million for 2024-25 from ₹ 206.52 million for 2023-24 mainly on the account reduction in yields on Government securities.

Total Expenditure

Our Bank's total expenditure increased by ₹ 10,160.14 million (26.50%) to ₹ 48,506.98 million in 2024-25 from ₹ 38,346.84 million for 2023-24. The primary reasons for this increase are outlined below:

i) The increase in total expenditure are on account of increase in interest on deposits, increase in the number of Branches and employees resulting in increased operating expenses and additional provision created.

Interest Expended

Our interest expended increased by ₹ 3,619.56 million, or 24.98%, to ₹ 18,106.9 million for 2024-25 from ₹ 14,487.34 million for 2023-24. The primary reasons for this increase are discussed below.

Provisions and Contingencies: 2024-25 vs. 2023-24

Particulars	2024-25 (₹ in million)	2023-24 (₹ in million)	% Increase/ Decrease
Provision towards NPA/Write-offs [A]	12,415	5,792.49	114.33%
Provision towards/(Write-Back of Provision towards) Standard Assets [B]	61.1	204.30	(70.09%)
Provision Made towards Income Tax			
Current Tax Expense [C]	0	1,530.00	(100%)
Deferred Tax Charge (Credit) [D]	(1715.82)	(81.55)	2004.01%
Total Provision Made towards Income Tax [E] = [C] + [D]	(1715.82)	1,448.45	(218.46%)
Other Provisions and Contingencies [F]	24.7	(74.04)	133.36%
Total Provisions and Contingencies [G] = [A] + [B] + [E] + [F]	10,784.98	7,371.20	46.31%

ESAF Small Finance Bank's provisions and contingencies increased by ₹ 3413.78 million (46.31%) to 10,784.98 million in 2024-25 from ₹ 7,371.20 million in 2023-24.

- Interest on deposits increased by ₹ 3,727.51 million, or 30.07%, to ₹ 16,125.57 million for 2023-24 from ₹ 12,398.06 million for 2023-24.

Our Average Total Deposits expanded by 24.98% from ₹ 1,72,930.38 million in 2023- 24 to ₹ 2,16,120 million in 2024-25 on account of increase in the Cost of Average Deposit to 7.46% for 2024-25 from 7.17% for 2023-24.

Operating Expenses

Our operating expenses increased by ₹ 3,126.78 million, or 18.96%, to ₹ 19,615.08 million for 2024-25 from ₹ 16,488.30 million for 2023-24. The primary reasons for this increase are discussed below:

i) Payments to and provisions for employees increased by ₹ 2,971.01 million, or 81.85%, to ₹ 6,600.75 million for 2023-24 from ₹ 3,629.74 million for 2023-24, which was primarily due to a 109.82% increase in our number of employees to 12,520 as at March 31, 2025 from 5,967 as at March 31, 2024. Salary increments given to employees including promotions during the year, and also on account of the transfer of employees as part of transition of BC business.

Rent, taxes and lighting increased by ₹ 338.65 million, or 40.13%, to ₹ 1182.52 million for 2024-25 from ₹ 843.18 million for 2023-24, which was primarily due to a 4.52% increase in our number of Branches to 787 as at March 31, 2025 from 753 as at March 31, 2024, increments paid to existing branches which comes after 3 years, opening of 3 Regional Offices and also on account of additional space taken for existing branches to renovate the buildings.

Management Discussion & Analysis (Contd.)

Net Profit for the Year

As a result of the above, our Bank's net profit for the year decreased by ₹ 9,469.57 million, (222.52%) to ₹ - 5,213.89 million in 2024-25 from ₹ 4,255.68 million in 2023-24.

Financial Condition

Statement of Assets and Liabilities

ESAF Small Finance Bank's assets, as recorded at the end of the specified period/year, are detailed below:

Particulars	2024-25 (₹ in million)	2023-24 (₹ in million)
Cash and Balances with the Reserve Bank of India	13,514.29	13,646.45
Balances with Banks and Money at Call and Short Notice	6,276.84	582.80
Investments	59,952.62	55,410.22
Advances	1,80,278.72	1,82,931.12
Fixed Assets	3,004.17	2,075.53
Other Assets	8,756.25	6,222.71
Total Assets	2,71,782.89	2,60,868.82

Cash and Balances with the Reserve Bank of India

Cash and balances with the RBI decreased by 0.97% to ₹ 13,514.29 million as on March 31, 2025 from ₹ 13,646.45 million as at March 31, 2024 primarily due to decrease in balances with the RBI in Current Accounts from ₹ 12,141.83

Advances (Net of Provisions) Breakdown

Advances	As of March 31, 2025 (₹ in million)	As of March 31, 2024 (₹ in million)	% Increase/ Decrease
Microloans (1)	81,056.44	1,24,404.03	(34.84)%
Other Loans	99,222.28	58,527.09	69.53%
Total Advances	1,80,278.72	1,82,931.12	(1.45%)

Note: (1) Our microloans consist of microfinance loans and other microloans. These loans are unsecured and are provided to individuals who must belong to a sub-group, typically comprising two to ten people. Multiple sub-groups (one to five) come together to form a 'Sangam,' which supports the repayment process and organises regular meetings for its members. Prior to the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, all loans given to individuals in sub-groups were classified as microloans. However, from October 17, 2022, ESAF has differentiated our microloans into microfinance loans and other microloans.

Fixed Assets

The Bank's fixed assets experienced a rise of 44.74%, primarily owing to strategic investments in office infrastructure, computers, and motor vehicles.

Other Assets

The Bank's other assets mainly consist of accrued interest, prepaid taxes, and tax deductions at source (net of provisions). They also include deferred tax assets (net) and other items, including GST input credits, security deposits, NEFT/RTGS settlement receivables, and prepaid expenses.

Our Bank's other assets increased to ₹ 8,756.25 million as of March 31, 2025 from ₹ 6,222.71 million as of March 31, 2024.

million as at March 31, 2024 to ₹ 11,032.75 million as at March 31, 2025.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice increased to ₹ 6,276.84 million as at March 31, 2024 from ₹ 582.80 million as at March 31, 2024 primarily due to i) increase in balance with other Bank Deposits from ₹ 30.05 million as at March 31, 2024 to ₹ 783.23 million as at March 31, 2025 ii) Call money with other institutions of ₹ 4,999.58 million as on March 31,2025 iii) Nostro Account Balances amounting to ₹ 134 million.

Investments

Our investments further increased to ₹ 59,952.62 million as on March 31, 2025 from ₹ 55,410.22 million as at March 31, 2024 primarily due to an increase in Certificate of Deposits to ₹ 4,364.88 million in 2024-25 from ₹ 1,853.58 million in 2023-24, and in Government securities to ₹ 55,356.78 million as at March 31, 2025 from ₹ 54,257.84 million as at March 31, 2024.

Advances

The table below presents a detailed breakdown of the Bank's advances (net of provisions) across two categories: microloans, which comprise microfinance loans and other microloans, and other loans, encompassing retail loans, MSME loans, loans to financial institutions, and agricultural loans. These figures are as of the specified dates.

Management Discussion & Analysis (Contd.)

Capital and Liabilities

The table below delineates our capital and liabilities as of the specified dates:

Particulars	As of March 31, 2025 (₹ in million)	As of March 31, 2024 (₹ in million)
Capital	5,154.27	5,147.80
Employee Stock Options Outstanding	40.37	56.79
Reserves and Surplus	14,295.84	19,713.34
Deposits	2,32,764.4	1,98,678.04
Borrowings	14,057.30	32,225.30
Other Liabilities and Provisions	5,470.71	5,047.55
Total Liabilities	2,71,782.89	2,60,868.82

Reserves and Surplus

The reserves and surplus of ESAF Small Finance Bank are subject to variations in share premium arising from the issuance or repurchase of equity shares. Furthermore, alterations in the profit and loss account, contingent upon the net profit or loss for the fiscal year, play a significant role. Consequently, the Bank's reserves and surplus decreased by ₹ 5,417 million.

Deposits

At ESAF Small Finance Bank, we have capitalised on the longstanding influence of the 'ESAF' brand, which has been built over three decades. This brand strength has played a key role in the accelerated growth of our deposit portfolio since the outset of our operations. Previously, as an NBFC-MFI, our Corporate Promoter was restricted by Indian law from accepting deposits. However, following the acquisition of our Corporate Promoter's business on March 10, 2017, we shifted our focus towards retail deposits. These deposits are advantageous due to their lower interest rates relative to bulk deposits. As a result, our retail deposits have increased by ₹ 32,856.40 million from March 2024 to March 2025.

Borrowings

The table below provides a comprehensive breakdown of the Bank's borrowings as of the specified dates:

Particulars	As of March 31, 2025 (₹ in million)	As of March 31, 2024 (₹ in million)	% Increase/ Decrease
Borrowings in India:			
- Reserve Bank of India	-	6,500.00	(100%)
- Other Banks	-	-	0
- Other Institutions and Agencies	10,177.3	20,995.30	(51.53)
Subordinated Debt	3,400.00	4,250.00	(20)
Perpetual Debt Instrument	480.00	480.00	0
Borrowings Outside India	-	-	0
Total Borrowings	14,057.30	32,225.30	(56.38)

The Bank's borrowings decreased from ₹ 32,225.30 million as of March 31, 2024, to ₹ 14,057.3 million as of March 31, 2025.

Other Liabilities and Provisions

The table below presents a detailed breakdown of the Bank's other liabilities and provisions as of the specified dates:

Particulars	As of March 31, 2025 (₹ in million)	As of March 31, 2024 (₹ in million)
Bills Payable	161.04	73.97
Inter-Office Adjustments (Net)	-	-
Interest Accrued	104.49	654.86
Provision for Standard Assets	1,162.00	1,100.87
Others (including Provisions)	4,043.18	3,217.85
Total Other Liabilities and Provisions	5,470.71	5,047.55

Management Discussion & Analysis (Contd.)

Our Business Segments

Operating within four main business segments—Treasury, Wholesale Banking, Retail Banking, and Other Banking Operations—ESAF Small Finance Bank is outlined below, with details for each segment:

- **Treasury:** The primary revenue in this segment emanates from interest income accrued from the Bank's investment portfolio, complemented by the gains or losses realised from investment activities. It also includes profits derived from foreign exchange transactions. Significant expenditures in this segment include interest expenses related to borrowed funds and deposits, as well as other associated costs. Moreover, this segment manages the allocation of customer deposits.
- **Wholesale Banking:** This segment extends credit facilities to corporate clients in strict accordance with RBI guidelines. The revenue generated in this segment

stems from interest on corporate loans and service fees from an array of banking offerings. Key expenses involve interest payments on borrowed capital and deposits, along with various associated operational costs.

- **Retail Banking:** This segment extends loans towards non-corporate customers, extends loans and manages deposit accounts with the guidelines set by the RBI. Revenue is generated from interest on loans and fees for ancillary banking offerings. Key expenses include interest payments on borrowed funds and deposits, along with other related outlays.
- **Other Banking Operations:** This segment includes earnings from parabanking operations like debit card services, third-party product distribution, and the corresponding costs.

The segment outcomes and associated revenue for each of ESAF Small Finance Bank's business divisions are detailed in the table below, corresponding to the specified year-end.

Segment Results and Revenue

Particulars	2024-25 (₹ in million)	2023-24 (₹ in million)	% Change
Treasury			
- Segment Revenue	5,350.4	3,990.60	34.08
- Segment Results	744.5	529.80	40.52
Wholesale Banking			
- Segment Revenue	1,416.1	942.90	50.19
- Segment Results	230.6	547.00	(57.84)
Retail Banking			
- Segment Revenue	35,299.9	36,426.10	(3.09)
- Segment Results	(9048.9)	3,446.00	(362.59)
Gold Loans			
Other Banking Operations			
- Segment Revenue	1,226.7	1,242.90	(1.30)
- Segment Results	1,144.1	1,181.30	(3.15)
Total Segment Revenue	43,293.1	42,602.50	1.62
Total Segment Results	(6,929.7)	5,704.10	(221.49)

Treasury

2024-25 Compared to 2023-24

In 2024-25, revenue from treasury segment increased by ₹ 1,359.80 million or 34.08% to ₹ 5,350.4 million, and the segment results increased by ₹ 214.70 million, or 40.52% to ₹ 744.5 million.

Wholesale Banking

2024-25 Compared to 2023-24

In 2024-25, revenue from the wholesale segment increased by 50.19% to ₹ 35,299.9 million. However, the segment results decreased by 57.84% to ₹ 230.6 million, on account of one large NPA in the corporate portfolio.

Retail Banking

2024-25 Compared to 2023-24

In 2024-25, revenue from retail segment decreased by 3.09% to ₹ 35,299.9 million and the segment results also decreased by 362.59% to ₹ 9,048.9 million, mainly

Management Discussion & Analysis (Contd.)

on account of higher slippages in Micro-assets and provisioning thereon.

Gold Loans

The gold loan segment has demonstrated strong momentum, recording a 98% Year-on-Year growth. Our expertise in developing and expanding this business reinforces our confidence, as we increased our secured loan portfolio to 51% by March 2025. This sustained growth strengthens our balance sheet stability and aligns with our long-term strategy of reducing reliance on unsecured lending.

Other Banking Operations

2024-25 Compared to 2023-24

In 2024-25, segment revenue from other banking operations decreased by 1.3% to ₹ 1,226.7 million, and the segment results decreased by 3.15% to ₹ 1,144.1 million.

In a nutshell, despite the challenges faced by the banking sector, we have demonstrated resilience and emerged stronger, showcasing significant growth across our key segments. Our ability to navigate economic uncertainties while maintaining a steady growth trajectory reflects

Cash Flows

Particulars	2024-25 (₹ in million)	2023-24 (₹ in million)	% Change
Net Cash Flow from Operating Activities	31,763.2	10,009.28	217.33%
Net Cash Flow from Investing Activities	7,688.31	(5,825.35)	231.98%
Net Cash Flow from Financing Activities	18,516.20	2,351.03	687.58%
Net Increase/(Decrease) in Cash	5,558.70	6,534.96	(14.94%)

Financial Instruments and Off-Balance Sheet Arrangements

A bank may achieve its priority sector lending goals by purchasing Inter-Bank Participation Certificates (IBPCs) from other banks that have exceeded their regulatory lending targets. As per the RBI guidelines, when engaging in risk-sharing, the participation amount issued by our Bank is deducted from the advances. However, at ESAF Small Finance Bank, these advances are incorporated into our Total Loan Book. IBPCs, involving risk-sharing, may be issued for a term ranging from 91 to 180 days, and are applicable solely to advances classified as standard. During the IBPC term, we recognise the interest spread—the difference between the interest earned on these advances and the interest payable to the original bank that transferred the IBPC. Upon the conclusion of the IBPC term, the advances are officially recorded in our Bank's financial records. The table below presents the outstanding IBPCs as of the specified dates.

our robust business model, strategic adaptability, and customer-centric approach. The strong performance of our secured loan portfolio, particularly in the gold loan segment, highlights our commitment to sustainable growth and risk management.

We remain vigilant in assessing market conditions and will continue to refine our strategies to safeguard the interests of both our customers and shareholders. By leveraging our strengths, enhancing operational efficiencies, and staying responsive to evolving financial dynamics, we are well-positioned to capitalise on emerging opportunities. Our focus on long-term stability, coupled with a transparent and resilient approach, underlines our confidence in driving sustained progress and value creation.

Liquidity and Capital Resources

Over time, we have principally addressed our liquidity and capital requirements through shareholder capital, deposits, and borrowings from institutions. Additionally, our Bank has utilised subordinated debt, interbank loans, and perpetual debt instruments as part of our funding strategy.

Particulars	As of March 31, 2025 (₹ in million)	As of March 31, 2024 (₹ in million)
Outstanding Amount of IBPCs	-	-

Sale of NPAs to Asset Reconstruction Companies

In 2023-24, we sold Non-Performing Assets (NPAs) to Asset Reconstruction Companies (ARCs). The advances sold to ARCs are deducted from our total advances. However, at ESAF Small Finance Bank, we receive fees from these ARCs in return for our role as the collection agent for these transferred assets. Consequently, the advances for which we serve as the collection agent are incorporated into our Total Loan Book. The table below highlights the outstanding number of advances as of the time of their transfer to ARCs, alongside those for which the Bank performs as a collection agent in relation to the transfer of the portfolio to ARCs.

Management Discussion & Analysis (Contd.)

Particulars	As of March 31, 2025 (₹ in million)	As of March 31, 2024 (₹ in million)
Amount of NPAs Sold to ARCs Outstanding	8,614.97	8,844.81

Direct Assignments

ESAF Small Finance Bank has previously undertaken direct assignment transactions, serving as the appointed collection agent for these deals. These transactions are reflected in our Bank's Total Loan Book. The table below details the outstanding balance of direct assignment transactions as of the relevant dates.

Particulars	As of March 31, 2025 (₹ in million)	As of March 31, 2024 (₹ in million)
Outstanding Amount of Direct Assignments	24.93	25.18

Securitised Advances

As of March 31, 2025, and 2024, the Bank has no securitised advances.

Contingent Liabilities

The elements constituting our Bank's contingent liabilities, in accordance with AS 29 – 'Provisions, Contingent Liabilities and Contingent Assets,' are outlined below. This data corresponds to the specified year-end/period-end.

Particulars	As of March 31, 2025 (₹ in million)	As of March 31, 2024 (₹ in million)
Claims against the Bank Not Acknowledged as Debts	4.58	1.18
Liability on Account of Outstanding Forward Exchange Contracts	1,957.58	-
Guarantees given on Behalf of Constituents – in India	17.15	15.17
Acceptances, Endorsements and Other Obligations	-	-
Other Items for which the Bank is Contingently Liable	6.611	5.60
Contingent Liabilities	1,985.92	21.95

Capital Expenditures

We channel our capital expenditures primarily towards fixed assets, including furniture and fixtures. In 2024-25, we allocated ₹ 919.87 million for capital expenditures, as compared to ₹ 690.41 million in 2023-24.

DIRECTORS' REPORT

To,

The Members of

ESAF Small Finance Bank Limited

On behalf of the Board of Directors (the "Board") of ESAF Small Finance Bank Limited (the "Bank"), it is our immense pleasure to present the Ninth Annual Report of the Bank, along with the Audited Financial Statements and Auditor's Report thereon for the Financial Year 2024-25.

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

The highlights of the standalone financial performance of our Bank for the Financial Year 2024-25, are presented below:

	(₹ in million)	
	For the year ended March 31, 2025	For the year ended March 31, 2024
Deposits	2,32,764	1,98,678
Advances	1,80,279	1,82,931
Total Income	43,293	42,603
Total Expenditures Excluding Tax	50,223	36,899
Profit/(Loss) before tax	(6,930)	5,704
Provision for Tax	(1,716)	1,448
Net Profit/(Loss)	(5,214)	4,256
Profit/(Loss) Brought Forward	8,573	5,420
Total Profit/(Loss) Available for Appropriation	3,359	9,676
Appropriation		
Dividend Paid	360	-
Transfer to Statutory Reserve	-	1,064
Transfer to Capital Reserve	87	10
Transfer to Investment Fluctuation Reserve	-	29
Balance Carried to Balance Sheet	2,912	8,573
Earnings per Share		
Basic (₹)	(10.13)	8.96
Diluted (₹)	10.12	8.94

Key Performance Highlights

On a Standalone basis, Loss After Tax of the Bank was ₹ 5,214 million in Financial Year 2024-25 compared to Profit after tax of Rs. 4,256 million in Financial Year 2023-24. Interest Income of the Bank for the Financial Year 2024-25 was ₹ 38,622 million as against ₹ 38,186 million in Financial Year 2023-24 marking a growth of around 1.14%. Further, the Bank had Capital and Reserves of ₹ 19,450 million as on March 31, 2025 (₹ 24,861 million as on March 31, 2024). The book value per Equity Share was at ₹ 37.74 as on March 31, 2025 (₹ 48.29 as on March 31, 2024). Analysis of the Bank's performance is covered in detail in the Management Discussion and Analysis section of the Annual Report.

2. Our Business Segments

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

3. Business Overview

Micro Assets

The Micro Assets product vertical of the Bank is set up with the objective of providing quality banking services to the unbanked and underbanked through

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doorstep banking services. In order to provide high-touch customer service, the Micro Asset business of the Bank is delivered through Micro Banking Channel and through dedicated Business Correspondents (BCs). Micro assets loans are given to individuals of a group or to individuals without a group for any income generation activity, to set up, expand their own or their family members' micro or small businesses, or meet any other household needs for improving the quality of life.

During the Financial Year 2024-25, the Bank continued to focus on expanding its outreach and deepening its presence in the underserved and financially excluded segments through its micro banking and allied lending products. As on 31st March, 2025, the Bank had a total of 32,88,736 active micro banking borrowers, with a loan book outstanding of ₹ 88,566 million. During the year, the Bank disbursed loans aggregating to ₹ 52,453 million under various microloan products, demonstrating its continued commitment to promoting inclusive financial growth.

The micro banking operations were expanded into new geographies, including the states of Andhra Pradesh, Telangana, and Sikkim, in addition to deepening reach in the existing operational areas. This expansion was supported by onboarding additional Business Correspondents (BCs), enhancing last-mile delivery and customer service capabilities.

The microfinance sector faced notable stress during the Financial Year 2024-25, arising from regional over-leverage and localised disruptions, which impacted borrower repayment behaviour in select geographies. These challenges were further compounded by socio-political developments in certain states, leading to elevated credit risk in specific pockets. In response, and in alignment with the advisory framework issued by the Microfinance Institutions Network (MFIN), the Bank adopted a conservative approach to growth in the micro banking segment. Guardrails were introduced to enhance borrower-level assessment, restrict exposure in stressed regions, and reinforce ethical and compliant lending and collection practices. As a result of these calibrated measures, the overall size of the Bank's micro banking portfolio moderated during the year, reflecting a deliberate and risk-conscious business strategy.

As a strategic step towards enhancing control over operations and improving risk oversight, the Bank decided during the year to directly manage a portion of its microloan portfolio that was previously serviced

through one of its Business Correspondents. This transition was primarily aimed at reducing the Bank's concentration risk arising from reliance on a single Business Correspondent and ensuring greater resilience in field-level execution.

As part of this transition, 5,109 employees of the Business Correspondent were seamlessly onboarded into the Bank's rolls. The Bank ensured that the transition was implemented in a structured manner to avoid disruption to customer service, and to maintain continuity in borrower engagement. Necessary capacity-building efforts were undertaken to integrate the workforce into the Bank's systems, processes, and compliance framework, thereby aligning them with organisational standards and expectations.

The Bank has undertaken corrective measures to address delinquencies, including strengthening its collection infrastructure, reinforcing risk-based supervision, and calibrating sourcing in high-risk geographies. These efforts are aimed at ensuring sustained asset quality and responsible credit delivery in line with regulatory expectations.

Retail Banking

The Bank continued to strengthen its position in the retail banking segment during the Financial Year 2024-25, driven by consistent growth in deposits, a robust branch expansion strategy, and focused asset diversification. As on March 31, 2025, the Bank's total retail liability book stood at ₹ 2,32,764 million, with a net accretion of ₹ 34,086 million in total deposits during the year. The Bank achieved a year-on-year growth of 17% in its retail liabilities portfolio, reflecting continued trust and engagement from its growing customer base.

The Bank's retail deposit franchise remains a key strength, providing stability to the overall funding profile. The CASA (Current Account and Savings Account) ratio improved from 22.66% in Financial Year 2024 to 24.84% in Financial Year 2025, with a total CASA book of ₹ 57,828 million as on March 31, 2025. The CD (Credit-to-Deposit) ratio of the Bank remained at a comfortable level, indicating prudent balance sheet management and healthy liquidity coverage. The Bank's non-resident deposit base stood at ₹ 49,740 million as of March 31, 2025, contributing meaningfully to the overall liability position.

The Bank continued to expand its physical presence across the country, with the total number of banking outlets reaching 787 as on March 31, 2025. During the year, 34 new branches were opened, of which two (2)

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outlets were established in Unbanked Rural Centres (URCs). Out of the total 787 banking outlets, 200 are located in URCs, 81 in metro centres, 164 in urban, 321 in semi-urban, and 21 in rural areas. Approximately 25.4% of the Bank's outlets are in URCs, aligning well with the regulatory mandate of maintaining at least 25% presence in unbanked rural locations. The Bank also maintained a strong ATM network, with 693 ATMs as on March 31, 2025, including a net addition of 81 ATMs during the year.

On the retail assets front, the Bank witnessed robust and broad-based growth during the year, contributing significantly to the expansion of the overall balance sheet. The total retail and corporate loan portfolio grew to ₹ 99,222 million as on March 31, 2025, registering a year-on-year increase of 68.36%. The Bank followed a conscious strategy of product diversification and customer segment expansion, focusing on secured and semi-secured asset classes.

Among the key drivers, the gold loan portfolio recorded aggressive growth, supported by strong operational execution, increased customer demand, and competitive turn around time. The Bank scaled up its gold loan operations across existing and newly identified markets, enhancing both reach and efficiency. This segment continues to offer low delinquency levels and shorter tenor dynamics, thereby supporting risk-adjusted returns.

In addition, the mortgage loan segment witnessed healthy traction, backed by demand in self-occupied and small-ticket housing segments across semi-urban and rural areas. The Bank also deepened its presence in the MSME lending space, catering to small and medium business owners through tailored credit offerings aligned with their working capital and expansion needs. These efforts collectively contributed to a more granular and diversified retail book, aligned with the Bank's prudent risk appetite and long-term asset quality objectives.

Treasury

The Treasury Department is responsible for maintaining the Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) of the Bank, as well as handling its investments in securities under different market segments. Treasury also manages the balance sheet liquidity and ensures compliance with statutory requirements. It manages the treasury needs of customers for a fee.

Our Bank maintains a portfolio of Government Securities in line with the regulatory norms governing

the Statutory Liquidity Ratio (SLR). A significant portion of these SLR securities are in 'Held-to-Maturity' (HTM) category, while some are in 'Available for Sale' (AFS) and "Held for Trading" (HFT) categories.

As on March 31, 2024, the total investment in securities was ₹ 56,229 million, which increased by 6.62% to ₹ 59,953 million as on March 31, 2025. The Bank has generated income from investment of ₹ 5,334 million and ₹ 16 million from AD-II foreign exchange activities for the Financial Year ended on March 31, 2025. The Bank was granted AD-1 License for operating in foreign exchange markets vide license FE.KOC.01/2023 dated April 20, 2023, and as per the approval received from Reserve Bank of India. The Bank started AD-1 operations from April 01, 2024.

4. IT Initiatives

Technology-driven business model with a basket of myriad products and customer friendly digital technology platform

The Bank offers its customers a multitude of digital products, including the internet banking portal, an uncomplicated but effective mobile banking interface for retail customers, SMS alerts, bill payments, and RuPay branded ATM cum debit cards. All banking and payment transactions, such as remittances and utility payments, can be completed through these platforms. The Bank's customers are also able to register to savings accounts on a UPI-based mobile applications. The Bank's account opening, and loan underwriting processes have been digitalised by using tablets, which brought down the turn around time and offered better service to customers. CASA accounts can be opened through tablets, which enable doorstep services to customers.

By leveraging technology solutions, the Bank provides customers with pre-generated kits immediately upon account opening, enabling them to use the ATM cum debit card provided with the pre-generated kits without having to wait for the card to be activated across channels, thereby resulting in increased customer satisfaction. The Bank has crossed a milestone in technology with the successful adoption of e-signatures for microloan disbursals.

The Bank has a digitalised central credit-processing unit for its microloans and has implemented all Micro Banking Loan Documents in vernacular languages. We have enabled a Digital Receipt Printing facility right after collection is completed in the field. The customer onboarding process has been predominantly

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digitalised for its microloans. The Bank leverages technology for underwriting and credit sanctioning for its loan products based on inputs from credit bureaus and/or the customer data analytics. The Bank has implemented technology solutions that enable it to ensure cashless disbursement of loans and electronic signing for microloans, both of which have reduced paperwork hence committing to the sustainability commitments.

The Bank's collections mechanism has also been digitalised with mobile applications and a payment gateway through which the borrowers can repay their loans. The Bank is continuously working towards improving its customers' experience using technology and has implemented a Customer Relationship Management solution to better handle customer requests. The Bank believes that such initiatives have helped us improve our customer service and enable delivery of services in a more cost-effective manner. WhatsApp Banking became a simple platform to avail a host of basic banking services, which is a faster, convenient, and secure platform at the comfort and safety from anywhere. Customers can also get information on various products/ interest rates/ branch locations etc.

The Bank has enabled customer-facing channel features like Electronic Payment Advice through branches, Additional Mobile Banking registration facility for international customers, Offline Account statement feature in Corporate Internet Banking (CIB), and additional SMS and e-mail notifications on both successful and failed login attempts in CIB.

5. Customer Service Quality

The Bank is committed to becoming one of the leading Social Banks in India by delivering superior customer experiences. It has implemented a robust Grievance Redressal Mechanism and Policy aligned with the Reserve Bank of India guidelines, ensuring efficient resolution of customer queries and complaints. The Customer Service Quality department regularly reports to the Board on grievance handling and initiatives to enhance service standards. Multiple customer communication channels have been established, including a 24x7 toll-free call centre with multi-language and IVR support, website grievance links, branch-level support, an escalation matrix with contact details, customer care emails, complaint boxes, and registers. Periodic surveys are conducted to gauge customer satisfaction across regions. Various committees—such as the Branch-level

Customer Service Committee, Standing Committee on Customer Service, and the Board-level Customer Service Committee—review the effectiveness of customer service across organisational levels.

Key achievements and initiatives during the Financial Year 2024-2025 :

- ISO 9001:2015 recertification for Customer Service Quality functions.
- Zero awards /penalties from the Banking Ombudsman.
- The Head of Customer Service Quality - Shri. Abiesh Jose- was awarded the Best CX Leader of the Year in Digital Customer Experience Conference and Awards 2024 by Gain Skills Group.
- Awarded Best Small Finance Bank of the Year in India Banking Summit and Awards 2024, by Synnex India Group.
- Initiatives like the Customer Service Excellence Awards to promote branch-level engagement.
- Implementation of the Five-S initiative for branch transformation and service productivity.
- Initiatives to train and equip the customer-facing staff using knowledge-building series like the CX Guru emails.
- Field visits to micro banking customers to gather feedback on various banking processes and dipstick surveys to assess satisfaction levels.
- A year-long Customer Awareness Programme, in line with RBI directives, covering topics such as grievance redressal, digital banking, customer rights, and safe banking practices, with specific programmes conducted starting from January and spanning across the calendar year 2025.

These initiatives reflect the Bank's ongoing efforts to elevate customer satisfaction and service excellence.

6. Compliance Functions

The Bank has a dedicated independent Compliance Department headed by a Chief Compliance Officer, which operates as per a well-documented compliance policy for ensuring regulatory / statutory compliance, across all businesses and operations. The key functions of the Compliance Department shall include ensuring core compliance areas such as statutory, regulatory, and other related mechanisms for dissemination of regulatory prescriptions and guidelines amongst respective functions and monitoring compliance with regulatory guidelines, oversight of statutory



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compliances, correspondence with the RBI, vetting the guidelines/ circulars issued, new products, and processes for compliance with regulatory guidelines, vetting of Bank's Policies, coordinating and monitoring submission of the RBI returns, coordinating collection of inputs from various departments for the RBI inspection and for rectification of the RBI inspection irregularities etc. The Bank has a well-defined and structured mechanism to assess the compliance risk and monitor its mitigation measures thereby ensuring the effectiveness of the compliance function in managing the compliance risk.

7. Risk Management

The Bank follows a risk management approach that involves identifying, assessing, and continually monitoring different types of risks. The Bank's Board of Directors oversees risk management governance, approving policies updated in accordance with regulatory guidelines and internal directives. The Risk Management Committee of the Board (RMCB) establishes and reviews processes and standards for risk management functions. The Risk Management Department coordinates bank-wide risk management efforts, implementing approved policies and procedures. It comprises five divisions managing major risk streams: Credit risk, Operational risk, Market risk, Information and Cybersecurity risk, and Anti-Money Laundering and Transactional risks.

The Bank's executive-level risk management committees, such as the Credit Risk Management Committee, Operational Risk and Business Continuity Management Committee, Market Risk and Asset Liability Management Committee, Information Security Governance Committee, and Outsourcing and Vendor Assessment Committee, consistently evaluate their respective risks and take preventive and corrective actions as needed. The Committees report significant risk events, risk levels, and trends to the Risk Management Committee of the Board. The Chief Risk Officer, who directly reports to the Managing Director and CEO, oversees all risk management functions. The Bank developed a robust Internal Capital Adequacy Assessment Process to identify, assess, and monitor material risks, ensuring capital adequacy commensurate with the Bank's risk profile and growth strategy and satisfying the regulatory norms. Periodic stress testing is conducted to ensure that the Bank can effectively manage and mitigate both existing and emerging risks.

8. Human Resources Initiatives

The Bank considers its human capital as one of its most valuable assets. A content, engaged, and purpose-driven workforce is integral to delivering the joy of banking to our customers and enabling the Bank's strategic objectives.

During the year, the Bank undertook a strategic initiative to bring a portion of its microloan portfolio under direct management, which was previously handled through a Business Correspondent. As part of this initiative, 5,109 employees of a Business Correspondent were successfully transitioned to the Bank's rolls. This resulted in a significant expansion of the Bank's workforce, increasing the total employee strength to 12,520 as on March 31, 2025. The transition was executed with careful planning to ensure operational continuity, regulatory compliance, and alignment with the Bank's culture and systems. To support this large-scale integration and promote alignment with the Bank's culture, policies, and processes, the Bank launched a structured three-phase orientation and training programme titled "Unnati", conducted across multiple locations in 61 batches. The initiative enhanced transitioning employees' understanding of banking products and instilled a sense of belonging and shared purpose.

The Bank continued to nurture a high-performance and value-driven culture. In Financial Year 2024-25, the HR Department conducted an Employee Feedback Survey to assess engagement levels and cultural alignment. The Bank received an employee engagement score of 85.6%, and an Employee Net Sentiment (eNS) Score of 39, which is widely considered excellent, indicating high employee satisfaction and strong alignment with the Bank's vision, mission and values.

In alignment with the principles of continuous improvement, the Bank has adopted the Kaizen framework across departments. The HR team coordinated bank-wide participation in the Kaizen Competition organised by the Kerala Productivity Council on November 26-27, 2024. Six departments of the Bank participated, and the Customer Service Quality (CSQ) Department was honoured with the Bronze Award for exemplary implementation of 5S practices.

The Bank remains committed to the holistic well-being of its employees. The HR Employee Engagement team conducted a range of programmes that focused on life experiences, recognition, health, and team bonding. Notable initiatives included:

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- Community Service and Social Impact: Employees actively participated in the Wayanad landslide rescue and relief efforts in 2024, contributing both monetarily and through volunteer work. Recruitment drives were also conducted to support affected families, resulting in employment offers to five fresh graduates.
- The Bank also organised donation drives supporting destitute homes and old age homes in Thrissur, with employees personally visiting 12 facilities and distributing essentials, creating a profound and humane impact.
- Blood Donation Camps were organised across multiple locations, reinforcing the Bank's social responsibility ethos.
- Celebrating Employees: Through the "Wall of Joy" displayed at all branches and offices, the Bank commemorates milestones such as birthdays, work anniversaries, marriages, and achievements. Motherhood Hampers are gifted to female employees welcoming new children, celebrating parenthood as a shared joy.
- Employee engagement events, such as Fun Days, interactive games, team-building activities, and wellness programmes focusing on mental and physical health, were conducted throughout the year.

To foster a culture of learning and development, the Bank continued to invest in capability building. Through the ESAF Online Academy, employees accessed topic-specific training sessions. The Bank also maintains tie-ups with coaching institutes for professional certification courses at concessional fees and provides incentives for successful completions. Senior staff are regularly nominated for advanced training programmes offered by reputed financial education institutions.

The Human Resources function is focused on building an ecosystem that attracts, retains, and develops talent to meet evolving business needs. The Bank is committed to fostering a work environment where employees are:

- Competent and committed
- Collaborative and customer-centric
- Content and continuously learning
- Contributing meaningfully to organisational goals

The HR function also ensures that performance is continuously monitored and improved through

structured goal-setting and appraisal mechanisms. All statutory, regulatory, and internal policy requirements are adhered to in the administration of HR practices.

The Human Resources Department of the Bank has been reassessed and certified to be in conformance with ISO 9001:2015, reinforcing its commitment to providing quality HR services and supporting employees in their journey of continuous improvement and performance excellence.

9. Information Security and Cyber Security Risk Management

The Bank has established a dedicated Information Security Division under its Risk Management Department. This division is led by the Chief Information Security Officer (CISO), who reports to the Chief Risk Officer (CRO), with the CRO reporting to the Bank's senior management. The Bank's Information Security and Cyber Security Policies, approved by the Board of Directors, provide a robust framework for managing technology and cyber security risks. Governance function is further strengthened by the Information Technology Strategy Committee of the Board and the Executive Information Security Governance Committee.

The Bank is ISO/IEC 27001 certified for Information Security Management for its internal banking systems and related IT systems, PCI DSS certified for payment card data protection reflecting its commitment to global best practices and regulatory compliance. The Security Operations Centre (SOC) operates 24/7, enabling real time monitoring, threat detection and rapid incident response. The Bank leverages advanced monitoring tools and analytics to proactively manage cybersecurity threats across its IT environment. To promote a culture of cybersecurity awareness, the Bank implements a comprehensive training and awareness programmes that includes customers, employees, vendors and business partners. This includes periodic training sessions via digital learning platforms, instructor-led programmes and regular communication through internal and external channels, including social media.

The Bank is committed to ensure the confidentiality, integrity and availability of data across all stages – at rest, in use, and in transit. Continuous efforts are made to strengthen data privacy and security practices for customers, employees, and stakeholders. By adhering to the leading industry standards and engaging with key regulatory bodies such as RBI, CERT-IN, IDBRT,

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UIDAI, SEBI and CSITE, the Bank maintains its vigilance against emerging cyber threats and ensures ongoing compliance with all applicable regulations.

10. Business Continuity Management

The Bank has a Business Continuity Management Policy, approved by the Board of Directors and reviewed on an annual basis. The Bank conducts Business Impact Analysis (BIA) annually and prepares a Business Continuity Plan (BCP) Document, which deals with the measures to manage any unplanned disruption in services. The document identifies and prioritises processes and systems and evaluates the potential effects of natural and man-made events or disasters on the IT and other services that support business. It also analyses the potential loss in transactions to the Bank in case of disruption, Critical and Non- Critical applications, their Recovery Point Objective (RPO) and Recovery Time Objective (RTO). The BCP contains the details of key outsourcing arrangements and BC arrangements, how to deal with different business scenarios, certain situations like power failure, Cyber-attacks, Hardware and Software failures, Network failures, Natural disasters, etc.

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

The Bank also has an executive level Cyber Crisis Management Team (CCMT). The CCMT would be activated in case of a Cyber Security Crisis situation, wherein security characters of information are compromised as a result of failure of an IT system or network of IT systems, due to technical reasons, intentional acts or negligence, leading to consequences that may threaten lives, financial position, the trust, national security, and public confidence.

11. Implementation of Ind AS

The Ministry of Finance, Government of India ("GOI"), had vide its press release dated January 18, 2016, outlined the roadmap for implementation of International Financial Reporting Standards ("IFRS") converged Indian Accounting Standards ("Ind AS") for Scheduled Commercial Bank (excluding RRBs), NBFC

and Insurance companies. The RBI vide its circular dated March 22, 2019, deferred the implementation of Ind AS for Scheduled Commercial Banks ("SCB") till further notice, pending the consideration of some recommended legislative amendments by GOI. The RBI has not issued any further notification on implementation of Ind AS for SCBs.

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

12. Transfer to Reserves

As per the requirement of the regulations of Reserve Bank of India, the Bank has transferred the following amount to various reserves during the Financial Year 2024-25:

Amount Transferred to	₹ in million.
Statutory Reserve	-
Capital Reserve	87
Investment Fluctuation Reserve	-

13. Dividend

As there is no profit generated during the Financial Year, no dividend is proposed to be declared.

14. Change in the Nature of Business

There was no change in the nature of business of the Bank during the Financial Year 2024-25.

15. Capital and Debt Structure

a. Share Capital

There were no changes in the Authorised Capital of the Bank during the Financial Year 2024-25.

During Financial Year 2025, the Bank issued and allotted 6,47,594 equity shares of ₹ 10/- each, pursuant to exercise of stock options by employees of the Bank, under the Bank's Employee Stock Option Scheme, 2019. Consequent to the above, the total issued and paid-up equity share capital of the Bank increased from ₹ 5,14,77,98,580 to ₹ 5,15,42,74,520 as on 31 March, 2025. The equity shares issued under the above schemes rank pari-passu with the existing equity shares of the Bank. Apart from the above, the Bank did not raise any additional equity share capital during the year.

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b. Debt Capital

During the Financial Year 2024-25, the Bank did not raise any Debt Capital through Issue of Debt securities under private placement basis.

16. Capital Adequacy

The Bank is subject to the Basel II Capital Adequacy guidelines stipulated by the Reserve Bank of India. The Capital Adequacy Ratio of the Bank is calculated as per the standardised approach for credit risk. The Capital Adequacy Ratio of the Bank as on March 31, 2025 is 21.84%, as against the minimum requirement of 15.00% stipulated by the Reserve Bank of India.

17. Subsidiary, Joint Ventures and Associate Companies

The Bank does not have any subsidiary, joint ventures and associate companies. Hence, the details of this clause are not applicable to the Bank. Accordingly, the Bank is also not required to formulate a specific policy on dealing with material subsidiaries.

18. Employee Stock Option Scheme

In order to recognise 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 organisation over a period of time, the Bank has formulated ESAF Small Finance Bank Employee Stock Option Plan 2019 (ESAF ESOP 2019) by way of a special resolution which also authorised 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 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 ESAF ESOP 2019 are, among others, to attract and retain employees with Employee Stock Options as a compensation tool. Through ESAF 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 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.

The Nomination, Remuneration and Compensation Committee has been entrusted with the responsibility of administering the ESOP 2019 Scheme. As of March 31, 2024, the Nomination Remuneration and Compensation Committee of the Board granted 11,25,590 options as the first instalment of loyalty grant under the ESOP 2019 Scheme, to the employees identified under the implementation guidelines for ESAF ESOP 2019 as per the terms of granting. During the Financial Year 2024-25, Loyalty Grant to reward eligible employees for their contributions in the past tenure and continued employment in the Bank was granted.

Disclosure as mandated under the provisions of Regulation 14 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 is as follows:

A. Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time.

Details have been provided in Part B – Other Disclosure Note No. 8 of the Notes forming part of financial statements for the year ended March 31, 2025 in the Bank's Annual Report 2024-25. Annual Report of the Bank is available on the Bank's website at <https://www.esafbank.com/investor-relation/?id=annual-reports>

B. Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations shall be disclosed in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI or any other relevant accounting standards as prescribed from time to time.

There were 6,47,594 shares issued pursuant to ESAF ESOP Plan 2019 during the Financial Year 2024-25.

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C. Details related to Employee Stock Option Plan (ESOP 2019):

1. A description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS

ESAF Small Finance Bank- Employee Stock Option Plan 2019 (ESOP 2019)

The Bank, pursuant to the resolutions passed by the Board on December 23, 2019 and Shareholders on January 03, 2020, adopted the ESAF ESOP Plan 2019 with the objective to attract, retain, and motivate the best available talent by way of rewarding employee stock options for their performance and to motivate them to participate in the growth of the Bank, besides creating long term wealth in their hands. The ESOP grant is of two types (i) loyalty grant and (ii) performance grant.

As on March 31, 2025, no options under performance grant have been granted by the Bank under the ESAF ESOP Plan 2019. The Nomination and Remuneration Committee of the Bank on June 28, 2021 granted loyalty grant to its eligible employees. Post IPO of the Bank, the ESAF ESOP Plan 2019 was ratified and amended by the shareholders in the 07th Annual General Meeting held on December 29, 2023. The ESOP 2019 has been framed and implemented in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 now SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI SBEB Regulations") relevant guidance notes and accounting standards. The Nomination and Remuneration Committee has been entrusted with the responsibility of administering the ESOP 2019.

Total number of options approved under ESOP 2019	2,25,15,552 (Two Crore Twenty-Five Lakhs Fifteen Thousand Five Hundred and Fifty-Two)
Vesting requirements	12 Months
Exercise price or pricing formula	The Exercise Price shall be decided by the Committee as is allowed under the Companies Act / SBEB and Sweat Equity Regulations which in any case will not be lower than the face value of the equity shares of the Bank on the date of such grant. Further the Exercise Price can be different for different sets of Employees for Options granted on same/different dates.
Maximum term of options granted	Options granted shall vest within the minimum period of 1 (One) year and maximum period of 4 (Four) years from the date of Grant of such Options. The Exercise Period in respect of a Vested Option shall be a maximum of One (1) year, from the Vesting date.
Source of shares (primary, secondary or combination)	Primary
Variation in terms of options	Nil

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2. Method used to account for ESOS -Intrinsic or fair value.

Fair value

3. Where the Bank opts for expensing of the options using the intrinsic value of the options, the difference between the

employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options shall be disclosed. The impact of this difference on profits and on EPS of the Bank shall also be disclosed.

Not applicable as fair value method was used.

4. Option movement during the year (For each ESOS):

Amount Transferred to	As on March 31, 2025
Number of options outstanding at the beginning of the period	10,09,667
Number of options granted during the year	11,25,590
Number of options forfeited / lapsed during the year*	4,98,848
Number of options vested during the year	-
Number of options exercised during the year	6,47,594
Number of shares arising as a result of exercise of options	6,47,594
Money realised by exercise of options (₹), if scheme is implemented directly by the Bank	12.14 million
Loan repaid by the Trust during the year from exercise price received	NA
Number of options outstanding at the end of the year	9,88,815
Number of options exercisable at the end of the year	-

*Lapsed options are being added back to the ESOP pool and are available for future grants.

5. Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.

In case of all the grants, exercise price of options and grants were below the market price at the time of grant.

- Weighted-average exercise price - ₹ 17.13/-
- Weighted-average fair value - ₹ 60.22/-

6. Employee-wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to –

(a) senior managerial personnel as defined under Regulation 16(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:

Sl. No.	Name of the Employee	Designation	Number of Options granted during the year	Exercise price
1.	Shri. George Kalaparambil John	Executive Director	40,809	₹ 15.51
2.	Shri. George Thomas	Executive Vice President – Human Resource	22,653	₹ 15.51
3.	Shri. George Chacko Varghese	Chief Compliance Officer	1,285	₹ 15.51
4.	Shri. Ranjith Raj P.	Company Secretary	2,891	₹ 15.51

(b) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year:

Nil

(c) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant:

Nil



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7. A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:

The fair value of the options/units is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	March 31, 2025
Dividend Yield	0.00%
Expected life	1 Year
Risk free interest rate	6.97%
Volatility	0.39%

The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time.

The certificate issued by the Secretarial Auditor of the Bank as per Regulation 13 of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, will be available for inspection by Shareholders of the Bank during Annual General Meeting.

19. Credit Rating

Credit ratings assigned to various debt instruments of the Bank during the Financial Year ended March 31, 2025 are as follows:

Sl. No.	Instrument Name	Name of the Credit Rating Agency	Amount (₹ in million)	Rating	Date of Re-affirmation
1.	Tier-II Bonds	CARE Ratings Limited	3,600	CARE A; (Outlook: Negative)	March 28, 2025
2.	Tier-II Bonds	Brickwork Ratings India Private Limited	200	BWR A/ Stable	October 04, 2024

20. Selection, Appointment and Remuneration of Directors

In compliance with the provisions of the Banking Regulation Act, 1949, the guidelines issued by the Reserve Bank of India and Section 178 of the Companies Act, 2013, the Bank has formulated and adopted a Nomination Policy for selection and appointment/ re-appointment/ removal of Directors, which is disclosed on our website (www.esafbank.com). Through the said policy, the Bank has formulated criteria for the appointment of directors, and based on the said criteria, Nomination, Remuneration and Compensation Committee of the Board (NRCCB) shall conduct a due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director of the Bank, based on the range of skills, experience, expertise, qualifications, specialised knowledge etc. of the candidate, and recommend his/ her appointment to the Board. The Nomination, Remuneration and Compensation Committee identifies potential candidates from diverse backgrounds including but, not limited to Accountancy, Agriculture and Rural Economy, Banking, Co-operation, Finance, Law,

Small Scale Industry, Economics, Human Resources, Payment and Settlement Systems, Business Management, Risk Management and Information Technology, thus providing the Board with members who have diverse knowledge, practical experience and skills to serve the business interests of the Bank. Every such person shall meet the 'fit and proper' criteria the Reserve Bank of India may stipulate from time to time, and accordingly, any appointment or re-appointment of a Director shall be subject to prior approval by the NRCCB of the Bank.

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

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

DIRECTORS' REPORT (Contd.)

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

During appointment/ re-appointment/ removal of Directors of the Bank, the 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, the Bank has also kept high standards and met the diversity, structure and size compositions of the Board and its Committees as prescribed in various statutes.

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

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

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

The RBI, vide its circular no. DOR. Appt. BC.No.23/29.67.001/2019-20 dated November 4th, 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 feature of the Compensation Policy is 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.

21. Board of Directors

The composition of the Board of Directors of the Bank is governed by the Companies Act, 2013, the Banking Regulation Act, 1949 and SEBI Listing Regulations and is in conformity with the same. As of March 31, 2025, the Board of Directors comprised a combination of Eleven directors out of which there were six Independent Directors including a Woman Independent Director, two Non-Executive Nominee Directors, one Non-Executive Director and Two Executive Directors. The size of the Board is commensurate with the size and business of the Bank. The Board mix provides a combination of professionalism, knowledge and experience required in the banking industry and also meets the criteria prescribed under the Nomination Policy adopted by the Board.

Retirement of Director by Rotation

Section 152 of the Act provides that, two-thirds of the total number of directors are liable to retire by rotation out of which one-third shall retire from office at every Annual General Meeting. In terms of Section 149(13), the provisions of retirement of Directors by rotation shall not be applicable to Independent Directors and an Independent Director shall not be included in the total number of Directors liable to retire by rotation.

Dr. Joseph Vadakkekara Antony (DIN: 00181554), Non-Executive Director of the Bank, who retires by rotation as Director, at the conclusion of this Annual General Meeting is proposed to be re-appointed and has offered himself for re-appointment.

Change in Directors during the Financial Year 2024-25

• Appointment of Shri. George Kalaparambil John as Executive Director (Whole-Time Director) of the Bank

The Board of Directors in their meeting held on May 18, 2024, in line with the approval received from Reserve Bank of India ("RBI") dated May 16, 2024 had appointed Shri. George Kalaparambil John (DIN: 00694646) as Additional Executive Director of the Bank in terms of Section 152,160 and 203 of the Companies Act, 2013, with effect from May 18, 2024, considering his vast knowledge and experience in the field of Banking, Finance, Agriculture and Rural Economy, Co-operation, Human Resources and Business Management.

The Shareholders in the 08th Annual General Meeting of the Bank held on August 14, 2024,

DIRECTORS' REPORT (Contd.)

approved the appointment of Shri. George Kalaparambil John as the Executive Director of the Bank, who was appointed as an Executive Director (Whole-Time Director), for a period of three consecutive years with effect from May 18, 2024 up to May 17, 2027.

- Re-appointment of Dr. Kadambelil Paul Thomas (DIN: 00199925) as the Managing Director and CEO of the Bank and approval of revision of remuneration**

Dr. 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, 2024, including the revision in remuneration structure beginning from April 01, 2024 on the basis of the approval from the Reserve Bank of India vide letter DoR. GOV. No. S2250/ 29.44.005/ 2024-2025 dated July 16, 2024 and recommendation of the Nomination, Remuneration and Compensation Committee of the Board.

The Shareholders approved the re-appointment of Dr. Kadambelil Paul Thomas as the Managing Director and CEO of the Bank for a period of three consecutive years with effect from October 01, 2024 including the revision in remuneration structure beginning from April 01, 2024 in their 08th Annual General Meeting held on August 14, 2024.

- Re-appointment of Dr. Vinod Vijayalekshmi Vasudevan (DIN: 02503201) as Non-Executive Independent Director of the Bank**

The Board of Directors in their meeting held on June 14, 2024, on recommendation from the Nomination, Remuneration and Compensation Committee of the Board (NRCCB) in the Meeting dated May 06, 2024 had re-appointed Dr. Vinod Vijayalekshmi Vasudevan (DIN: 02503201) as Non-Executive Independent Director of the Bank for a further term considering his experience, expertise in various fields and his performance as Non-Executive Independent Director of the Bank.

The Shareholders in the 08th Annual General Meeting of the Bank held on August 14, 2024, approved the re-appointment of Dr. Vinod Vijayalekshmi Vasudevan (DIN: 02503201) as Non-Executive Independent Director of the Bank, who shall not be liable to retire by rotation for

a period of three consecutive years with effect from December 22, 2024.

Familiarisation Programme

Complying with SEBI Listing Regulations, provisions of the Companies Act, 2013 and the RBI guidelines, Familiarisation Programmes were conducted during the Financial Year 2024-25 to give an overview and introduction to the Independent Directors about the Bank's business and operations.

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

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

22. Evaluation of Performance of the Board of Directors

In accordance with the provisions of Section 149(8) read with Schedule IV, Section 178(2) of the Act, Regulation 17 and other applicable Regulations of SEBI Listing Regulations, and in consonance with Guidance Note on Board Evaluation issued by the SEBI, the Board has formulated a Performance Evaluation Policy including a questionnaire for performance evaluation of the Individual Directors, Committees of the Board, Chairman, Managing Director and CEO and the Board as a whole. The questionnaire designed for the performance evaluation covering various aspects of performance, including structure of the board, meetings of the board, functions of the board, role and responsibilities of the board, governance and compliance, evaluation of risks, grievance redressal for investors, conflict of interest, stakeholder value and responsibility, relationship among directors, director competency, board procedures, processes, functioning and effectiveness, was circulated to all the directors of the Bank for the annual performance evaluation. The appraisal of each of the Directors of the Bank is done based on the evaluation conducted with a set of pre-determined evaluation factors:

- The performance evaluation of the Board as a whole shall be carried out by all the Directors;
- The performance evaluation of the Board

DIRECTORS' REPORT (Contd.)

Committee(s) shall be carried out by the members of each of the Committees;

- The performance evaluation of Managing Director and CEO/ Executive Director shall be done by all the Directors except the Managing Director and CEO.
- The performance evaluation of Chairman of the Bank is done by all the Directors except the person being evaluated.
- The performance evaluation of Independent Directors is done by all the Directors except the person being evaluated.
- The performance evaluation of the Non-Executive Director is done by all the Directors except the person being evaluated.

The performance evaluation of the Board of Directors, Committees of the Board and individual Directors were conducted during the Financial Year 2024-25. The Board and the Nomination, Remuneration and Compensation Committee of the Board reviewed the performance of the Individual Directors and noted that the results of the performance evaluation indicated a high degree of satisfaction among directors.

23. Code of Conduct for Directors and Senior Management Personnel

In accordance with Regulation 17(5) of SEBI LODR Regulations, the Bank has adopted the Code of Conduct for Directors and Senior Management Personnel. The code of conduct sets forth the guiding principles for orderly and fair conduct by Directors and SMPs. All Directors and SMPs have affirmed the compliance of the code for the Financial Year 2024-25 and a declaration to this effect signed by the Managing Director and CEO forms part of Report on Corporate Governance. The Bank's Code of Conduct for Directors and SMPs is disclosed on the website of the Bank.

24. Declaration from Independent Directors

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

directors as prescribed under Schedule IV of the Companies Act, 2013.

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

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

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

25. Directors and Officers Liability Insurance Policy

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

26. 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 2024-25 has been annexed to the Annual Report.

27. Meetings of the Board

The Board of Directors met Eleven (11) times during the Financial Year 2024-25.

The meetings of the Board of Directors were convened in accordance with applicable laws and standards and the intervening gap between the said meetings was not exceeding 120 days. The details of Board Meetings and details of attendance of each Director have been disclosed in the Corporate Governance Report which forms part of the Annual Report of the Bank for the Financial Year 2024-25. During the year, Shri. Vinod Vijayalekshmi Vasudevan has sought leave of absence from Two (2) Meetings and Shri. Gabriel John Samuel had sought leave of absence from One (1) meeting of the Board of Directors.



DIRECTORS' REPORT (Contd.)

As on March 31, 2025, the Bank had Eleven (11) Board Committees:

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.	IT Strategy Committee of the Board (ITSCB)
5.	Management Committee of the Board (MCB)
6.	Corporate Social Responsibility and Sustainability Committee of the Board (CSRSCB)
7.	Customer Service Committee of the Board (CSCB)
8.	Special Committee of the Board for Monitoring and Follow-up Cases of Frauds (SCBMF)
9.	Stakeholders Relationship Committee of the Board (SRCB)
10.	Human Resource Committee of the Board (HRCB)
11.	Review Committee of the Board for Identification and Classification of Wilful Defaulters (RCBWD)

Note: High Value Fraud Monitoring Committee of the Board (HVFCMB) was dissolved and new committee named Special Committee of the Board for Monitoring and Follow-up Cases of Frauds (SCBMF) was constituted by the Bank on July 26, 2024.

Review Committee of the Board for Identification and Classification of Wilful Defaulters (RCBWD) was constituted by the Bank on March 21, 2025.

The details of composition, number of meetings held and date thereof and terms of reference of the above Committees are available in the Corporate Governance Report which forms part of the Annual Report of the Bank for the Financial Year 2024-25.

28. Meeting of Independent Directors

As per the requirement of the Section 149(8) read with Schedule IV of Act and Regulation 25 of SEBI Listing Regulations, a meeting of the Independent Directors of the Bank is required to be held at least once a year in absence of Non-Independent Directors.

During the Financial Year 2024-25, the Independent Directors of the Bank met on March 29, 2025, chaired by Shri. Thomas Jacob Kalappila and attended by all the Independent Directors of the Bank.

29. 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.	Dr. Kadambelil Paul Thomas	Managing Director and CEO
2.	Shri. George Kalaparambil John	Executive Director
3.	Shri. Gireesh C. P.	Chief Financial Officer
4.	Shri. Ranjith Raj P.	Company Secretary

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

Sl. No.	Name of the Key Managerial Person	Designation
1.	Shri. George Thomas	Executive Vice President
2.	Shri. Hari Velloor	Executive Vice President
3.	Shri. Hemant Kumar Tamta	Executive Vice President

DIRECTORS' REPORT (Contd.)

Sl. No.	Name of the Key Managerial Person	Designation
4.	Shri. Sudev Kumar V.	Executive Vice President
5.	Shri. Wilson Cyriac	Chief Risk Officer
6.	Shri. Sivakumar P.	Head – Internal Audit

Following changes took place in the list of Key Managerial Personnel during the Financial Year 2024-25:

Sl. No.	Name of the Key Managerial Person	Nature of Change
1.	Shri. E. A. Jacob	Shri. E. A. Jacob, Chief of Internal Vigilance of the Bank, ceased to be the Key Managerial Person of the Bank with effect from the close of business hours on September 30, 2024, due to completion of his tenure of appointment. The Board placed on record its appreciation for the invaluable contribution rendered by him during his tenure as Chief of Internal Vigilance.
2.	Shri. Sudev Kumar V.	Shri. Sudev Kumar V., the Chief Compliance Officer of the Bank was promoted as the Executive Vice President (Branch Banking) of the Bank from June 15, 2024 and Shri. George Chacko Varghese was designated as Chief Compliance Officer of the Bank from August 01, 2024.

30. Internal Financial Controls

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

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

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

31. 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:

- in the preparation of the annual accounts for the year ended March 31, 2025, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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, 2025 and of the profit of the Bank for the year ended on that date;
- 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;
- annual accounts have been prepared on a going concern basis;

DIRECTORS' REPORT (Contd.)

- 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 was adequate and operating effectively.

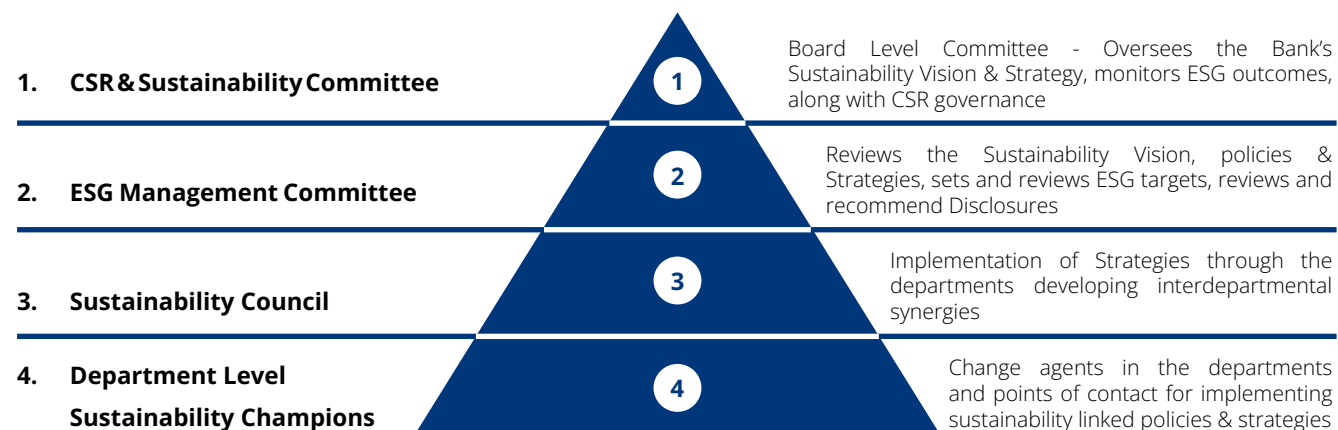
32. Environment Social and Governance Practices and Corporate Social Responsibility

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

Environment Social and Governance Practices

In the financial and banking industry, ESG has become a critical area of focus and the Bank endeavours to

continually improve its ESG performance. There is a robust ESG policy framework which articulates ESG focus areas and provides guidance for ESG practices such as corporate governance, environmental and employee related initiatives, policy revisions and other ESG related projects undertaken. ESG Management Committee as well as CSR Management Committee reviews the Sustainability vision, policies and strategies. There is a Sustainability Council in the Bank, comprising representatives from relevant functions for the implementation of the framework. This council plays a critical role in providing data on various ESG parameters which is subsequently collated, analysed and reported to the Head of Sustainable Banking. The council is oriented and strengthened on various aspects related to Environmental Performance including ESG. The progress is also reported to the CSRSCB and the Board periodically.



The Bank follows a social business strategy seeking a Triple Bottom Line impact: People; Planet; and Prosperity and believes that the social, environmental, and economic outcomes of our business create synergies that have an amplified impact on our stakeholders. The legacy of a mission, **fighting the partiality of prosperity®** (i.e., the drive for inclusion of marginalised sections of society and the equity of opportunities) led to the formation of our Bank. With a vision to become India's leading social bank that offers equal opportunities for the whole society, the Bank has adopted various policies to implement our Triple Bottom Line approach, including an Environmental, Social and Governance ("ESG") policy. Pursuant to the ESG policy, we are committed to (i) the protection of the environment and ensuring sustainable development, (ii) promoting financial inclusion and gender equality through specialised financial services;

and (iii) establishing a governance framework to ensure accountability, transparency and compliance with internal and external ESG standards. The Bank was awarded with Sustainability Champion Award 2024 by Net Zero Alliance. Our ESG grading scores from CARE Advisory Research & Training Limited have been favourable in the consecutive Financial Years of 2023-24 and 2024-25. CARE Advisory Research & Training Limited's ESG specialist team undertook the ESG Grading of our Bank during October 22, 2024. We received a rating of CareEdge ESG 2 (good), with an overall score of 68.1 compared with the industry average overall score of 59.8. The Bank has adopted a four-year ESG Roadmap for 2023-27 as follows:

- Impacting 10 million (One Crore) Direct Customers with any of many SDGs.
- Fostering Local Sustainable Economic Growth through 1 million Joint Liability Groups.

DIRECTORS' REPORT (Contd.)

- Fostering Food Security through financial services to 5 million Farmers.
- Fostering Energy Security through 2,00,000 Renewable Energy Installations (1GW).
- Energy conservation and greater reliance to renewable energy in operations in line with government's net zero plan.

The Bank has received ISO 26000:2010 certification during the Financial Year 2023-24. It is a recognition for the Bank's range of inclusive financial services for social and environmental resilience and returns to individuals, professionals and businesses through ethical practices and global standards. It is a comprehensive certification on Social Responsibility, covering seven core subjects:

- Community Engagement and Development
- Environmental Stewardship
- Human Rights
- Labour Practices
- Consumer Protection
- Fair Operating Practices
- Organisational Governance

Corporate Social Responsibility

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

The CSRSCB is in charge of reviewing and recommending to the Board the Bank's numerous CSR activities, including the status of the Bank's CSR Projects. The Board has examined and approved the CSR Policy, Projects, Project Expenditure, and associated topics based on the CSRSCB's recommendations. Following that, the Bank

implemented the CSR Projects with Board approval. The CSR Policy of the Bank is available on the Bank's website: www.esafbank.com.

The Bank's CSR Projects and CSR Project Expenditure for Fiscal Year 2024-25 are in accordance with the CSR mandate as specified in Sections 134 and 135 of the Act read with Schedule VII to the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time, and in accordance with notifications issued by the Government of India from time to time.

Every year, the Bank allocates 5% of its average net profits, computed in accordance with the manner as prescribed in the Section 135 of the Companies Act, 2013, as against the requirement of 2%. During the Financial Year 2024-25, the Bank has allocated ₹ 19,08,00,000 towards CSR expenditures, as against the allocation of ₹ 12,25,00,000 for the Financial Year 2023-24. The CSR projects and programmes were implemented directly and/ or through implementing partner organisations with a proven track record of implementing process-efficient CSR projects and/ or programmes that were scalable, sustainable, outcome-driven, and committed to making a positive societal impact in Fiscal Year 2024-25. Based on the CSRSCB's review and recommendation, the Board reviewed and approved all CSR Projects, CSR Project Expenditure Payments and CSR Administration Overhead Expenses, including the Unspent CSR Project Expenditure Funds of Financial Year 2024-25, which were transferred to the Unspent CSR Account Financial Year 2024-25 on March 31, 2025. The Annual Report on CSR Activities, which is annexed to this report as Annexure - I, contains a brief summary of the CSR Policy, including an overview of the programmes implemented, the makeup of the CSR Committee, and CSR expenditure for the fiscal year under review. This year, we have innovated a new CSR initiative of industry academia integration by a new CSR project - ESAF Chair for Business on Values at IRMA (Institute of Rural Management Anand). This synergy to promote value-based businesses will show forth long-term impact. Similarly, another CSR innovation was the establishment of Centre of Excellence in collective enterprises that will nurture collective enterprises starting from small JLGs to big FPOs.

33. Business Responsibility and Sustainability Report

In May 2021, the SEBI made an amendment to Regulation 34(2)(f) of the SEBI Listing Regulations, by introducing enhanced disclosure requirements

DIRECTORS' REPORT (Contd.)

regarding ESG parameters through a revised format called the Business Responsibility and Sustainability Report ("BRSR"). The Business Responsibility Report has been replaced by BRSR, which is a more comprehensive disclosure that can showcase ESG performance with enhanced transparency, shifting the focus to quantifiable metrics by providing essential and voluntary indicators rather than qualitative and subjective metrics. The Bank has published the BRSR for the Financial Year 2024-25.

BRSR for Financial Year 2024-25 is a part of the Annual Report of the Bank and is also available on the Bank's website.

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

The Bank continues with the belief of zero tolerance towards sexual harassment in workplace and continues to uphold and maintain itself as a safe and

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

During the Financial Year 2024-25, 4 (Four) complaints were received and the same was disposed of. There were no complaints pending for a period exceeding ninety days.

35. Overall Remuneration

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

i) Ratio of Remuneration of Each Director to Median Employee Remuneration;	The ratio of remuneration of each Director to median employee remuneration is as below:	
	MD & CEO	70 times
	Other Directors	Other directors are not paid any remuneration other than sitting fee for attending meetings of the Board and Committees.
ii) 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 – 9.91% (Fixed Pay) - Chief Financial Officer – 25.72% - Company Secretary – 2.30%	
iii) The percentage increase in the median remuneration of employees in the financial year;	Reduction of 14.19% in the median remuneration mainly on account of transition of employees from one of the Business Correspondents of the Bank during the year under review.	
iv) The number of permanent employees on the rolls of the Bank as on March 31, 2025;	12,520	
v) 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 10% was made to the salaries of employees other than the managerial personnel and 14% increase was made in the managerial remuneration in the last financial year.	
vii) Affirmation that the remuneration is as per the remuneration policy of the Company.	The remuneration is as per the Compensation Policy of the Bank.	

DIRECTORS' REPORT (Contd.)

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;	Dr. Kadambelil Paul Thomas, Managing Director and CEO of the Bank, was paid an aggregate remuneration of ₹ 2,59,73,588/- (including perquisites) during the year.
ii) The name of every employee, who, if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than Eight Lakh and Fifty Thousand rupees per month;	NIL
iii) The name of every employee, who, if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director or Whole-Time Director or Manager and holds by himself or along with his spouse and dependent children, not less than two per cent of the equity shares of the Bank.	NIL

36. Whistle Blower Policy/ Vigil Mechanism

The Bank has implemented a vigil mechanism through the adoption of a Whistle Blower and Protected Disclosure Policy in compliance with the relevant provisions of the Companies Act, 2013 and rules thereunder. The Bank provides an opportunity to raise concerns of employees, vendors and directors relating to fraud, malpractice or any other activity or event which is against the interest of the Bank or society as a whole. The details of Whistle Blower complaints received and subsequent action taken and the functioning of the Whistle Blower mechanism are reviewed periodically by the Audit Committee of the Board. During the Financial Year 2024-25, 7 (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)

37. Code of Conduct to Regulate, Monitor and Report Insider Trading

The Bank has in place, a Policy for Monitoring Insider Trading which inter alia acts as the Code of Conduct to Regulate, Monitor and Report ("Code") insider trading in the securities of the Bank and the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information ("UPSI"). The Code, inter alia, prohibits dealing in securities by

insiders while in possession of UPSI. The said Code has been amended, from time to time, to give effect to the various notifications/circulars of the Securities and Exchange Board of India ("SEBI") with respect to the SEBI (Prohibition of Insider Trading) Regulations, 2015. The Policy for Monitoring of Insider Trading is available on the Bank's website viz., URL: <https://www.esafbank.com/policies/>.

38. Statutory Auditors

In accordance with the 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)' dated April 27, 2021 ("RBI Guidelines") issued by RBI, banks shall appoint the Statutory Auditors for a continuous period of three (3) years, subject to the firms satisfying the eligibility norms each year and the approval of RBI on an annual basis.

Based on the approval of Reserve Bank of India vide letter No. Ref CO.DOS.RPD.No. S2270/ 08-61- 005/ 2023-24 dated June 23, 2023, the Shareholders of the Bank in the 07th Annual General Meeting held on December 29, 2023 had appointed M/s. Kirtane and Pandit, Chartered Accountants (Firm Registration Number: 105215W/ W100057) as the Joint Statutory Auditors of the Bank for a period of three financial years who will hold office from the conclusion of the 07th Annual General Meeting till the end of the 10th Annual General Meeting of the Bank, subject to the approval of the Reserve Bank of India to be obtained by the Bank for the Financial Year 2024-25

DIRECTORS' REPORT (Contd.)

and Financial Year 2025-26. Since the asset size of the Bank is above the said limit, the Bank is required to appoint Joint Statutory Auditors and has presently appointed M/s. Kirtane and Pandit LLP and M/s. Abarna and Ananthan, as Joint Statutory Auditors, wherein M/s. Abarna and Ananthan will be completing their tenure of three years upon conclusion of the ensuing annual general meeting of the bank and they will not be eligible to be appointed further.

The Board at its meeting held on March 21, 2025 approved the eligibility of existing Statutory Auditors M/s. Kirtane & Pandit LLP, Chartered Accountants, Pune, FRN 105215W/W100057 for holding of office for the 2025-26 and appointment of new Statutory Auditors by providing first preference to M/S Sundaram & Srinivasan, Chartered Accountants, Mumbai, FRN 004207S for three years respectively, and has directed to seek approval of Reserve Bank of India (RBI). In accordance with the same, approval from RBI vide letter dated March 27, 2025 were sought. RBI vide letter dated April 21, 2025 accorded the approval for appointment of M/s. Kirtane & Pandit LLP, Chartered Accountants, Pune, FRN 105215W/W100057 and M/S Sundaram & Srinivasan, Chartered Accountants, Mumbai, FRN 004207S as the joint statutory auditors of our Bank for 2025-26 for their third and first year respectively.

Based on recommendation of Audit Committee of the Bank and the approval of Reserve Bank of India (RBI) vide their letter no. Ref DOS.CO.RPD. No.S503/08.61.005/2025-26 dated April 21, 2025, the Board of Directors, subject to approval of the Shareholders and prior approval of the Reserve Bank of India (RBI) every year, had proposed the appointment of M/s Sundaram & Srinivasan, Chartered Accountants as Joint Statutory Auditors of the Bank from FY 25-26 for a period of 3 years. Accordingly, the proposal for their appointment is being placed in the ensuing 9th Annual General Meeting.

The Statutory Auditors have confirmed their eligibility under Section 141 of the Act and as per the guidelines issued by RBI from time to time. Further, as required under the relevant provisions of SEBI Listing Regulations, the Statutory Auditors had also confirmed that they had subjected themselves to the peer review process of the Institute of Chartered Accountants of India ("ICAI") and they hold a valid certificate issued by the Peer Review Board of ICAI.

39. 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 and Regulation 24A of SEBI LODR Regulations, 2015, the Board of Directors of the Bank in the meeting held on May 16, 2025, has proposed the appointment of M/s. SEP and Associates, (Firm Registration No: P2019KE075600), Company Secretaries, Ernakulam, as the Secretarial Auditor of the Bank for conducting Secretarial Audit for the Financial Year 2025-26 to 2029-2030, till the conclusion of the 14th Annual General Meeting of the Bank, subject to the approval of shareholders.. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark and the report for the Financial Year 2024-25 is enclosed herewith as Annexure – II. 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.

40. Particulars of contract or arrangements with Related Parties

During Financial Year 2024-25, all related party transactions were entered in the ordinary course of the business of the Bank and on an arm's length basis. Accordingly, there were no transactions entered during the fiscal year that fall under the scope of Section 188(1) of the Companies Act, 2013, hence, form AOC-2 is not applicable to the Bank.

41. Annual Return

Pursuant to the provisions of Section 134(3) (a) and Section 92(3) of the Act read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Bank for the Financial Year 2024-25 will be hosted on the Bank's website at <https://www.esafbank.com/investor-relation/?id=annual-return>.

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

There were no frauds reported by the Statutory Auditors for the Financial Year 2024-25.

43. 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

DIRECTORS' REPORT (Contd.)

the Companies Act, 2013, Securities and Exchange Board of India Regulations and guidelines of Reserve Bank of India.

44. Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo pursuant to Section 134 (3) (q) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014

- The Bank has no activity relating to conservation of energy or technology absorption.
- During the Financial Year 2024-25, the Bank had foreign currency expenditure of ₹ 95,28,363/- and ₹ 8,48,957.93/- of foreign currency earnings during the period.

45. Details of application made or proceeding pending under insolvency and bankruptcy code 2016

During the year under review, there were no applications made nor proceedings pending in the name of the Bank under the Insolvency Bankruptcy Code, 2016.

46. Details of difference between valuation amount on one time settlement and valuation while availing loan from Banks and Financial Institutions

During the year under review, there has been no one-time settlement of loans taken from Banks and Financial Institutions.

47. Material changes and commitments affecting financial position of the Bank

There have been no material changes and commitments between the end of the Financial Year 2024-25 and the date of this report, affecting the financial position of the Bank.

48. 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.

49. Information about the Financial Performance/ Financial Position of the Subsidiaries, Associates and Joint Venture Companies

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

50. 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 to the Bank.

51. Loans / Guarantees / Investments

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

52. 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.

53. 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.

54. Dispatch of Annual Report

The MCA has issued General Circular No. 20/2020 dated May 05, 2020 read with other relevant circulars, including General Circular No. 10/2022 dated December 28, 2022 and applicable circulars/ notifications issued by SEBI relaxing the requirement of dispatching physical copies of the Annual Report and the Notice convening the AGM to Shareholders. Members who wish to have a physical copy may write to the Company Secretary of the Bank at investor.relations@esafbank.com or submit a written request to the Registered Office of the Bank. In accordance with the aforesaid circulars, the web link of the Annual Report and the Notice convening the AGM of the Bank is being sent in electronic mode only to members whose e-mail address is registered with the Bank or the Depository Participant(s). Those members, whose email address is not registered with the Bank or with their respective Depository Participant(s) and who wish to receive the Notice of the AGM and the Annual Report for the financial year ended March 31, 2025, can get their email address registered by following the steps as detailed in the Notice convening the AGM. The Annual Reports of the Bank are available on the Bank's website viz., URL: <https://www.esafbank.com/report/esaf-small-finance-bank-annual-reports/>.

DIRECTORS' REPORT (Contd.)

55. Strictures and Penalties

The penalties or strictures imposed by the regulators on the Bank is as follows:

Sl. No.	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In ₹)	Brief of the case
1.	Commercial Tax Officer, Purasavakkam, Chennai Central	73,816	Penalty on non-reversal of Input Tax Credit and Non-distribution of Input Service Distribution (ISD). Based on the expert opinion, the Bank is filing an appeal.
2.	Deputy Commissioner of State Tax, Bhopal, Madhya Pradesh	5,30,794	Allegation of Eway bills wrongly generated by vendor and Non-cancellation of the same and reversal as per GSTR-9 and reconciliation statement difference. Based on the expert opinion, the Bank is filing an appeal.
3.	Deputy Commissioner of State Tax, Bhopal, Madhya Pradesh	2,49,639	Allegation of Eway bills wrongly generated by vendor and Non-cancellation of the same, reversal as per GSTR-9 and reconciliation statement difference, shortfall in Reverse Charge Mechanism payment. Based on the expert opinion, the Bank is filing an appeal.
4.	BSE Limited	11,800	BSE Limited had levied a fine of ₹ 11,800/- (including GST) for delayed submission of the notice of Record Date under Regulation 60(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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
DIN: 08534931
Chairman

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

Date: May 16, 2025
Place: Thrissur

Annexure – I

ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2024-25

1. Brief outline on CSR Policy of the Company

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

- Addressing social, environmental and economic needs of the poor and the marginalised sections of the society.
- Integrating 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 like-minded agencies in the projects for larger synergy and impact as an institution.
- Aligning the Corporate Social Responsibility strategies with the ESAF vision for a just and fair society, **fighting the partiality of prosperity®**.

2. Composition of CSR Committee

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

3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Bank.

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

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.

The Bank has undertaken an Impact Assessment through an Independent Agency for all the projects in the Financial Years up to 2022-23 voluntarily. CSR Impact Assessment works for 2023-24 are in progress. Furthermore, the Bank plans to undertake the same activity for the Financial Year 2024-25, depending on the completion of the project. Impact Assessment reports and Sustainability Reports are available in the Bank's website at www.esafbank.com.

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

₹ 5,50,24,71,154

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

₹ 7,63,22,422

(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

₹ 8,59,83,160

(e) Total CSR obligation for the Financial Year

As per the provisions of the Companies Act, 2013, the CSR obligation of the Bank is ₹ 7,63,22,422.

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 ₹ 19,08,00,000 towards CSR expenditures for the Financial Year 2024-25.



Annexure – I (Contd.)

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

₹ 16,23,05,582

(b) Amount spent in Administrative Overheads

₹ 76,68,254

Sl. No.	Years	Indirect Cost
1	2023-24	₹ 33,92,118

(c) Amount spent on Impact Assessment, if applicable

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

(d) Total amount spent for the Financial Year

During the Financial Year 2024-25, a total amount of ₹ 16,23,05,582/- was spent on CSR projects as given below:

Particulars	Amount
Amount spent on ongoing projects pertaining to Financial Year 2023-24	₹ 6,93,02,045
Amount spent on ongoing projects pertaining to Financial Year 2024-25	₹ 9,30,03,537
Total	₹ 16,23,05,582

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

Total Amount Spent for the Financial Year	Amount Unspent				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per the second provision to section 135(5)		
	Amount	Date of Transfer	Name of the Fund	Amount	Date of Transfer
₹ 9,30,03,537	₹ 7,39,50,000	31/03/2025	NIL	NIL	NA

(g) Excess amount for set off, if any

Sl. No.	Particulars	Amount (in ₹)
(i)	Two percent of Average Net Profit of the Company as per Section 135(5)	₹ 7,63,22,422
(ii)	Total amount spent for the Financial Year	₹ 16,23,05,582
(iii)	Excess amount spent for the Financial Year [(ii) – (i)]	₹ 8,59,83,160
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	NIL
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	₹ 8,59,83,160

Annexure – I (Contd.)

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Balance Amount in Unspent CSR Account under subsection (6) of section 135 (In ₹)	Amount Spent in the Financial Year (in ₹)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to subsection (5) of section 135, if any	Amount remaining to be Spent in succeeding Financial Years (in ₹)	Deficiency, if any
1	2021-22	NIL	NIL	NIL	NIL	NIL	NIL
2	2022-23	NIL	NIL	NIL	NIL	NIL	NIL
3	2023-24	₹ 5,12,50,000	NIL	₹ 6,93,02,045	NIL	NIL	NIL
4	2024-25	₹ 7,39,50,000	₹ 7,39,50,000	₹ 9,30,03,537	NIL	NIL	NIL

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

Yes

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	CSR Amount Spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered Address
1	Playing Equipment	680655	16-01-2024	95,300		Day Care	Ollukkara
2	Construction of a Badminton Court	680751	21-01-2025	2,95,000		SOS	Mulayam, Mannuthy, Thrissur
3	Bedside Locker	695031	05-03-2024	77,682		Cancer Remedy Assistance Bureau (CRAB)	Near Kunjuveedu Temple, Ittykonam, Pulayanarkotta, Thuvuvikkal PO, Trivandrum, Kerala
4	Health Service Vehicle (Mahindra Bolero Neo)	680656	20-03-2024	12,14,682		Community Health Centre	Vellanikkara, Mannuthy, Thrissur, Kerala
5	5 kw Solar Installation	680542	19-03-2024	2,73,437		St. Joseph's & St. Cyril's HSS	West -Managad, Kunnamkulam, Thrissur
6	5 kw Solar Installation	670101	20-03-2024	2,74,800		BEMP HSS	Thalassery, Kannur
7	2 Laptops & 2 Speakers	686011	17-02-2024	83,880		CMS LP School	Manarcad, Kottayam



Annexure – I (Contd.)

Annexure – I (Contd.)

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	CSR Amount Spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
					(6)		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered Address
8	Water Treatment Plant	683513	09-07-2024	2,82,579		Santhitheeram Society for Family Harmony	North Paravoor, Ernakulam
9	7 kW Hybrid Solar Installation	632517	04-04-2024	6,55,500	CSR00002189	Shalom Bhavan	Mankampuram, Kalininal, Vellore, Tamil Nadu
10	6 Water Purifiers	670645	19-06-2024	3,25,000	CSR00002189	1) Sacred Heart Higher Secondary School 2) St. Joseph's Higher Secondary School 3) St. Catherine's Higher Secondary School 4) Govt. Vocational Higher Secondary School 5) Fr. GKM Higher Secondary School 6) St. Joseph's Mission Hospital	1) Higher Secondary School, Dwaraka, Nalloorad, Mananthwadi -670654 2) St. Joseph's Higher Secondary School, Kallody, Edavaka Post, Mananthwadi - 670645 3) St. Catherine's Higher Secondary School, Payyampally, Mananthwadi Post - 670646 4) Govt. Vocational Higher Secondary School, Mananthawadi - 670645 5) Fr. GKM Higher Secondary School, Joseph Cathedral Church, Kaniyaram, Thrissilery Road Mananthwadi - 670645 6) St. Joseph's Mission Hospital, Mananthavady - 670645
11	Desktops & Network Switch	686513	13-12-2024	410000		Kallivayalil Pappan Memorial Public School	35th Mile, East Mundakayam PO - 686513
12	LED TV	680724	02-09-2024	13000		Pre-Metric Boys hostel	Vettilappara
13	Medical Equipment	679533	18-09-2024	250000		Santhwana Sparsam Palliative Care Society	Santhwana Sparsam Palliative Care Society, Pavaratty
14	5 kW Solar Installation	688522	28-10-2024	275000		Kreupasanam Religio-Socio-Culture Centre	Kreupasanam, Kalavoor Alappuzha

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	CSR Amount Spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
					(6)		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered Address
15	Printer	685583	12-11-2024	64,000		Santhigiri Rehabilitation Institute	Vazhithala, Thodupuzha
16	Sports Equipment	670646	20-11-2024	25,000		Govt. Ashramam School	Thirunelli, Wayanad
17	Android TV	685553	10-12-2024	55,000		Panchayath UP School	Nedumkandam, Idukki
18	5 kW Solar Installation	441202	20-02-2024	2,85,120		Mission India Vidya Niketan School	Kuhi -Nagpur
19	Wheelchair	829101	18-05-2024	6,050		District Election Officer	Ramgarh
20	Handpump	814145	30-05-2024	1,70,000		Villagers in Chapatari	Nonihat, Dumka
21	Bamboo Bridge	785009	13-07-2024	45,000		Na_Ali Village	Assam
22	Water Cooler Cum Purifier	493445	23-08-2024	45,000		Shishu Sanskar Kendra High School	Mahasamund
23	5 kW Solar Installation	494776	20-09-2024	2,60,000		Life Academy School	Pakhanjore, Chhattisgarh
24	10 Bicycles	781021	25-01-2024	75,000		Root Bridge Foundation	Guwahati
25	1 Water Cooler and 5 Desktops	445001	24-10-2024	3,08,000		Pundikbaba Higher School & Vasant VJNT Secondary and Higher Secondary Ashram School	Pundikbaba Higher School, Tarnoli, Darwha. Maharashtra and Vasant VJNT Secondary and Higher Secondary Ashram School, Haru Darvha, Yavatmal, Maharashtra
26	Medical Service Van (EECO)	689652	28-10-2024	6,55,000		CSI Community Development Programme	Punnakkad, Kozhenchery
27	5 kW Solar Installation	442101	26-11-2024	2,65,000		Bodhisatva Vidyalaya	Adegaon, Wardha
28	5 kW Solar Installation	440013	27-11-2024	2,65,000		Prem Seva Shikshan Sangh	Teosa
29	Service Van	814145	17-12-2024	7,60,000		Lahanti Public School	Nonihat
30	Water Cooler Cum Purifier	462038	10-11-2024	56,522		Government Naveen Higher Secondary School	Bhanpur, Bhopal



Annexure – I (Contd.)

Annexure – I (Contd.)

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	CSR Amount Spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered Address
31	Water Cooler Cum Purifier	440014	30-11-2024	57,269		Mathoshri Parwatabi Wanjari Mdy	Jaripatka, Nagpur
32	Medical Service Van	680121	21-12-2024	3,60,925		Hrudaya Palliative Care	Irinjalakuda, Thrissur
33	5 Water Coolers	495334	15-01-2025	72,500		Govt. School	Mungeli
34	2 Wheelchairs and 2 Stretchers	470002	17-01-2025	31,800		Community Health Centre	Garhakota, MP
35	EECO Van	560036	28-02-2025	6,50,949		Opportunity School	Mar Thoma Welfare and Educational Society, KR Puram
36	5 kW Solar Installation	460551	07-03-2025	2,46,000		St. Thomas Mission Higher Secondary School	Amla
37	5 kW Solar Installation	462046	07-03-2025	2,56,000		St. Thomas Mission High School	Mandideep, Bhopal
38	Medical Equipment to CF Hospital	624619	10-03-2025	12,32,000		Christian Fellowship Hospital	Oddanchatram
39	Water Cooler	444717	06-03-2025	64,074		St. John's School	Paratwada
40	5 kW Solar Installation	695026	14-03-2025	2,53,071		St. Thomas HSS	Poonthura, Vanchiyoar
41	Smart Board	680005	15-03-2025	99,900		St. Clare's Convent School	Thrissur
42	5 kW Solar Installation	691506	14-03-2025	2,53,071		Vimala Hridaya School,	Neeleshwaram Rd, Neduvathoor
43	Digital Computer Lab	686585	21-01-2025	3,08,500		St. Antony's High School	Chengalam
44	2 Laptops and Inverter	678721	05-02-2025	1,01,950		HSS	Kuthanur
45	2 Desktops	679334	18-01-2024	76,800		Mar Thoma Mission Hospital	Chungathara
46	Upgradation of the Shuttle Court Building	689581	16-02-2025	6,07,000		YMCA	Mundiappally, Thiruvalla
47	Medical Service Vehicle (Mahindra Bolero)	689101	20-02-2025	12,24,980		Mar Thoma Public Charitable Trust	Thiruvalla
48	Dialysis Machine	683572	06-03-2025	7,10,880		Jeevadhara Foundation	Angamaly, Ernakulam

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	CSR Amount Spent (in ₹)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered Address
49	EECO Ambulance	673001	06-03-2025	8,31,400		CSI Trust Association	Kozhikode
50	ESAF Hospital and Research Centre, Palakkad - Mannarkkad, Main Road, Thachampara, Palakkad (CSR 2024-25)	678593	In Progress	99,71,065	CSR00002189	ESAF Foundation	Viswas Bhavan, Mannuthy
51	CAHSS, Vadakkanchery, Padur Rd, Ayakkad (CSR 2024-25)	678683	In Progress	82,17,177	CSR00001633	PDS	Shanti Nagar, Mannuthy
52	Lahanti Public School, Bhaturiya, Nonihat, Dumka (CSR 2024-25)	814145	In Progress	89,36,965	CSR00001633	PDS	Shanti Nagar, Mannuthy
53	ESAF Hospital and Research Centre, Palakkad- Mannarkkad Main Road, Thachampara, Palakkad (2023-24)	678593	24-03-2025	63,41,837	CSR00002189	ESAF Foundation	Viswas Bhavan, Mannuthy
54	Lahanti Public School, Pahrudih, Dumka (CSR 2024-25)	814119	31-03-2025	16,51,643	CSR00001633	PDS	Shanti Nagar, Mannuthy

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

NOT APPLICABLE, as the CSR spending of the Bank for the Financial Year 2024-25 relates to ongoing projects.

Sd/-
Kadambelil Paul Thomas
Managing Director and CEO

Sd/-
Gabriel John Samuel
Chairman of the CSR and Sustainability Committee of the Board

SUMMARY OF IMPACT ASSESSMENT STUDY

During the Financial Year 2022-23, ESAF Small Finance Bank Limited (the Bank), as per its Corporate Social Responsibility (CSR) Policy, has allocated 5% of its profits for the CSR Projects. The CSR projects are implemented by its two partner organisations – Evangelical Social Action Forum Foundation and 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. Holistic Development of Children and Youth
2. Social Entrepreneurship and Mentoring
3. Agriculture and Farmer Collectives
4. Emergency Relief and Community Intervention
5. Rural Education
6. Rural Health
7. Community Intervention through ESAF SFB branches

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
- E. Sustainability
- F. Equity

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

Holistic development of children and youth

- The Balajyothi and Study Centre programmes aim to develop academic and extracurricular skills of school children, and parents express satisfaction with the resources provided.
- Interactions with parents indicate improved academic performance, manners, and discipline among children, and the various competitions organised for children have been motivating.
- Financial literacy training is appreciated by parents, but some suggest providing computer exposure and refreshments for participants and enhancing Study Centre infrastructure.
- Children seem more enthusiastic about extracurricular activities offered and are more confident about their academic performance.

- Some notable achievements have been made by the students in local tournaments who received football coaching.

Social Entrepreneurship and Mentoring.

- Approximately 4,790 women members of Self-Help Groups were provided with skill development training across several sessions, focusing on various areas such as food processing, tailoring, beauty and wellness, and agriculture-related activities.
- The training programmes conducted by the implementation partners have proven to be beneficial in equipping the participants with the necessary skills and in many cases, have helped them to add a new source of income and significantly increased their overall income.
- The Urjabandhu project has resulted in installation of over 8 Mega Watts of solar systems.
- The Micro-entrepreneurship Development Programme aims to promote entrepreneurship in various domains by providing necessary mentoring and training support to Urjabandhus, Pashumitras, and Krushakmitras.
- Majority of the participants expressed the need for more training programmes, as well as additional support such as handholding and access to loans to aid in setting up a business.

Emergency relief and community intervention

- The flood-related emergency relief project in Majuli, Assam, provided relief support to those impacted by floods, and helped to reduce soil erosion by providing support to rebuild homes and fields in a more resilient way. Additionally, relief was provided to people in extreme winters to help them deal with extreme cold. Food kits were also distributed to pregnant women in Maharashtra, Assam, etc.
- The stakeholders appreciated ESAF's efforts, and beneficiaries expressed high satisfaction with the benefits provided in these projects.
- Some beneficiaries suggested that the mobile phones provided to students should have been available even after school reopened, and a few participants noted that the quantity of items provided in the flood-related emergency relief programme could have been increased.
- ESAF Garshom facilitated access to healthcare services via a Mobile Medical Unit, specifically targeting migrant labourers at their workplaces. Additionally, ESAF

SUMMARY OF IMPACT ASSESSMENT STUDY (Contd.)

Foundation organised three events aimed at fostering a sense of belonging among these beneficiaries. Some of the beneficiaries, however, complained of not getting adequate support from the project.

Rural health

- ESAF's Rural Health programme has improved infrastructure in rural hospitals, providing better healthcare facilities and equipment.
- Hospital officials and government officials have recognised and appreciated ESAF's contributions to improving rural healthcare.

Rural education

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

Efficiency

It can be observed that the intervention cost per beneficiary ranges between Rs 376/- (for entrepreneurship collectives) to Rs 3,733/- (for rural education project). This is on account of the nature of interventions. While the interventions on entrepreneurship collectives as well as emergency relief and community intervention have a limited intensity of the intervention, the interventions related to rural education (which involves providing infrastructure support to the schools) is likely to result in benefits extending to a period of time in the future.

Sustainability

Following are the important observations with respect to sustainability.

- The sustainability of Balajyothi Clubs and Study Centres varies, with some having potential to become sustainable while others needing continued support from implementing partners. Interviews with the parents indicate that they are willing to pay a nominal fee for services.
- The micro-entrepreneur training project is highly sustainable as the training costs are covered by grants and beneficiaries are expected to implement learnings in their businesses for long-term benefits.
- Agriculture and allied projects are evaluated as highly sustainable due to their focus on developing strong

linkages and involvement from members of Farmer Producer Organisations and other institutions.

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

Equity

ESAF Small Finance Bank's CSR initiatives make a significant contribution to promoting equity by addressing the needs of underserved populations, including marginalised communities, rural populations, women, and tribal groups. By focusing on holistic development, social entrepreneurship, rural health, and education, these projects work to reduce inequalities and provide opportunities for underprivileged individuals in geographically and economically disadvantaged regions.

Learnings and recommendations

Following are the important learnings and recommendations from this project.

- The implementation partners have developed considerable expertise in several thematic areas
- The implementation partners have significantly enhanced their effectiveness by leveraging the expertise of established agencies in their respective fields
- The implementation partners have developed substantial expertise in delivering interventions across various geographical areas.
- Overall tracking and monitoring of programmes and activities has considerably improved over the past few years
- Network of farmer collectives and branches of the financial institutions are being used to magnify outreach
- The system of tracking of activities and inputs needs to be done through a software
- System of performance grading of ESAF Balajyothi Clubs needs to be established with Protocol of collecting feedback from stakeholders.
- For most projects, protocols for collecting baseline and endline data need to be established.

Link to the impact assessment reports on the Bank's website: www.esafbank.com

SUMMARY OF IMPACT ASSESSMENT STUDY (Contd.)

OECD Framework Area	Highlights of Findings
Relevance & Coherence	The relevance and coherence of ESAF SFB's CSR projects are evident across multiple thematic areas. As an example - The ESAF Balajyothi Project focuses on the holistic development of children and youth including those from the underprivileged communities, enhancing academic and personal growth through clubs and study centers. - Social entrepreneurship projects are critical in economically challenged regions, offering training and support to empower individuals, particularly women, to start their own businesses, contributing to poverty alleviation and economic growth. These initiatives align with government schemes like Pradhan Mantri Mudra Yojana.
Efficiency & Effectiveness	The efficiency and effectiveness of CSR interventions from April 2022 to March 2023 were good. - All projects achieved 100% budget utilisation across different thematic areas, indicating efficient financial management. - The cost per beneficiary varied significantly depending on the intervention's nature, ranging from Rs 376 for entrepreneurship collectives to Rs 3,733 for rural education, which involved substantial infrastructure support. - The interventions were executed efficiently, with budget utilisation aligned with the planned activities, and they successfully reached a broad beneficiary base, reflecting their overall effectiveness in achieving intended outcomes.
Sustainability	The sustainability of the CSR projects varies by initiative. - The ESAF Balajyothi clubs and study centres rely on community involvement and may struggle without ongoing support, though some are self-sustaining. Enterprise support related programmes are more sustainable due to their income generation potential for the beneficiaries. - Farmers and their collectives supported through agriculture initiatives show high sustainability due to strong business linkages. Emergency relief infrastructure and rural health projects are promising, with infrastructure improvements ensuring lasting benefits. Rural education projects are sustainable due to improved infrastructure and committed revenue models by the schools.
Impact	The CSR projects of ESAF SFB have impacted close to 1, 30,000 beneficiaries directly: ESAF Balajyothi Clubs: Promoted leadership, social skills, and academic improvement among 9,442 children, enhancing their confidence and engagement in community activities. Entrepreneurship Acceleration Program (EAP): Trained 14,790 women in tailoring, food processing, and crafts, empowering them with essential skills for income generation. Market Linkage for FPOs: Supported 42,600 farmers with training on branding, packaging, and market access, improving agricultural productivity and profitability.
Equity	ESAF Small Finance Bank's CSR initiatives make a significant contribution to promoting equity - By addressing the needs of underserved populations, including marginalised communities, rural populations, women, and tribal groups. - By focusing on holistic development, social entrepreneurship, rural health, and education, these projects work to reduce inequalities and provide opportunities for underprivileged individuals in geographically and economically disadvantaged regions.

Learnings and recommendations

Sl#	Area	Learnings & Recommendations
1	Proficiency of Implementing Partners	The implementation partners have developed considerable expertise in several thematic areas
2	Networking & Developing Synergies	The implementation partners have significantly enhanced their effectiveness by leveraging the expertise of established agencies in their respective fields
3	Geographical Expansion	The implementation partners have developed substantial expertise in delivering interventions across various geographical areas.



SUMMARY OF IMPACT ASSESSMENT STUDY (Contd.)

Sl#	Area	Learnings & Recommendations
4	Monitoring and Reporting	Overall tracking and monitoring of programmes and activities has considerably improved over the past few years
5	Networking & Developing Synergies	Network of farmer collectives and branches of the financial institutions are being used to magnify outreach
6	Monitoring and Reporting	Outcome indicators need to be tracked and reported as part of the reporting framework
7	Quality Improvement	System of performance grading of ESAF Balajyothi Clubs needs to be established
8	Monitoring and Reporting	Monthly reviews need to enhance focus on quality of implementation and outcome indicators
9	Monitoring and Reporting	The system of tracking of activities and inputs needs to be done through a software
10	Monitoring and Reporting	Protocol of collecting feedback from stakeholders needs to be established
11	Outcome Tracking	For most projects, protocols for collecting baseline and end-line data need to be established

ANNEXURE – II

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2025

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

To,

The Members,

ESAF SMALL FINANCE BANK LTD

ESAF Bhavan, Thrissur-Palakkad National Highway
Thrissur, Kerala, India, 680651

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **ESAF SMALL FINANCE BANK LTD (CIN: L65990KL2016PLC045669)** (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us with a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the **Company's** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **March 31, 2025**, 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:

We have conducted verification of the books, papers, minute books, forms and returns filed, and other records maintained by the Company for the financial year ended on March 31, 2025 according to the provisions of:

- The Companies Act, 2013 (the Act) and the rules made thereunder.
- The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made thereunder.
- The Depositories Act, 1996 and the Regulations and By-laws framed thereunder.
- 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;

- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
 - The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
 - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
 - The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.
 - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
 - The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2021.
 - The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.
 - The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021.
 - The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 (Not applicable to the Bank during the audit period).
 - The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 (Not applicable to the Bank during the audit period).
- As informed to us, the following other laws are specifically applicable to the Company:
 - The Reserve Bank of India Act, 1934;
 - The Banking Regulation Act, 1949;
 - The Banking Companies Regulation (Companies Rules), 1949
 - The Banking Companies (Period of preservation of Records) Rules, 1985.

ANNEXURE – II (Contd.)

- Prevention of Money Laundering Act, 2002
- Credit Information Companies (Regulation) Act, 2005
- The Deposit Insurance and Credit Guarantee Corporation Act, 1961
- The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
- The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed thereunder.

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

- Secretarial Standard relating to Board (SS 1) and General Meetings (SS 2) issued by the Institute of Company Secretaries of India.
- The Listing Agreement entered into by the Company with National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

Fine has been levied by BSE Limited ("BSE") for delayed compliance with respect to intimation of record date as prescribed under SEBI (LODR) Regulations as follows:

Sl. No	Particulars	Fine Amount
1	Delay in submission of the notice of Record Date under Regulation 60(2)	11,800/- (including GST)

- The Company has redeemed following debentures during the period under review.

ISIN Number	Interest Rate	Issue Size	Number of Debentures	Face Value	Tenure	Date of Allotment	Date of Redemption
INE818W08065	11.00%	20 Crore	200	10 Lakh	7 years	November 30, 2017	November 29, 2024
INE818W08057	11.00%	25 Crore	250	10 Lakh	7 years	September 29, 2017	September 27, 2024
INE818W08016	10.5%	20 Crore	200	10 Lakh	6 years	December 30, 2017	December 30, 2024
INE818W08024	11.50%	20 Crore	200	10 Lakh	7 years	March 28, 2018	March 28, 2025

During the period under review, following monetary penalties were also imposed on the Company by:

- Commercial Tax Officer, Purasavakkam, Chennai Central had imposed monetary penalty of ₹ 26,134/- for delay in reversal of input Tax credit by the Bank for Financial Year 2018-19 and the same has been intimated to Stock Exchange(s) duly.
- Office of Deputy Commissioner of State Tax, Bhopal had imposed monetary penalty of ₹ 249,639 on account of short payment of tax for the Financial Year 2021-2022.
- Office of Deputy Commissioner of State Tax, Bhopal had imposed monetary penalty of ₹ 5,30,794 on account of short payment of tax for the Financial Year 2020-2021.

We further report that:

- The Company had appointed Shri. George Kalaparambil John as Additional Executive Director designated as Whole Time Director to the Board vide resolution passed at the meeting of Board of Directors held on 18.05.2024, whose appointment was subsequently approved by the shareholders at the Annual General Meeting held on 14.08.2024.
- 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 review were carried out in compliance with the provisions of the Act and in compliance with orders issued by the Central Government.

ANNEXURE – II (Contd.)

4. The Company had allotted following shares under ESAF Small Finance Bank Employee Stock Option Plan – 2019 (ESOP 2019):

Sl. No	Particulars	Date of Allotment	Face Value (In ₹)	Premium, if any (In ₹)	Total Value (In ₹)
1.	Allotment of 94,038 Equity shares ranking Pari – passu with the existing shares	24.09.2024	10	8.75	17,63,212.5
2.	Allotment of 57,432 Equity shares ranking Pari – passu with the existing shares	23.10.2024	10	8.75	10,76,850
3.	Allotment of 59,904 Equity shares ranking Pari – passu with the existing shares	25.11.2024	10	8.75	11,23,200
4.	Allotment of 89,523 Equity shares ranking Pari – passu with the existing shares	26.12.2024	10	8.75	16,78,556.25
5.	Allotment of 24,331 Equity shares ranking Pari – passu with the existing shares	24.01.2025	10	8.75	4,56,206.25
6.	Allotment of 97,177 Equity shares ranking Pari – passu with the existing shares	27.02.2025	10	8.75	18,22,068.75
7.	Allotment of 2,25,189 Equity shares ranking Pari – passu with the existing shares	28.03.2025	10	8.75	42,22,293.75

5. Adequate notice is given to all directors to schedule the Board Meetings in compliance with the provisions of Section 173(3) of the Companies Act, 2013, 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 except in the case of Shorter Notice.
6. Decisions at the meetings of the Board of Directors of the Company were carried out on the basis of majority and the same was captured and recorded as part of the minutes. There were no dissenting views by any member of the Board of Directors during the period under review.

We further report that the Company had passed special resolution at Annual General Meeting held on 14.08.2024 to borrow in excess of paid-up share capital and free reserves and securities premium of the Bank under Section 180(1) (c) of the Companies Act, 2013 and also for raising of funds by issue of debt securities on a Private Placement basis.

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

We further report that during the audit period there were no instances of:

- Issuance of securities including Public/ Right/ Preferential issue of securities other than those mentioned above.
- Major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013 other than those mentioned above.
- Redemption of securities other than mentioned above
- Buy-back of securities
- Merger/amalgamation/ reconstruction.
- Foreign technical collaborations.

This report is to be read with **Annexure A** of even date and the same forms an integral part of this report.

For SEP & Associates Company Secretaries

(The Peer Review Certificate no. 3693/2023)

CS Puzhankara Sivakumar

Managing Partner
M. No.: 3050 COP No.: 2210

Place: Ernakulam
Date: May 07, 2025

ANNEXURE A TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To,

ESAF SMALL FINANCE BANK LTD

ESAF Bhavan, Thrissur-Palakkad National Highway
Thrissur, Kerala, India, 680651

Our Secretarial Audit Report of even date is to be read along with this letter.

- The compliance of the provisions of all laws, rules, regulations, and standards applicable to **ESAF SMALL FINANCE BANK LTD** (hereinafter called the “Company”) is the responsibility of management of the Company. Our examination was limited to the verification of the records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.
- Maintenance of the Secretarial and other records of applicable laws is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to issue a Secretarial Audit Report, based on the audit of the relevant record maintained and furnished to us by the Company, along with explanations where so required.
- During the audit, we have followed the practices and process as were appropriate, to obtain reasonable assurance about the correctness of the contents of the Secretarial and other records, legal compliance mechanism and corporate conduct. We believe that the process and practices we followed provide a reasonable basis for our Secretarial Audit Report.
- The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.
- We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.
- While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after March 31, 2025 but before issue of the Report.
- We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For SEP & Associates Company Secretaries

(The Peer Review Certificate no. 3693/2023)

CS Puzhankara Sivakumar

Managing Partner
M. No.: 3050 COP No.: 2210

Place: Ernakulam
Date: May 07, 2025



Business Responsibility & Sustainability Reporting Format

(Business Responsibility and Sustainability Reporting (BRSR) is the practice of companies disclosing information about their environmental, social, and governance (ESG) performance. It goes beyond financial reporting to provide stakeholders with a comprehensive view of a company's non-financial impacts and contributions to sustainable development. BRSR covers topics such as environmental impact, social responsibility, and governance practices, aiming to promote transparency and accountability.)

SECTION A GENERAL DISCLOSURES

I. DETAILS OF THE LISTED ENTITY

2024-2025

1.	Corporate Identity Number (CIN) of the Listed Entity	➤	L65990KL2016PLC045669
2.	Name of the Listed Entity	➤	ESAF Small Finance Bank Ltd.
3.	Year of incorporation	➤	May 05, 2016
4.	Registered office address	➤	Building No. VII/83/8, ESAF Bhavan, Thrissur- Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN- 680 651
5.	Corporate address	➤	Building No. VII/83/8, ESAF Bhavan, Thrissur- Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN- 680 651
6.	E-mail	➤	investor.relations@esafbank.com
7.	Telephone	➤	0487-7123456
8.	Website	➤	www.esafbank.com
9.	Financial year for which reporting is being done	➤	2024-25
10.	Name of the Stock Exchange(s) where shares are listed	➤	BSE Limited and National Stock Exchange of India Limited
11.	Paid-up Capital	➤	5,15,42,74,520
12.	Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report	➤	Shri. Ranjith Raj P. Company Secretary, Telephone: 0487-7123456 E-mail ID: investor.relations@esafbank.com
13.	Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e. only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together)	➤	Standalone Basis
14.	Name of assurance provider	➤	NA
15.	Type of assurance obtained	➤	NA

II. PRODUCTS/SERVICES

16. Details of business activities (accounting for 90% of the turnover):

Description of Main Activity	Description of Business Activity	% of Turnover of the entity
Financial and Insurance Service	Banking activities by Central, Commercial and Saving Banks	100

17. Products/Services sold by the entity (accounting for 90% of the entity's Turnover):

Product/Service	NIC Code	% of total Turnover Contributed
Financial and Related Services	64990	100

III. OPERATIONS

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

Location	Number of plants	Number of offices	Total
National	0	800	800*
International	0	0	0

*ESAF Small Finance Bank concentrates in providing access to finance in rural geographies. The Bank has 787 Retail Branches, 5 Annexes, 2 Regional Offices, 1 Zonal Office and 1 Central Processing Centre (CPC), 2 Regional Processing Centres (RPC), 1 Corporate Annex in Mumbai and 1 National Registered Office at Thrissur as on 31st March 2025.

19. Markets served by the entity:

a. Number of locations

National	(No. of States)	International	(No. of Countries)
➤	26*	➤	0

*24 States and 2 Union Territories

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

0

c. A brief on types of customers

As a Small Finance Bank, ESAF Small Finance Bank is committed to delivering financial services to underserved populations, especially in rural regions. It serves a diverse group of customers, including small and marginal farmers, micro and nano entrepreneurs, women, children, senior citizens, and transgender individuals. The Bank also extends its services to Non-Resident Indian (NRI) clients. The customer base spans from small-scale farmers and micro-entrepreneurs to marginalised communities, including women, children, elderly citizens, and transgenders, while also meeting the financial needs of NRIs.



IV. EMPLOYEES

20. Details as at the end of Financial Year:

a. Employees and workers (including differently abled):

Employees						
Sr. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
1	Permanent (D)	8,336	5,448	65.36	2,888	34.64
2	Other than Permanent (E)	4,184	2,818	67.35	1,366	32.65
3	Total employees (D + E)	12,520	8,266	66.02	4,254	33.98

Workers*						
Sr. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
4	Permanent (F)	0	0	0	0	0
5	Other than Permanent (G)	0	0	0	0	0
6	Total workers (F + G)	0	0	0	0	0

b. Differently abled Employees and workers:

Differently abled employees						
Sr. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
1	Permanent (D)	1	1	100	0	0
2	Other than Permanent (E)	2	2	100	0	0
3	Total differently abled employees (D + E)	3	3	100	0	0

Differently abled workers*						
Sr. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
4	Permanent (F)	0	0	0	0	0
5	Other than Permanent (E)	0	0	0	0	0
6	Total differently abled workers (F + G)	0	0	0	0	0

*The Bank does not have any staff in the 'Workers' category.

21. Participation/Inclusion/Representation of women

Particular	Total (A)	No. and percentage of Females	
		No. (B)	% (B / A)
Board of Directors	11	1*	9.09
Key Management Personnel	10	0	0

*The director is an independent director

22. Turnover rate for permanent employees and workers

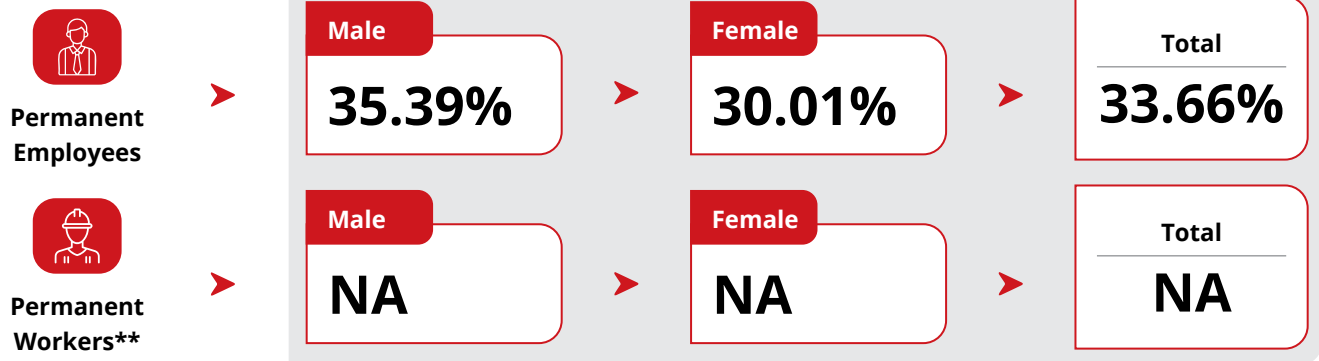
2024-25 (Turnover rate in current FY)

Permanent Employees	Male	Female	Total
	21.62%	17.65%	20.26%
Permanent Workers**	Male	Female	Total
	NA	NA	NA

2023-24* (Turnover rate in previous FY)

Permanent Employees	Male	Female	Total
	28.01%	21.14%	25.79%
Permanent Workers**	Male	Female	Total
	NA	NA	NA

2022-23 (Turnover rate in the year prior to the previous FY)



* The Bank has changed the methodology of calculating turnover rate for permanent employees to bring it more in line with BRSR requirements.

**The Bank does not have any staff in the 'Workers' category.

V. HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES (INCLUDING JOINT VENTURES)

23. (a) Names of holding / subsidiary / associate companies / joint ventures

Sr. No.	Name of the holding / subsidiary / associate companies / joint ventures (A)	Indicate whether holding/subsidiary/ associate/ joint venture	% of shares held by listed entity	Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
NA*				

*The Company does not have any subsidiaries/associate companies/joint ventures.

VI. CSR DETAILS

24. (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: (Yes/No)

YES

a. Turnover (in ₹)

₹ 43,29,30,83,504

b. Net worth (in ₹)

₹ 19,45,01,19,966

VII. TRANSPARENCY AND DISCLOSURES COMPLIANCES

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

Stakeholder group from whom complaint is received	Grievance redressal mechanism in place (Yes/No) *	2024-25 Current Financial Year			2023-24 Previous Financial Year		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities	No	0	0	NA	0	0	NA



Stakeholder group from whom complaint is received	Grievance redressal mechanism in place (Yes/No) *	2024-25 Current Financial Year			2023-24 Previous Financial Year		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Investors (other than shareholders)	Yes	18	0	NA	1,041	0	NA
Shareholders	Yes	0	0	NA	1	0	NA
Employees and Workers	Yes	4*	0	NA	0	0	NA
Customers	Yes	7,682	182	The pending complaints were received towards the end of the reporting period. It is to be noted that none of these complaints have been pending for more than 30 days.	10,344	303	NA
Value Chain Partners	No	0	0	NA	0	0	NA
Others (please specify)	NA	NA	NA	NA	NA	NA	NA

*No. of complaints received under POSH

* Is a Grievance Redressal Mechanism in Place? (Yes/No). If yes, provide the web link to the Grievance Redressal Policy.

Stakeholder group from whom complaint is received	Web Link for Grievance Policy
Communities	https://esafbank.com/pdf/CSR%20Policy_08-02-2024.pdf
Investors (other than shareholders)	Part of the Policy on Code of Conduct for the Board of Directors and Senior Management Personnel is available internally.

Stakeholder group from whom complaint is received	Web Link for Grievance Policy
 Shareholders	Part of the Policy on Code of Conduct for the Board of Directors and Senior Management Personnel is available internally.
 Employees and Workers	1. Grievance Redressal Cell (Grievance Redressal and Counselling for Employees (GRACE) platform.) 2. The grievances shall be shared to the email ID grievancecell@esafbank.com or through venting box at https://bit.ly/ESAFventingbox
 Customers	https://www.esafbank.com/pdf/Customer%20Grievance%20Redressal%20Policy_ESAF%20SFB-V6.pdf
 Value Chain Partners	There is an SOP that covers the same.
 Others (please specify)	NA

26. Overview of the entity's material responsible business conduct issues

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

Opportunity  Risk  Negative  Positive 					
Sr. No.	Material issue identified	Indicate whether Risk/ Opportunity (R/O)	Rationale for identifying the Risk/Opportunity	In case of Risk, approach to adapt or mitigate	Financial implications of the Risk/ Opportunity (Indicate positive or negative implications)
1.	 Corporate Governance and Ethics		Robust governance frameworks enhance a company's reputation, strengthen decision-making, improve risk management, and support long-term sustainability. They foster a culture rooted in integrity, transparency, and accountability.		



Sr. No.	Material issue identified	Indicate whether Risk/ Opportunity (R/O)	Rationale for identifying the Risk/Opportunity	In case of Risk, approach to adapt or mitigate	Financial implications of the Risk/ Opportunity (Indicate positive or negative implications)
2.	 Risk Management		The Company operates in a high-risk environment that involves managing significant amounts of data and funds. To maintain compliance, minimise the risk of fraud, and ensure long-term business sustainability, it is crucial for the Company to consistently enhance and reinforce its risk management and control systems.	ESAF Small Finance Bank adopts a comprehensive risk mitigation strategy. Through regular internal reviews, reinforced governance standards, adoption of advanced technologies, promotion of ethical conduct among employees, and continuous staff training, the Bank emphasises proactive risk reduction, operational security, and stakeholder confidence. Additionally, the Bank holds an ISO/IEC 27001:2022 certification, underscoring its strong commitment to maintaining high-level data security across its IT systems and associated operations.	
3.	 Responsible Lending		Failing to assess ESG criteria before approving loans presents a considerable risk for the Bank. This oversight can result in borrower defaults, financial losses, heightened regulatory attention, and potential harm to the Bank's reputation.	The Company's responsible financing approach includes comprehensive evaluation of borrowers and their collateral, strict compliance with regulatory requirements, robust internal governance, application of risk assessment frameworks, promotion of financial literacy, and a commitment to transparency and accountability in all financial dealings.	



Sr. No.	Material issue identified	Indicate whether Risk/ Opportunity (R/O)	Rationale for identifying the Risk/Opportunity	In case of Risk, approach to adapt or mitigate	Financial implications of the Risk/ Opportunity (Indicate positive or negative implications)
4.	 Financial Inclusion		Financial inclusion drives business growth while creating positive social impact within communities. By educating and offering services to unserved and underserved segments such as women entrepreneurs, rural and semi-urban youth, MSMEs, and micro-enterprises, the Company significantly contributes to advancing financial inclusion. This strategy not only expands the Company's market presence but also reflects its dedication to fostering inclusive economic development.		⊕
5.	 Community Engagement & Empowerment		The Company maintains a strong Corporate Social Responsibility (CSR) framework, with key initiatives in education, environmental stewardship, livelihood enhancement, and poverty reduction. These programmes are designed to support vulnerable groups such as children, the elderly, migrant workers, and farmers. With a strong presence in rural and semi-urban regions, the Company contributes to local job creation, which in turn strengthens its reputation and brand image, attracting both customers and young professionals who value social responsibility. Community development remains a core focus, reflected through initiatives like FIG Loans, Micro ATMs, the Village-Level Entrepreneurship Development Programme, and Balajyothi Clubs aimed at the holistic development of children. Furthermore, the Company delivers tailored financial literacy programmes to its customers, as well as to children and youth at various levels.		⊕



Sr. No.	Material issue identified	Indicate whether Risk/ Opportunity (R/O)	Rationale for identifying the Risk/Opportunity	In case of Risk, approach to adapt or mitigate	Financial implications of the Risk/ Opportunity (Indicate positive or negative implications)
6.	 Human Rights		Promoting human rights by ensuring equal opportunities, preventing discrimination, and eliminating child and forced labour is both a moral obligation and a legal requirement. Adhering to labour laws is crucial, as non-compliance can lead to significant financial penalties and legal consequences, including imprisonment. Prioritising employee well-being is an essential element of upholding human rights, helping to cultivate a workplace rooted in dignity, respect, and support for all individuals.	ESAF Small Finance Bank places a strong emphasis on upholding human rights by promoting equal opportunities, eliminating discrimination, and strictly prohibiting child and forced labour. These values are embedded into the Bank's operations through well-defined policies, ongoing staff training, and rigorous compliance monitoring. By cultivating a culture of respect and responsibility, the Bank seeks to protect the rights of all stakeholders while minimising potential legal and financial risks.	⊖
7.	 Climate Change and GHG Emissions		Adopting sustainable practices and lowering emissions can strengthen the Company's reputation, appeal to environmentally conscious customers, and contribute positively to environmental well-being.		⊕
8.	 Public Policy Advocacy		As a key player in the BFSI sector, it is crucial for the Bank to participate in public advocacy. This engagement not only boosts its reputation but also helps align its business strategies with the wider societal needs and concerns. The Bank is affiliated with prominent trade and industry organisations, including the Indian Banks Association and the Global Alliance for Banking on Values.		⊕



SECTION B MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

Sr. No.	Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
POLICY AND MANAGEMENT PROCESSES										
1. a	Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No/NA)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b	Has the policy been approved by the Board? (Yes/No/NA)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
c	Web Link of the Policies, if available	https://esafbank.com/pdf/ESG%20POLICY.pdf https://www.esafbank.com/policies/								
2	Whether the entity has translated the policy into procedures. (Yes / No/ NA)	The Bank has incorporated the relevant policies into its procedures and practices across all areas of operation. It also ensures compliance with the guidelines set by the Reserve Bank of India (RBI).								
3	Do the enlisted policies extend to your value chain partners? (Yes/No/NA)	The Bank's Code of Conduct reflects the principles mentioned above, and it expects all its stakeholders to follow these guidelines in all their interactions.								
4	Name of the national and international codes/certifications/labels (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustee)/standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	NA*	1. ISO 9001:2015 2. ISO/IEC 27001:2022	NA*	NA*	NA*	NA*	NA*	ISO 26000:2010	1. ISO 9001:2015 2. ISO /IEC 27001:2022
5	Specific commitments, goals and targets set by the entity with defined timelines, if any.	The Bank has adopted a four-year ESG Roadmap for 2023-2027 as follows: 1. Impacting 10 million (One crore) Direct Customers as per the Sustainable Development Goals 2. Fostering Local Sustainable Economic Growth through 1million Joint Liability Groups (JLGs) 3. Fostering Food Security through Financial Services to 5 million Farmers 4. Fostering Energy Security through 2,00,000 Renewable Energy Installations (1GW) 5. Energy Conservation & Greater Reliance to Renewable Energy in Operations in line with Government of India's Net Zero Plan								
6	Performance of the entity against the specific commitments, goals and targets alongwith reasons in case the same are not met.	The Bank has taken the above-mentioned ambitious targets. The progress on the targets is tracked periodically.								

* There are currently no certifications/labels/ standards covering these principles.

GOVERNANCE, LEADERSHIP AND OVERSIGHT

7 Statement by Director responsible for the Business Responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure).

Our sustainability strategy aligns harmoniously with our business strategy, emphasising the significance of shared prosperity. This philosophy is encapsulated by our approach, which prioritises financial inclusion, sustainability, and growth, ultimately fostering balance within the entire ecosystem.

Dr. K. Paul Thomas

Managing Director & CEO

8 Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).

Board of Directors

9 Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No/ NA).

Yes

If Yes, please provide details.

Corporate Social Responsibility and Sustainability Committee of the Board (CSRSCB)

Details of Review of NGRBCs by the Company

10 Subject for Review	Indicate whether review was undertaken by Director/ Committee of the Board/Any other Committee								
	P1	P2	P3	P4	P5	P6	P7	P8	P9
a. Performance against above policies and follow-up action	Committee of Board								
b. Compliance with statutory requirements of relevance to the principles and rectification of any non-compliances	Committee of Board								
11 Subject for Review	Frequency (Annually / Half yearly /Quarterly/ Any other-please specify)								
	P1	P2	P3	P4	P5	P6	P7	P8	P9
a. Performance against above policies and follow-up action	Annually								
b. Compliance with statutory requirements of relevance to the principles and rectification of any non-compliances	Annually								
c. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency.	No	No	No	No	No	No	No	No	No
NA									
12 If answer to question (1) above is "No" i.e, not all Principles are covered by a policy, reasons to be stated:	P1	P2	P3	P4	P5	P6	P7	P8	P9
The entity does not consider the Principles material to its business (Yes/No)	NA								
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)	NA								
The entity does not have the financial /human and technical resources available for the task (Yes/No)	NA								
It is planned to be done in the next Financial Year (Yes/ No)	NA								
Any other reason (please specify)	NA								

SECTION C PRINCIPLE-WISE PERFORMANCE DISCLOSURE

Principle 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.



(This principle focuses on the importance of ethical conduct and transparency in business operations. Companies should follow ethical business practices and adhere to high standards of integrity. They should also be transparent about their activities, operations, and financial reporting, as well as be accountable for their actions).

Essential Indicators

1. Percentage coverage by training and awareness programmes on any of the principles during the Financial Year:

Segment	Total number of training and awareness programmes held	Topics/principles covered under the training and its impact	% age of persons in respective category covered by the awareness programmes
Board of Directors	5	Business Strategy	100%
Key Managerial Personnel	3	1. Training Programme on cybersecurity Guidelines 2. IIMB - Dynamics of Financial Sector Regulations 3. Workshop on Climate-related Disclosures for Regulated Entities	100%
Employees other than BOD and KMPs	606	134 topics covered. A few examples are: 1. Online Workshop on SWIFT- Financial Messaging Services 2. MSME- Capacity Building Workshop 3. Programme on Basic Credit Analysis 4. Virtual Conference on Ombudsman 5. Training Programme on Management of Operational Risk in Banks & FI 6. Fraud Risk Analytics 7. Training Programme of Legal Aspects in Documentation 8. Data Privacy and Security in Financial Services	100%
Workers	NA*	NA*	NA*

*The Bank does not have any staff in the "Workers" category.



2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the Financial Year, in the following format

Monetary					
Particular	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In ₹) (For Monetary Cases only)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/ Fine	P1	BSE Limited	11,800	Delayed submission of the notice of record date under Regulation 60(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015	No
Penalty/Fine	P1	Commercial Tax Officer, Purasavakkam, Chennai Central	26,134	Commercial Tax Officer, Purasavakkam, Chennai Central under Tamil Nadu GST Act 2017, by order dated April 29, 2024, has imposed a monetary penalty of ₹ 26,134/- (Rupees Twenty Six Thousand One Hundred and Thirty Four only) on ESAF Small Finance Bank Limited (the Bank) for delay in reversal of Input Tax Credit by the Bank for Financial Year 2018-19	No
Settlement	NA*				
Compounding fee	NA*				

Non-Monetary				
Particular	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Brief of the Case	Has an appeal been preferred? (Yes/No)
Imprisonment	NA*			
Punishment	NA*			

*There were no such cases.

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

Case Details	Name of the regulatory/ enforcement agencies/ judicial institutions
NA*	NA

*There were no cases where appeal/revision was preferred in the reporting period.

4. Does the entity have anti-corruption or anti-bribery policy? (Yes/ No)

YES

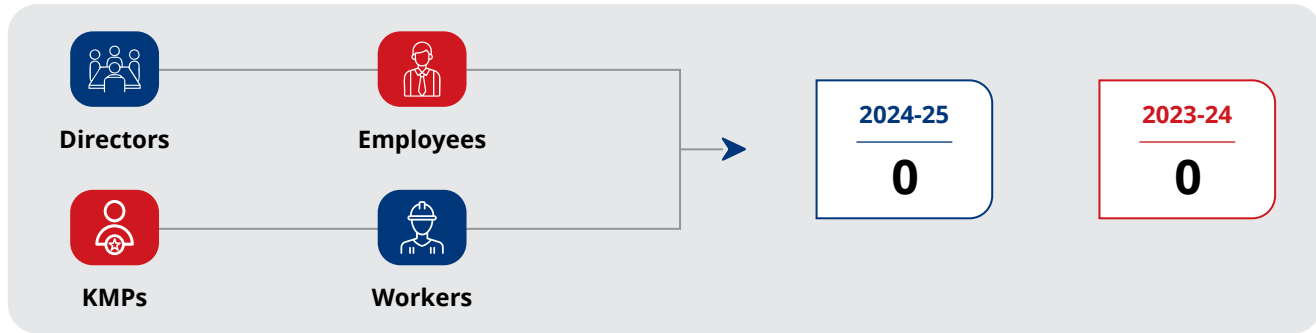
If Yes, provide details in brief

The Bank's commitment to anti-corruption and anti-bribery is embedded in its Code of Conduct for Employees and the Insider Trading Monitoring Policy. In addition, a comprehensive KYC/AML/CFT Policy, overseen by the Transaction Monitoring Division under the Risk Management Department, ensures strict adherence to regulatory standards and ethical practices.

If Yes, provide a web link to the policy, if available -web link anti-corruption or anti-bribery policy in place

www.esafbank.com/policies/

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



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

Case Details	2024-25		2023-24	
	Number	Remark	Number	Remark
Number of complaints received in relation to issues of Conflict of Interest of the Directors	0	NA*	0	NA*
Number of complaints received in relation to issues of Conflict of Interest of the KMPs	0	NA*	0	NA*

*There were no complaints with regard to conflict of interest

7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.

NA*

*There were no instances related to fines/penalties/actions, on cases of corruption and conflicts of interest.

8. Number of days of accounts payables in the following format:

Particular	2024-25*	2023-24
Number of days of accounts payables	27	NA

*The Company has changed its methodology to better align with best practices, including the Industry Standards guidelines

9. Open-ness of business

Provide details of concentration of purchases and sales with trading houses, dealers, and related parties alongwith loans and advances & investments, with related parties, in the following format:

Parameter	Metrics	2024-25	2023-24
Concentration of Purchases	a. Purchases from trading houses as % of total purchases	0	0
	b. Number of trading houses where purchases are made from	0	0
	c. Purchases from top 10 trading houses as % of total purchases from trading houses	0	0
Concentration of Sales	a. Sales to dealers / distributors as % of total sales	0	0
	b. Number of dealers / distributors to whom sales are made	0	0
	c. Sales to top 10 dealers / distributors as % of total sales to dealers / distributors	0	0



Parameter	Metrics	2024-25	2023-24
Share of RPTs in	a. Purchases (Purchases with related parties / Total Purchases)	0	0
	b. Sales (Sales to related parties / Total Sales)	0	0
	c. Loans & Advances (Loans & advances given to related parties / Total loans & advances)	0	0
	d. Investments	0	0

Leadership Indicators

1. Awareness programmes conducted for value chain partners on any of the Principles during the Financial Year:

Total number of awareness programmes held

78

Topics / principles covered under the training

1. Training on Cybersecurity Awareness for BCs
2. Know Your Customer (KYC), Anti-Money Laundering (AML), and Combating the Financing of Terrorism (CFT)
3. Leadership Programme for BCs
4. Session on Compliance
5. Unnati- Orientation for the Transitioning Staff

Percentage of value chain partners covered (by value of business done with such partners) under the awareness programmes

100

2. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the Board? (Yes/No)

YES

If Yes, provide details of the same.

The Board has adopted a Performance Evaluation Policy, which includes structured questionnaires to assess the performance of Individual Directors, Board Committees, the Chairman, MD & CEO, and the Board as a whole. The evaluation covers areas such as Board structure, functioning, governance, compliance, risk evaluation, stakeholder responsibility, director competencies, and overall effectiveness. These questionnaires are circulated annually to all Directors for feedback.





Principle 2

Businesses should provide goods and services in a manner that is sustainable and safe.



(This principle highlights the importance of sustainable and safe production practices. Companies should strive to minimise the environmental impact of their activities and ensure that their products and services are safe for consumers and the environment.)

Essential Indicators

1. **Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.**

Sr. No.	Particular	2024-25	2023-24	Details of improvements in environmental and social impacts
1	R&D	0	0	NA*
2	Capex	0	0	NA*

*Given the nature of the business of the Bank, the relevance of the above is largely restricted to Information Technology (IT) capex. Greater adoption of digital platforms has brought in increased efficiencies of operations.

2. a. **Does the entity have procedures in place for sustainable sourcing? (Yes/No)**

No

Given the nature of the business of the Bank, the consumption of natural/ industry context resources is limited.

- b. **If yes, what percentage of inputs were sourced sustainably?**

NA*

*Given the nature of the business of the Bank, the consumption of natural/ industry context resources is limited.

3. **Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for**

(a) Plastics (including packaging)	NA*
(b) E-waste	
(c) Hazardous waste	
(d) Other waste	

*Given the nature of its business, this is not relevant as the Bank does not manufacture any physical products.

4. a. **Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities: (Yes / No)**

No

- b. **If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards?**

NA

- c. **If not, provide steps taken to address the same.**

NA



Principle 3

Businesses should respect and promote the well-being of all employees, including those in their value chains.



(This principle emphasises the importance of employee well-being. Companies should provide safe and healthy working conditions, fair wages, and opportunities for career development to all employees in their value chains, including suppliers, contractors, and temporary workers.)

Essential Indicators

- 1 a. **Details of measures for the well-being of employees:**

Category	% of employees covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity benefits		Day care facilities	
		Number (B)	% (B / A)	Number (C)	% (C / A)	Number (D)	% (D / A)	Number (E)	% (E / A)	Number (F)	% (F / A)



Permanent employees

Male	5,448	5,448	100	5,448	100	0	0	5,448	100	0	0
Female	2,888	2,888	100	2,888	100	2,888	100	0	0	0	0
Total	8,336	8,336	100	8,336	100	2,888	100	5,448	100	0	0



Other than permanent employees

Male	2,818	2,818	100	2,818	100	0	0	0	0	0	0
Female	1,366	1,366	100	1,366	100	0	0	0	0	0	0
Total	4,184	4,184	100	4,184	100	0	0	0	0	0	0

- b. **Details of measures for the well-being of workers:**

Category	% of employees covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity benefits		Day care facilities	
		Number (B)	% (B / A)	Number (C)	% (C / A)	Number (D)	% (D / A)	Number (E)	% (E / A)	Number (F)	% (F / A)



Permanent workers*

Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA



Other than permanent workers*

Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

*The Company has no staff in the "Workers" category.

- c. **Spending on measures towards well-being of employees and workers (including permanent and other than permanent) in the following format.**

	2024-25	2023-24
Cost incurred on well- being measures as a % of total revenue of the Company	0.44%	0.40%

2. Details of retirement benefits, for Current Financial Year and Previous Financial Year.

Benefits	2024-25			2023-24		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
 PF	100	0	Yes	99	0	Yes
 Gratuity	100	0	Yes	100	0	Yes
 ESI	0	0	NA	0	0	NA
 Others – please specify	0	0	NA	0	0	NA

3. Accessibility of workplaces

Are the premises / offices of the entity accessible to differently-abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

Yes

If not, whether any steps are being taken by the entity in this regard.

NA

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016?

YES

If so, provide a web-link to the policy.

As part of its HR Policy, the Bank upholds a strong commitment to diversity and inclusion. It is an Equal Opportunity Employer, fostering a culture that values differences in age, gender, ethnicity, region, appearance, thinking styles, and religion—ensuring everyone can grow in alignment with the Bank's values and goals.

<https://www.esafbank.com/career/life-as-an-esafian/>



5. Return-to-work and retention rates of permanent employees and workers who took parental leave.

Gender	Permanent Employees		Permanent Workers*	
	Return-to-work rate	Retention Rate	Return-to-work rate	Retention Rate
Male	100%	100%	NA	NA
Female	100%	100%	NA	NA
Total	100%	100%	NA	NA

*The Company has no staff in the “Workers” category.

6. Is there a mechanism available to receive and redress grievances for the following categories of employees and workers? If yes, give details of the mechanism in brief.

Category	Yes/No	If Yes, then give details of the mechanism in brief
Permanent Workers*	NA	
Other than Permanent Workers*	NA	
Permanent Employees	Yes	1. In our HRMS System employees can raise their grievances in the Grievance Redressal Cell on the Grievance Redressal and Counselling for Employees (GRACE) platform. 2. The grievances shall be shared to the email ID grievancecell@esafbank.com or through venting box at https://bit.ly/ESAFventingbox
Other than Permanent Employees	Yes	Part of HR Policy

*The Company has no staff in the “Workers” category.

7. Membership of employees and worker in association(s) or Unions recognised by the listed entity:

Category	2024-25	2024-25	Category	2023-24	2023-24	Category
	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or union (B)		Total employees / workers in respective category (C)	No. of employees / workers in respective category, who are part of association(s) or union (D)	
Total Permanent Employees	8,336	0	0	5,479	0	0
Male	5,448	0	0	3,847	0	0
Female	2,888	0	0	1,632	0	0
Total Permanent Workers*	0	0	0	0	0	0
Male	0	0	0	0	0	0
Female	0	0	0	0	0	0

*The Company has no staff in the “Workers” category



8. Details of training given to employees and workers:

Category	2024-25					2023-24				
	Total (A)	On Health and Safety Measures		On Skill Upgradation		Total (D)	On Health and Safety Measures		On Skill Upgradation	
		Number (B)	% (B / A)	Number (C)	% (C / A)		Number (E)	% (E / D)	Number (F)	% (C / D)
 Employees										
Male	5,448	2,584	47	4,750	87.2	3,847	2,357	61	3,847	100
Female	2,888	1,108	38	2,385	82.6	1,632	732	45	1,632	100
Total	8,336	3,692	44	7,135	85	5,479	3,089	56	5,479	100
 Workers*										
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

*The Company does not have any staff in the "Workers" category.

9. Details of performance and career development reviews of employees and worker:

Category	2024-25			2023-24		
	Total (A)	No. (B)	% (B / A)	Total (D)	No. (E)	% (E / D)
 Employees						
Male	5,448	5,448	100	3,847	3,847	100
Female	2,888	2,888	100	1,632	1,632	100
Total	8,336	8,336	100	5,479	5,479	100
 Workers*						
Male	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA

*The Company does not have any staff in the "Workers" category.

10. Health and safety management system

a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No)

Yes

If Yes, the Coverage of such systems

The scope includes identifying hazards, setting safety protocols for employees and customers, providing safety training, conducting inspections, and ensuring regulatory compliance. The focus is on building a culture of safety and accountability for everyone.

b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

The Company adopts a structured approach to identify and assess work-related hazards on both routine and non-routine bases. The key mechanisms include:

1. Office Space Inspections

Regular inspections are conducted across office premises to proactively identify and mitigate potential safety and operational hazards.

2. Employee Reporting System

Employees are encouraged to promptly report any observed hazards or unsafe conditions through their supervisors or designated reporting channels, fostering a culture of safety and shared responsibility.

3. Periodic Risk Assessments

The Company conducts regular risk assessments, with findings disseminated through internal circulars. For instance, advisories related to seasonal risks, such as heat wave warnings based on Indian Meteorological Department forecasts, are issued to safeguard both personnel and property.

c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks? (Yes/ No)

Yes

d. Do the employees/ workers of the entity have access to non-occupational medical and healthcare services? (Yes/ No)

Yes

11. Details of safety-related incidents, in the following format:

 Employees  Workers**

Safety Incident/Number	Category*	2024-25	2023-24
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)		0	0
		0	0
Total recordable work-related injuries		0	0
		0	0
No. of fatalities		0	0
		0	0
High-consequence work-related injury or ill health (excluding fatalities)		0	0
		0	0

*Including in the contract workforce

**The Company does not have any staff in the "Workers" category

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

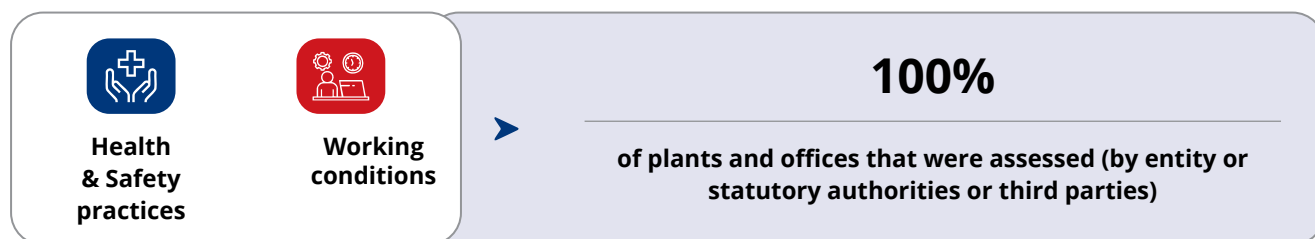
The processes to identify work-related hazards and assess risk on routine and non-routine basis are:

- Office Space Inspections - Inspections of workplace are conducted to identify potential hazards of any kind.
- Reporting Systems - Employees are encouraged to report hazards they encounter while they are at work through their supervisors.
- Risk Assessments - We do periodic assessments and issue circulars regarding the safety of People & Property. For example - Circular regarding Heat Wave is issued in summer, based on the predictions of Indian Meteorological Department.

13. Number of complaints on the following made by employees and workers:

	2024-25			2023-24		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
 Working Conditions	0	0	NA	0	0	NA
 Health & Safety	0	0	NA	0	0	NA

14. Assessment for the year:



15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks/ concerns arising from assessments of health & safety practices and working conditions.

NIL

Leadership Indicators

1. Does the entity extend any life insurance or any compensatory package in the event of death of

 Employees (Y/N)	Yes
 Workers (Y/N)	NA*

Life Insurance

*The Company does not have any staff in the "Workers" category.

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Company follows a standard mechanism for statutory deductions, such as Tax Deducted at Source (TDS), applicable to all value chain partners. Awareness regarding these deductions is ensured through regular meetings and clearly defined terms and conditions.

3. Provide the number of employees/workers having suffered high consequence work- related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been/ are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

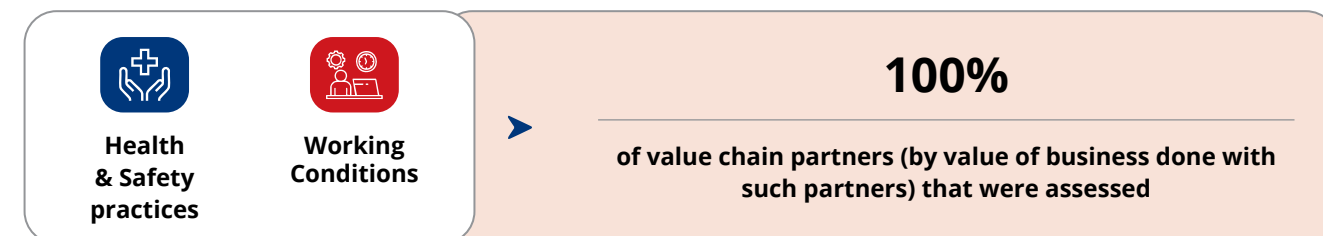
Particular	Total no. of affected employees/ workers		No. of employees/workers that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	2024-25	2023-24	2024-25	2023-24
Employees	0	0	0	0
Workers*	0	0	0	0

*The Company does not have any staff in the "Workers" category.

4. Does the entity provide transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/ No/ NA)

Yes

5. Details on assessment of value chain partners:



6. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.

NA*

*There were no such risks or concerns arising from health and safety assessments.



Principle 4

Businesses should respect the interests of and be responsive to all its stakeholders.

(This principle highlights the importance of stakeholder engagement. Companies should consider the interests and perspectives of all stakeholders, including shareholders, employees, customers, suppliers, and the communities in which they operate. They should also be responsive to stakeholder concerns and feedback.)

Essential Indicators

1. Describe the processes for identifying key stakeholder groups of the entity.
- The identification of stakeholders is guided by the nature of their relationship with the Bank and is outlined in the respective policies and Standard Operating Procedures (SOPs) of the relevant departments. Each department follows structured criteria to determine, assess, and engage with its specific stakeholder groups.
2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Whether identified as Vulnerable & Marginalised Group	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website, Other- Please Specify)	Frequency of engagement (Annually, Half-yearly, Quarterly, others- Please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Employees	No	Direct & other communication mechanisms	Daily	The Bank follows an Open-Door policy
Shareholders/ Investors	No	The Bank maintains transparent and consistent communication with its investors and shareholders through multiple channels including emails, SMS alerts, newspaper advertisements, its official website, quarterly conference calls, face-to-face meetings, annual general meetings, investor grievance redressal mechanisms, and dedicated investor meets.	Quarterly and need-based	To stay abreast of developments in the Bank and give necessary directives.
Customers	No	E-mail, SMS, Website, Advertisements, Newspaper, Tele-calling, Notice Board	Daily	Monetary and non-monetary transactions pertaining to customers' accounts
Channel Partners and Key Partners	No	Multiple channels-physical and digital	Frequent and need-based	Help to increase reach and enhance business

Stakeholder Group	Whether identified as Vulnerable & Marginalised Group	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website, Other- Please Specify)	Frequency of engagement (Annually, Half-yearly, Quarterly, others- Please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Regulators	No	Email, one-on-one meetings, conference calls, video conference	Need-based	Discussions with regard to various regulations and amendments, inspections, approvals.
Communities and NGO's	No	Directly or through the CSR Implementing Agencies	Frequent and need-based	Support socially High Impact projects.

Leadership Indicators

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.
- The Bank maintains regular and transparent communication with its key stakeholders through a variety of structured channels:
- Investors and Shareholders: Engagement occurs through investor meets, grievance redressal channels, roundtable discussions, quarterly earnings calls, face-to-face meetings, and Annual General Meetings (AGMs). These interactions are designed to disseminate relevant information and to better understand investor perspectives on the Bank's performance and strategic direction.
 - Customers: The Bank maintains continuous engagement with customers via digital platforms including customer care services, satisfaction surveys, and social media. It strives to identify customer needs and innovate products and services accordingly. The Bank also publishes a booklet titled "Joyful Stories of Transformation", which features real-life

- case studies collected by employees during their interactions with customers. Feedback received from these engagements is reviewed by the Customer Service Committee of the Board, and necessary actions are undertaken.
- Employees: Communication with employees is facilitated through town hall meetings, performance appraisals, internal newsletters, and other engagement platforms. These interactions aim to address employee concerns, foster alignment with strategic goals, and cultivate a collaborative work culture.
 - Suppliers: The Bank engages with suppliers through regular meetings and continuous interactions. It is committed to responsible procurement practices and actively invests in strengthening supplier relationships.
 - Regulators: Engagements with regulators include direct meetings, formal communications via email, and periodic submission of performance reports. The Bank strives to uphold its responsibilities as a compliant and ethical corporate citizen, actively contributing to public policy formulation and implementation where relevant.

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes/No).

Yes

If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

The Bank conducts regular stakeholder engagements, particularly with employees and customers, to address a range of environmental and social concerns. These interactions are facilitated through a variety of initiatives and observance weeks such as **Environment Week, Balajyothi Week, Vayojyoti**

Week, Udyog Jyothi Week, RBI Financial Literacy Week (FLW), Water2Earth, Women's Day, Water Day, and Earth Day. The Employee Engagement division of the HR Department also connects with staff through the ESAF Sarg platform. Additionally, the Bank engages with the wider community through its structured CSR projects.

Insights and feedback from these engagements are consolidated and channelled as policy recommendations through the Bank's governance committees, primarily the Customer Service Committee of the Board, the HR Committee of the Board, and the CSR & Sustainability Committee of the Board.

3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalised stakeholder groups.

The Bank is deeply committed to the upliftment of communities within its operational areas and maintains regular engagement through its Corporate Social Responsibility (CSR) initiatives. During the year, the Bank actively contributed to several community interventions, particularly in the form of emergency and disaster response efforts. Additionally, it extended support towards strengthening rural school and healthcare infrastructure in the states of Kerala, Jharkhand, and Assam.



Principle 5 Businesses should respect and promote human rights.



(This principle focuses on the importance of human rights. Companies should respect and promote human rights, including the rights to freedom of expression, association, and privacy. They should also prevent and address human rights violations in their operations and value chains.)

Essential Indicators

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format

Benefits	2024-25			2023-24		
	Total (A)	No. of employees/ workers covered (B)	% (B / A)	Total (C)	No. of employees/ workers covered (D)	% (D / C)
 Employees						
Permanent	8,336	8,336	100	5,479	0	0
Other than Permanent	4,184	4,184	100	488	0	0
Total Employees	12,520	12,520	100	5,967	0	0
 Workers*						
Permanent	NA	NA	NA	NA	NA	NA
Other than Permanent	NA	NA	NA	NA	NA	NA
Total Workers	NA	NA	NA	NA	NA	NA

*The Company does not have any staff in the 'Workers' category.

2. Details of minimum wages paid to employees and workers

Category	2024-25					2023-24				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B /A)	No. (C)	% (C /A)		No. (E)	% (E /D)	No. (F)	% (F /D)
 Employees										
Permanent										
Male	5,448	0	0%	5,448	100%	3,847	0	0%	3,847	100%
Female	2,888	0	0%	2,888	100%	1,632	0	0%	1,632	100%
Total	8,336	0	0%	8,336	100%	5,479	0	0%	5,479	100%
Other than Permanent										
Male	2,818	0	0%	2,818	100%	273	0	0%	23	100%
Female	1,366	0	0%	1,366	100%	215	0	0%	215	100%
Total	4,184	0	0%	4,184	100%	488	0	0%	488	100%
 Workers*										
Permanent										
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Category	2024-25					2023-24				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B /A)	No. (C)	% (C /A)		No. (E)	% (E /D)	No. (F)	% (F /D)
Other than Permanent										
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

* The Company does not have any staff in the 'Workers' category.

3. Details of remuneration/salary/wages

a. Median remuneration / wages:

Particular	Number	Median remuneration/ salary/ wages of respective category	Number	Median remuneration/ salary/ wages of respective category
 Board of Directors (BOD)*	10	1,65,67,441	0	0
 Key Managerial Personnel	10	62,73,002	0	0
 Employees other than BOD and KMP	8,336	3,95,000	4,184	3,40,633
 Workers	0	0	0	0

*The remuneration of the Board of Directors (BOD) includes the remuneration paid to Executive Directors but excludes commission and/or sitting fees paid to Directors. Non-Executive and Independent Directors are excluded, as they do not receive any remuneration.



b. Gross wages paid to females as % of total wages paid by the entity, in the following format:

Gross wages paid to females as % of total wages

2024-25

28%

2023-24

23.15%

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business?

YES*

*The Bank has a grievance redressal forum which is led by a senior official. This official is responsible for safeguarding Human Rights in the organisation.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

At ESAF Small Finance Bank, we have implemented an automated Help Desk system that enables employees to raise concerns and connect directly with the relevant departments. In alignment with our commitment to transparency and open communication, we also uphold an Open-Door Policy, encouraging employees to approach their respective Department Heads or Executive Personnel whenever necessary.

To better understand employee sentiment and engagement, we regularly conduct Mood Surveys and Stay Interviews. Additionally, we have introduced the "Venting Box", a confidential and anonymous feedback channel, through which employees can freely share their thoughts, experiences, and suggestions. These initiatives collectively foster a supportive and responsive workplace culture.

6. Number of Complaints on the following made by employees and workers:

Particulars	2024-25			2023-24		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual Harassment	4	0	NA	2	0	NA
Discrimination at Workplace	0	0	NA	0	0	NA
Child Labour	0	0	NA	0	0	NA
Forced Labour / Involuntary Labour	0	0	NA	0	0	NA
Wages	0	0	NA	0	0	NA
Other Human Rights Related Issues	0	0	NA	0	0	NA

7. Complaints filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, in the following format:

Particulars	2024-25	2023-24
Total Complaints reported under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH)	4	2
Complaints on POSH as a % of female employees / workers	0.08%	0.11%
Complaints on POSH upheld	0	0

8. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

At ESAF Small Finance Bank, we adhere to all relevant statutory and regulatory requirements to avoid any negative repercussions.

9. Do human rights requirements form part of your business agreements and contracts? (Yes/No/NA)

Yes

10. Assessments for the year:

Name of the Assessment					
					
Child labour	Forced/ involuntary labour	Sexual harassment	Discrimination at workplace	Wages	Others - please specify
100					-
% of your plants and offices that were assessed (by entity or statutory authorities or third parties)					

11. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 10 above.

NA*

*There were no such risks or concerns during the year

Leadership Indicators

1. Details of a business process being modified / introduced as a result of addressing human rights grievances/ complaints.

We have integrated Human Rights principles, such as Diversity & Inclusion, into our Human Resources Policy, reflecting the values we uphold as an organisation.

2. Details of the scope and coverage of any human rights due diligence conducted.

We conducted extensive research on Statutory & Regulatory requirements and also compared our practices with industry-best standards.

3. Is the premise/office of the entity accessible to differently-abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016? (Yes/No)

Yes

4. Details on assessment of value chain partners:

Name of the Assessment					
					
Sexual harassment	Discrimination at workplace	Child labour	Forced/ involuntary labour	Wages	Others - please specify
100					-
*% of value chain partners (by value of business done with such partners) that were assessed					

*All the suppliers and value chain partners have to agree to and accept the Bank's Code of Conduct and abide by it. The human rights requirements will be added to agreements and contracts during the respective renewals.

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.

NA*

*There no significant risks or concerns that arose from these assessments.





Principle 6

Businesses should respect and make efforts to protect and restore the environment.



(This principle emphasises the importance of environmental stewardship. Companies should minimise their impact on the environment, conserve natural resources, and promote environmental sustainability. They should also take steps to restore and rehabilitate degraded ecosystems.)

Essential Indicators

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

Parameter	2024-25 (in Giga Joules)	2023-24 (in Giga Joules)
From renewable sources		
Total electricity consumption (A)	324	0
Total fuel consumption (B)	0	0
Energy consumption through other sources (C.)	0	0
Total energy consumed from renewable sources (A+B+C)	324	0
From non-renewable sources		
Total electricity consumption (D)	45,333.36	1,84,680
Total fuel consumption (E)	634.83	252.41
Energy consumption through other sources (F)	0	0
Total energy consumed from non-renewable sources (D+E+F)	45,968.19	1,84,932.41
Total energy consumed (A+B+C+D+E+F)	46,292.19	1,84,932.41
Energy intensity per rupee of turnover	0.0000010693	0.000007644
[Total energy consumed (in GJ) / Revenue from operations (in rupees)]		
Energy intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP)	0.0000220912	0.000002110
[Total energy consumed (in GJ)/ Revenue from operations in rupees adjusted for PPP]		
Energy intensity in terms of physical output*	3.6974592652	NA
[Total energy consumed (in GJ) / <mention the physical output details>]		
Energy intensity (optional) – the relevant metric may be selected by the entity	NA	30.992529233

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency?

No

If yes, name of the external agency.

NA

*As per the Industry Standards Forum, Full-Time Equivalent (FTE) has been considered as the input measure for physical output, for FY 2024-25.

2. Does the entity have any sites / facilities identified as Designated Consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Yes/No)

No

If yes, disclose whether targets set under the PAT Scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

NA

3. Provide details of the following disclosures related to water, in the following format:

Parameter	2024-25	2023-24
Water withdrawal by source (in kilolitres)		
(i) Surface water	0	0
(ii) Groundwater	0	0
(iii) Third-party water	1,27,247.21	77,332
(iv) Seawater / desalinated water	0	0



Parameter	2024-25	2023-24
(v) Others –	0	0
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)	1,27,247.21	77,332
Total volume of water consumption (in kilolitres)	1,27,247.21	77,332
Water intensity per rupee of turnover	0.0000029392	0.000003197
[Total water consumption (in KL) / Revenue from operations (in rupees)]		
Water intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP)	0.0000607240	0.000000882
[Total water consumption (in KL) / Revenue from operations in rupees adjusted for PPP]		
Water intensity in terms of physical output*	10.1635151757	NA
[Total water consumption (in KL) / <mention the physical output details>]		
Water intensity (optional) – the relevant metric may be selected by the entity		12.959946372

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No)

No

If yes, name of the external agency.

NA

*As per the Industry Standards Forum, Full-Time Equivalent (FTE) has been considered as the input measure for physical output, for FY 2024-25

4. Provide the following details related to water discharged:

Parameter	2024-25	2023-24
Water discharge by destination and level of treatment (in kilolitres)		
(i) To Surface water		
No treatment	0	0
With treatment – please specify level of treatment	0	0
(ii) To Groundwater		
No treatment	0	0
With treatment – please specify level of treatment	0	0
(iii) To Seawater		
No treatment	0	0
With treatment – please specify level of treatment	0	0
(iv) Sent to third parties		
No treatment	1,27,247.21	77,332
With treatment – please specify level of treatment	0	0
(v) Others		
No treatment	0	0
With treatment – please specify level of treatment	0	0
Total water discharged (in kilolitres)	1,27,247.21	77,332

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N)

No

If yes, name of the external agency.

No

5. Has the entity implemented a mechanism for Zero Liquid Discharge?

No

If yes, provide details of its coverage and implementation.

NA



6. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	Please specify unit	2024-25	2023-24
NOx	NA*	0	0
SOx	NA*	0	0
Particulate Matter (PM)	NA*	0	0
Persistent Organic Pollutants (POP)	NA*	0	0
Volatile Organic Compounds (VOC)	NA*	0	0
Hazardous Air Pollutants (HAP)	NA*	0	0
Others – please specify	NA*	0	0

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N)

No

If yes, name of the external agency.

NA

*The nature of our business activities is such that there are no air emissions.

7. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format:

Parameter	Unit	2024-25	2023-24
Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	46.81	15.88
Total Scope 2 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	9,016.30	36,730.80
Total Scope 1 and Scope 2 emissions per rupee of turnover	Total scope 1 and 2 GHG emissions/ Revenue from operations	0.0000002093	0.000001519
Total Scope 1 and Scope 2 emission intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP)	Total scope 1 and 2 GHG emissions/ Revenue from operations adjusted for PPP	0.0000043250	0.000000419
Total Scope 1 and Scope 2 emission intensity in terms of physical output*	Total Scope 1 and Scope 2 GHG Emissions (In MTCO ₂ e)/FTE	0.7238905751	NA*
Total Scope 1 and Scope 2 emission intensity (optional) – the relevant metric may be selected by the entity	Total Employees	NA	6.158292274

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N)

No*

If yes, name of the external agency.

NA

*As per the Industry Standards Forum, Full-Time Equivalent (FTE) has been considered as the input measure for physical output, for FY 2024-25.

8. Does the entity have any project related to reducing Green House Gas emission? (Yes/ No)

YES

If Yes, then provide details.

The Company is monitoring emissions per person across its branches to pinpoint areas where improvements can be made.

9. Provide details related to waste management by the entity, in the following format:

Parameter	2024-25	2023-24
Total waste generated (in metric tonnes)		
Plastic waste (A)	0	0
E-waste (B)	0	0
Bio-medical waste (C)	0	0
Construction and demolition waste (D)	0	0
Battery waste (E)	0	0
Radioactive waste (F)	0	0
Other hazardous waste. Please specify, if any. (G)	0	0
Other non-hazardous waste generated (H).	64.09	34.4
Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector)		
Total (A+B + C + D + E + F + G + H)	64.09	34.4
Waste intensity per rupee of turnover	0.0000000015	0.000000001
[Total waste generated (in MT) / Revenue from operations (in rupees)]		
Waste intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP)	0.0000000306	0.0000000004
Total waste generated (in MT) / Revenue from operations in rupees adjusted for PPP		
Waste intensity in terms of physical output*	0.0051190096	NA
Total waste generated (in MT) / <mention the physical output details>		
Waste intensity (optional) – the relevant metric may be selected by the entity	NA	0.005765041

For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)

Category of waste	2024-25	2023-24
(i) Recycled	0	0
(ii) Re-used	0	0
(iii) Other recovery operations	0	0
Total	0	0

For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)

Category of waste	2024-25	2023-24
(i) Incineration	0	0
(ii) Landfilling	0	0
(iii) Other disposal operations	64.09	34.4
Total	64.09	34.4

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N)

No*

If yes, name of the external agency.

NA

*As per the Industry Standards Forum, Full-Time Equivalent (FTE) has been considered as the input measure for physical output, for FY 2024-5.

10. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

The Bank follows a sustainable waste management strategy, mainly producing e-waste and paper waste. Several operational changes have been introduced to minimise waste production.

11. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format:

Sr. No.	Location of operations/offices	Type of operations	Whether the conditions of environmental approval/clearance are being complied with? (Y/N)	If no, the reasons thereof and corrective action taken, if any.
NA*				

*The Company has no operations/offices in/around ecologically sensitive areas.

12. Details of Environmental Impact Assessments of projects undertaken by the entity based on applicable laws, in the current Financial Year:

Name and brief details of project	EIA Notification No.	Date	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant web link
NA*					

*The Company has not conducted EIA during the reporting period, i.e., 2024-25.

13. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N/NA).

Yes

If not, provide details of all such non-compliances, in the following format:

Specify the law/regulation/ guidelines which was not complied with	Provide details of the non- compliance	Any fines / penalties / action taken by regulatory agencies such as pollution control boards or by courts	Corrective action taken, if any
NA	NA	NA	NA

Leadership Indicators

1. Does the entity have a business continuity and disaster management plan? (Yes/No)

YES

Give details in 100 words/ web link.

The Bank has established a comprehensive Business Impact Analysis (BIA) and Business Continuity Plan (BCP) document (Current Version 2.0), which has been duly approved by the Risk Management Committee of the Board. This document outlines the Bank's preparedness to sustain operations during unforeseen disruptions in service.

Through the BIA, the Bank identifies and prioritises critical business processes and systems, and assesses the potential impact, financial, safety-related, regulatory, legal, contractual, and reputational of both natural and man-made disruptions affecting IT and other essential services. It evaluates projected transaction losses in the event of service disruptions and classifies applications as Critical or Non-Critical, detailing their Recovery Point Objectives (RPOs), Recovery Time Objectives (RTOs), and associated impact types.

The BCP component ensures that the Bank has robust strategies and well-defined procedures in place to maintain, resume, and recover critical business operations to a predefined service level. The goal is to mitigate adverse effects on personnel, operations, infrastructure (including IT systems), and to minimise the operational, financial, legal, and reputational consequences of such incidents.

The document also provides a comprehensive overview of key outsourcing and business continuity arrangements. It includes response strategies for scenarios such as power outages, cyberattacks, hardware/ software failures, network interruptions, and natural disasters. It clearly defines the responsibilities of members of the Crisis Management and Quick Response Teams, Cyber Crisis Management Team, and outlines disaster recovery protocols, communication plans, remote working provisions, and alternate worksite arrangements. Emergency contact information is also included.

Additionally, the Bank has a Business Continuity Management Policy, which is reviewed annually and approved by the Board of Directors to ensure ongoing relevance and effectiveness.

Principle 7

Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.



(This principle highlights the importance of responsible advocacy. Companies should engage in policy advocacy in a responsible and transparent manner, and avoid engaging in activities that could undermine the public interest or the democratic process.)

Essential Indicators

1. a. Number of affiliations with trade and industry chambers/ associations.

24

b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/ National/ International)
1.	SME Finance Forum	International
2.	Global Alliance for Banking on Values (GABV)	International
3.	Indo Gulf and Middle East Chamber of Commerce (INMECC)	International
4.	All India Management Association (AIMA)	National
5.	Confederation of Indian Industry (CII)	National
6.	Indian Banks Association (IBA)	National
7.	Sa-Dhan	National
8.	Microfinance Institutions Network (MFIN)	National
9.	Association of Small Finance Bank of India (SFB Association)	National
10.	Foreign Exchange Dealers Association of India (FEDAI)	National

2. Provide details of corrective action taken or underway on any issues related to anti- competitive conduct by the entity, based on adverse orders from regulatory authorities.

Name of authority	Brief of the case	Corrective action taken
	NA*	

*There were no cases of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities. (Financial Year 2023-24)



Leadership Indicators

1. Details of public policy positions advocated by the entity:

Sr. No.	Public policy advocated	Method resorted for such advocacy	Whether information available in public domain? (Yes/No)	Frequency of Review by Board (Annually/ Half Yearly/ Quarterly/ Others- Please specify)	Web Link, if available
1	ESG and Financial Inclusion	Panel Discussion	Yes	others- please specify	https://www.gabv.org/long-read/gabv-first-annual-meeting-in-africa-concludes-with-key-insights-on-resilient-and-inclusive-banking/
3	CSR and Sustainability	Panel	No	others- please specify	Shri. Reji K Daniel, VP & Head Sustainable Banking served as the Convenor of the CSR and Sustainability wing of CII, Kerala.



Principle 8

Businesses should promote inclusive growth and equitable development.



(This principle emphasises the importance of promoting inclusive and equitable economic development. Companies should create economic opportunities for all, including disadvantaged and marginalised groups. They should also contribute to the development of local communities and support social and economic empowerment.)

Essential Indicators

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current Financial Year.

Name and brief details of project	SIA Notification No.	Date of notification	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant web link
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NA*

* During the current Financial Year (i.e. 2024-25), there was no Social Impact Assessment carried out for ongoing CSR projects.

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:

Sr. No.	Name of project for which R&R is ongoing	State	District	No. of Project Affected Families (PAFs)	% of PAFs covered by R&R	Amounts paid to PAFs in the FY (in ₹)
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NA*

*No such projects were undertaken by the Company.

3. Describe the mechanisms to receive and redress grievances of the community.

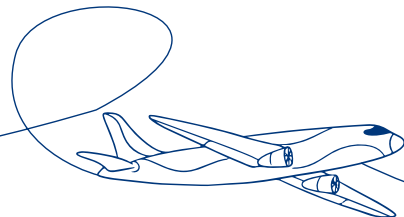
The Bank is in the process of setting up a grievance redressal system for the community.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:

Particular	2024-25	2023-24
Directly sourced from MSMEs/ small producers	0%	0%
Directly from within India	100%	100%

5. Job creation in smaller towns – Disclose wages paid to persons employed (including employees or workers employed on a permanent or non-permanent / on contract basis) in the following locations, as % of total wage cost

Particular	2024-25	2023-24
Rural	5%	6%
Semi-urban	45%	62%
Urban	37%	19%
Metropolitan	13%	14%



Leadership Indicators

1. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

	State	Aspirational District	Amount spent (in ₹)
1.	Assam	Udalgiri	7,35,512
2.	Jharkhand	Dumka	1,56,44,626
3.	Odisha	Kalahandi	81,913
4.	Chattisgarh	Mahasamund	45,000
5.	Chattisgarh	Kanker	3,10,000
6.	Maharashtra	Sironj	1,12,800
7.	Kerala	Wayanad	4,21,832
8.	Tamil Nadu	Ramanathapuram	2,73,979
9.	Tamil Nadu	Virudhunagar	2,600
10.	Chattisgarh	Rajnandgaon	7,488

2. a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalised /vulnerable groups? (Yes/No/NA)

Yes

b) From which marginalised /vulnerable groups do you procure?

Preference is given to sourcing from local and vulnerable groups.

c) What percentage of total procurement (by value) does it constitute?

NA*

*The Company is in the the process of establishing a mechanism to capture this percentage.

3. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current Financial Year), based on traditional knowledge:

Sr. No.	Intellectual Property based on traditional knowledge	Owned/ Acquired (Yes/No)	Benefit shared (Yes / No)	Basis of calculating benefit share
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NA*

*There were no such intellectual properties owned or acquired during the Year.



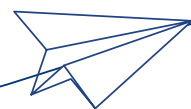
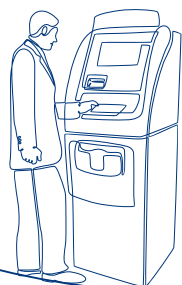
4. Details of corrective actions taken or underway, based on any adverse order in intellectual Property Related disputes wherein usage of traditional knowledge is involved.

Name of authority	Brief of the case	Corrective action taken
	NA*	

*There were no such disputes.

5. Details of beneficiaries of CSR Projects:

	CSR Project		No. of persons benefitted from CSR Projects		% of beneficiaries from vulnerable and marginalised groups
1.	ESAF Balajyothi	➤	15,454	➤	100%
2.	ESAF Skill LEAP	➤	4,874	➤	100%
3.	ESAF Village-Level Entrepreneurship Development Programme	➤	7,850	➤	100%
4.	ESAF Capacity Building and Market Linkages	➤	15,717	➤	100%
5.	ESAF Centre for Excellence in Collective Entrepreneurship	➤	3,000	➤	100%
6.	ESAF Infrastructure and Development Support	➤	93,867	➤	100%
7.	ESAF Santhwana	➤	11,572	➤	100%
8.	ESAF Garshom	➤	9,816	➤	100%
9.	ESAF Chair of Business on Values IRMA	➤	350	➤	100%
10.	ESAF Community Intervention-Through Branches	➤	22,000	➤	100%



Principle 9

Businesses should engage with and provide value to their consumers in a responsible manner.



(This principle highlights the importance of responsible consumer engagement. Companies should provide safe, high-quality products and services, and ensure that they are marketed and sold ethically and responsibly. They should also be transparent about their products and services, and provide consumers with the information they need to make informed choices.)

Essential Indicators

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

The Bank has established multiple channels for customers to communicate complaints and feedback. These include a 24-hour toll-free call centre with multilingual support and interactive voice recognition, a grievance communication link on the Bank's website, branch-level support with an escalation matrix and contact numbers, customer care email services, as well as complaint boxes and registers at branches.

2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:

Particular	As a percentage to total turnover
Environmental and social parameters relevant to the product	NA*
Safe and responsible usage	100%
Recycling and/or safe disposal	NA*

*The nature of our business is such that these are not applicable.

3. Number of consumer complaints in respect of the following:

Particular	2024-25			2023-24		
	Received during the year	Pending resolution at end of the year	Remark	Received during the year	Pending resolution at end of the year	Remark
Data privacy	0	0	NA	0	0	NA
Advertising	0	0	NA	0	0	NA
Cybersecurity	0	0	NA	0	0	NA
Delivery of essential services	0	0	NA	0	0	NA
Restrictive trade practices	0	0	NA	0	0	NA
Unfair trade practices	0	0	NA	0	0	NA
Other						
a. Digital complaints: UPI, ATM, POS, IMPS, NEFT, RTGS, BILLDESK, AEPS	7,659	181	The pending complaints were received towards the end of the reporting period. It is to be noted that none of these complaints have been pending for more than 30 days.	10,211	299	NA
b. Other miscellaneous	113	1	The pending complaints were received towards the end of the reporting period. It is to be noted that none of these complaints have been pending for more than 30 days.	133	4	NA



4. Details of instances of product recalls on account of safety issues:

Particular	Number	Reason for recall
Voluntary recalls	NA*	NA*
Forced recalls	NA*	NA*

*The nature of our business is such that this is not applicable

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No)

YES

If available, provide a web link of the policy

<https://www.esafbank.com/privacy-policy/>

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

NA*

*No corrective actions were required or are currently in progress concerning issues related to advertising, delivery of essential services, customer data privacy and cybersecurity, repeated instances of product recalls, or any penalties or actions imposed by regulatory authorities regarding the safety of products or services.

7. Provide the following information relating to data breaches

a. Number of instances of data breaches along-with impact

0

b. Percentage of data breaches involving personally identifiable information of customers

0%

c. Impact, if any, of the data breaches

NA

Leadership Indicators

1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).

Information about all the Bank's products and services is made available at all its branches and is also accessible through the official website, <https://www.esafbank.com/>. Additionally, the Bank actively leverages various social media and digital platforms to share updates and details regarding its loan and deposit offerings.

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services

The Bank has undertaken several initiatives to raise customer awareness about cyber fraud and educate them on safe practices in digital payments. These include sending SMS alerts—including in regional languages—to retail and micro banking customers, displaying pop-up messages and safe banking tips on the Bank's website homepage, and sharing safety posters through social media platforms such as Facebook, Instagram, X, LinkedIn, and Threads. Additionally, customer awareness is promoted through branch-level Customer Service Committee meetings. Transaction alert messages also include guidance for reporting suspicious activity to the call centre if the transaction was not initiated by the customer.

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.

The Bank employs multiple communication channels to stay connected with its customers, including bulk SMS and email services, a 24-hour multilingual call centre, dedicated customer care support, a common customer service email, and access through branches and other touchpoints across India. These mechanisms ensure timely dissemination of information to customers whenever necessary.

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/NA)

YES

a. If yes, provide details in brief.

In addition to the product information provided on the Bank's website and application forms, a variety of brochures and leaflets are available at all branches. Key details regarding product charges and facilities are also prominently displayed on branch notice boards for easy public access.

b. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products/ services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

YES

REPORT ON CORPORATE GOVERNANCE

The Report on Corporate Governance of ESAF Small Finance Bank Limited (the Bank) for the Financial Year ended March 31, 2025, as stipulated in the relevant provisions of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 amended from time to time (the Listing Regulations), is set out below:

CORPORATE GOVERNANCE PHILOSOPHY

The Bank recognises its role as a responsible corporate citizen and endeavours to adopt and maintain the highest standards of Corporate Governance. For the Bank, the responsibility of serving the people at the bottom of the pyramid comes as a huge privilege. The organisation knows the weightage of the responsibility on its shoulders and is more resolute and committed to implementing and practising the best techniques available in Corporate Social Responsibility practices.

The Bank's philosophy on Corporate Governance is to promote a culture of customer centricity, transparency, accountability, integrity, commitment, sustainability, and servant leadership, which enables the Bank to conduct itself in the right way while dealing with all its stakeholders.

The Bank has a robust governance structure in place, led by an independent and diverse Board of Directors (Board). The Board believes in prompt and clear communication to its stakeholders, which reflects the internal functioning of the Bank.

The Bank believes in going beyond the law to uphold the best-in-class Corporate Governance practices. In order to protect the interest of all its stakeholders, the Bank has a strong compliance and risk management framework and it continuously reviews its practices and processes, considering the dynamic environment it operates in.

BOARD OF DIRECTORS

Composition of the Board

The composition of the Board of Directors of the Bank is governed by the Banking Regulation Act, 1949, applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the provisions of Companies Act, 2013. The Board has an optimum combination of Executive and Non-Executive Directors with Independent Directors constituting more than one-half of its total strength. As on March 31, 2025, the Board comprises eleven Directors, including the Managing Director and CEO, six Independent Directors (including one woman Independent Director, one Non-Executive Director, two Nominee Directors of the promoters, and one Whole-Time Director designated as

Executive Director. The responsibility of the Board inter alia includes the formulation of an overall strategy for the Bank, business plan, taking new initiatives, formulating policies, performance review, and monitoring of plans.

None of the directors are related to each other. All the Independent Directors of the Bank have confirmed that they meet the criteria prescribed for independence under the provisions of Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations. In the opinion of the Board, all the Independent Directors fulfil the conditions specified under the said norms and are independent of the management.

All the Independent Directors of the Bank are in compliance with the provisions of the Companies (Appointment and Qualification of Directors) Rules, 2014, with respect to enrolling their names in the online databank of independent directors and qualifying the online proficiency self-assessment test for independent directors, if applicable.

The details of the Board of Directors as on March 31, 2025 is furnished hereunder:

Sl. No.	Name of the Director	Designation
1.	Shri. Ravimohan Periyakavil Ramakrishnan	Part-Time Chairman and Non-Executive Independent Director
2.	Dr. Kadambelil Paul Thomas*	Managing Director and Chief Executive Officer
3.	Shri. Thomas Jacob Kalappila	Non-Executive Independent Director
4.	Dr. Vinod Vijayalekshmi Vasudevan**	Non-Executive Independent Director
5.	Shri. Ravi Venkatraman	Non-Executive Independent Director
6.	Smt. Kolasseril Chandramohanan Ranjani	Non-Executive Independent Director
7.	Prof. Biju Varkkey	Non-Executive Independent Director
8.	Dr. Joseph Vadakkekara Antony	Non-Executive Director
9.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Non-Executive Nominee Director
10.	Shri. Gabriel John Samuel	Non-Executive Nominee Director
11.	Shri. George Kalaparambil John***	Whole-Time Director (Executive Director)

*Dr. Kadambelil Paul Thomas was reappointed as Managing Director and Chief Executive Officer of the Bank with effect from October 01, 2024 and the shareholders of the Bank in the Annual General Meeting held on August

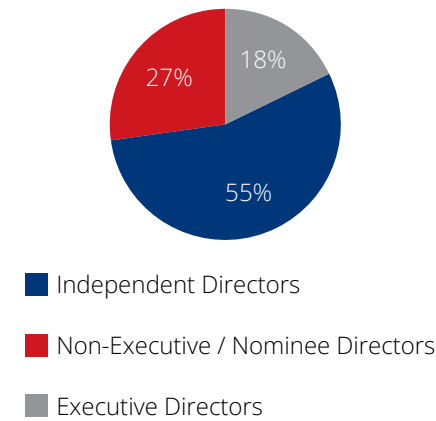
REPORT ON CORPORATE GOVERNANCE (Contd.)

14, 2024 accorded their approval for reappointment of Dr. Kadambelil Paul Thomas as Managing Director and Chief Executive Officer of the Bank for a period of three consecutive years with effect from October 01, 2024 up to September 30, 2027.

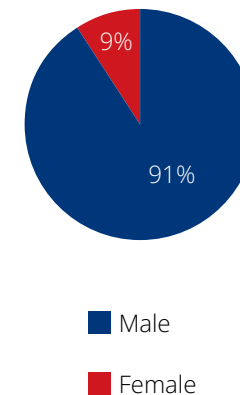
**Dr. Vinod Vijayalekshmi Vasudevan was reappointed as Non-Executive Independent Director of the Bank with effect from December 22, 2024 and the shareholders of the Bank in the Annual General Meeting held on August 14, 2024 accorded their approval for reappointment of Dr. Vinod Vijayalekshmi Vasudevan as Non-Executive Independent Director of the Bank for a period of three consecutive years with effect from December 22, 2024 up to December 21, 2027.

***Shri. George Kalaparambil John was appointed as Whole-Time Director, designated as Executive Director of the Bank with effect from May 18, 2024 and the shareholders of the Bank in the Annual General Meeting held on August 14, 2024 accorded their approval for appointment of Shri. George Kalaparambil John as Whole-Time Director, designated as Executive Director of the Bank for a period of three consecutive years with effect from May 18, 2024 up to May 17, 2027.

Board Composition



Gender Diversity



SHRI. RAVIMOHAN PERIYAKAVIL RAMAKRISHNAN

(Part-Time Chairman and Non-Executive Independent Director)

Shri. Ravimohan Periyakavil Ramakrishnan is the Part-Time Chairman and Non-Executive Independent Director of the Bank. He holds a Bachelor's degree in Science and Master's degree in Science from Kerala University, and a Master's degree in Business Administration from Birmingham University. He is a Certified Associate of the Indian Institute of Bankers. He was previously employed as a Chief General Manager in the Department of Banking Supervision of the Reserve Bank of India. He was previously a resident advisor of the financial sector supervision, International Monetary Fund, AFRITAC South, Mauritius. He is currently holding directorship in the Board of M/s. TP Renewable Microgrid Limited, M/s. Maithon Power Limited and holding Non-Executive Independent Directorship in M/s. CARE Ratings (Africa) Private Limited.

DR. KADAMBELIL PAUL THOMAS

(Managing Director and Chief Executive Officer)

Dr. 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 and a PhD in "The Influence of Social Entrepreneurship on Socioeconomic Transformation and Sustainable Development by Small Finance Banks" from VELS University. He was previously the Chairman and Managing Director of ESAF Financial Holdings Private Limited. He has also served as the Founder Secretary cum Honorary Executive Director of ESAF Foundation (previously known as Evangelical Social Action Forum) for over 26 years. He was also previously a Director on the boards of Sanma Garments Private Limited, Rhema Dairy Products India Private Limited, Rhema Kissan Producer Company Limited, Lahanti Homes and Infrastructure Private Limited, ESAF Health Care Services Private Limited, ESAF Swasraya Producers Company Limited, CEDAR Retail Private Limited, ESAF Enterprise Development Finance Limited and Cedar Livelihood Services Private Limited. Presently, he is the president of Kerala Association of Microfinance Institutions Entrepreneurs and Chairperson of Sa-Dhan. He was previously the Chairman of Confederation of Indian Industry, Kerala. During Fiscal 2022, he received the Marketing Meister award, the Business Leader of the Year award, FE Pillar of the BFSI Industry award, the APY Big Believers (ABB) 3.0 award from PFRDA for the Best Performing MD and CEO, the India Banking Summit CEO of the Year Award, the Exemplary Diamond award from PFRDA and the CEO with HR orientation award at World HRD Congress. He is currently holding directorship in the Board of M/s. Thrissur Start-up Incubation Council, a section 8 Company.



REPORT ON CORPORATE GOVERNANCE (Contd.)

SHRI. THOMAS JACOB KALAPPILA

(Non-Executive Independent Director)

Shri. Thomas Jacob Kalappila is the Non-Executive Independent Director on the Board of the Bank. He holds a Bachelor's degree in Science from Kerala University. He is an associate member of the Institute of Chartered Accountants of India and holds a Diploma in Information and Systems Audit from the Institute of Chartered Accountants of India. He is a partner of Thomas Jacob and Co., a partnership firm and has more than 35 years of experience in statutory audit and internal and forensic audit of banks. He has previously served as an Independent Director on the board of directors of South Indian Bank Limited and Malabar Cements Limited. He is currently holding directorship in the Board of M/s. Spotmarket Securities Private Limited, Syncon Management Consultants Private Limited and Agappe Diagnostics Limited.

DR. VINOD VIJAYALEKSHMI VASUDEVAN

(Non-Executive Independent Director)

Dr. Vinod Vijayalekshmi Vasudevan is the Non-Executive Independent Director on the Board of our Bank. He holds a Bachelor's degree in Technology (Computer Science and Engineering), a Master's degree in Technology (Computer Science and Engineering), and a Doctorate of Philosophy (Computer Science and Engineering) from the Indian Institute of Technology, Kharagpur. He is the group CEO of FLYTXT, Dubai and Amsterdam. He is currently on the board of directors of Flytxt Mobile Solutions International, and is a Designated Partner in VV Digital Spaces LLP.

SHRI. RAVI VENKATRAMAN

(Non-Executive Independent Director)

Shri. Ravi Venkatraman is the Non-Executive Independent Director on the Board of the Bank. He is a qualified Chartered Accountant. He was the former Executive Director and Chief Financial Officer of Mahindra and Mahindra Financial Services Limited. He is currently on the board of directors of M/s. Bajaj Finserv Mutual Fund Trustee Limited, M/s. Avanse Financial Services Limited, M/s. Kotak Mahindra Prime Limited, M/s. Sarvagam Solutions Private Limited and holding independent directorships of M/s. Zurich Kotak General Insurance Company (India) Limited, M/s. SBFC Finance Limited and M/s. Arisinfra Solutions Private Limited.

SMT. KOLASSERIL CHANDRAMOHANAN RANJANI
(Non-Executive Independent Director)

Smt. Kolasseril Chandramohanan Ranjani is the Non-Executive Independent Director on the Board of the Bank. She holds a Bachelor's degree in Science from University of Kerala and a Master's degree in Bank Management from Cochin University of Science and Technology. She has held

senior management positions with SIDBI, and has more than 21 years of experience in Micro, Small and Medium Enterprises in India. She is currently on the board of directors of SM Swasthman Foundation.

PROF. BIJU VARKEY

(Non-Executive Independent Director)

Prof. Biju Varkkey is the Non-Executive Independent Director on the Board of the Bank. He is a Fellow Member of the National Institute of Bank Management, Pune and holds a Master's degree in Personnel Management and Industrial Relations from MG University, Kerala. He is a Faculty in Human Resource area in Indian Institute of Management, Ahmedabad for more than 23 years and has also served as a faculty in various reputed institutions such as Indian Institute of Management, Lucknow, Management Development Institute, Gurgaon etc. He was a Part-Time Non-Official Director of M/s. Bank of Baroda for a period of four years in the past and has also held the position as Director in the Board of Aster DM Healthcare Limited, Husys Consulting Limited and Paschim Gujarat Vij Company Limited. Currently, he holds directorship in the Board of V Guard Industries Limited, a listed entity, and Konnect CSR Impactors Private Limited.

DR. JOSEPH VADAKKEKARA ANTONY

(Non-Executive Director)

Dr. Joseph Vadakkekara Antony is the Non-Executive 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 of South Indian Bank Limited and was also on the board of directors of Muthoot Homefin (India) Limited, SP Life Care Private Limited and ET Marlabs Private Limited. He was previously employed with Syndicate Bank. He is currently on the board of directors of Agappe Diagnostics Limited. He received the Sunday Standard Best Banker award in 2013 and IDRBT Technology Excellence Award in 2012.

SHRI. AJAYAN MANGALATH GOPALAKRISHNAN NAIR

(Non-Executive Nominee Director)

Shri. Ajayan Mangalath Gopalakrishnan Nair is the Non-Executive Nominee Director on the Board of the Bank. He holds a Bachelor's degree in Science (Horticulture) from Kerala Agricultural University and is a certified associate of the Indian Institute of Bankers. He was previously employed as the Executive Vice President of our Bank. He was previously the General Manager of IT and CIO, General Manager of Retail Assets, General Manager of Transaction Banking, General Manager of Pune Circle, Chief Compliance

REPORT ON CORPORATE GOVERNANCE (Contd.)

Officer and Deputy General Manager of Calicut Circle in Canara Bank. He is currently a director on the board of ESAF Financial Holdings Private Limited.

SHRI. GABRIEL JOHN SAMUEL

(Non-Executive Nominee Director)

Shri. Gabriel John Samuel is the Non-Executive Nominee Director on the Board of the Bank. He holds a Master's degree in Business Administration from the Cochin University of Science and Technology and a Master's degree in Commerce from Madurai University. He is an associate of the Institute of Chartered Accountants of India. He was previously a Member of the Postal Services Board and held the position of Chief Post Master General.

SHRI. GEORGE KALAPARAMBIL JOHN

(Whole-Time Director designated as Executive Director)

Shri George Kalaparambil John was the Executive Vice President (IT and Operations) of ESAF Small Finance Bank Limited and brings an overall experience of 30 years. He has extensive experience in the field of Micro Banking Business

and has played a significant role in building the microfinance business of ESAF Small Finance Bank Limited. His varied banking experience spans across business and operational functions such as Micro Banking, Liability, Assets, IT, Digital, Operations, Finance, Treasury, MIS, HR, Marketing, and Legal. He has led various projects under his leadership. He possesses specialised knowledge in the areas of Banking, Finance, Agriculture and Rural Economy, Co-operation, Human Resources, and Business Management. He holds a Master's degree in Business Administration (MBA) with a specialisation in Fintech from Birla Institute of Technology and Science, Pilani, Rajasthan, and a Master's degree in Social Work (MSW) with a specialisation in Community Development from the University of Pune.

All the Directors of the Bank have submitted forms/ declarations/ undertakings/ consent as required under the extant laws. Pursuant to review of the said forms/ declarations/ undertakings/ consent as submitted by the Directors of the Bank, the Nomination, Remuneration and Compensation Committee of the Board (NRCCB) and the Board have confirmed that all the Directors are in compliance with the applicable norms and are fit and proper to continue as directors of the Bank.

ATTENDANCE OF EACH DIRECTOR AT THE MEETING OF THE BOARD AND LAST ANNUAL GENERAL MEETING (AGM)

The Board of Directors met 11 times during the Financial Year 2024-25. The details of attendance of each director at the meeting of the Board and last Annual General Meeting (AGM) is as follows:

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	11	11	Yes
2.	Dr. Kadambelil Paul Thomas	11	11	Yes
3.	Shri. Thomas Jacob Kalappila	11	11	Yes
4.	Dr. Vinod Vijayalekshmi Vasudevan	11	9	Yes
5.	Shri. Ravi Venkatraman	11	11	Yes
6.	Smt. Kolasseril Chandramohanan Ranjani	11	11	Yes
7.	Prof. Biju Varkkey	11	11	Yes
8.	Dr. Joseph Vadakkekara Antony	11	11	Yes
9.	Shri. Ajayan Mangalath Gopalakrishnan Nair	11	11	Yes
10.	Shri. Gabriel John Samuel	11	10	No
11.	Shri. George Kalaparambil John*	11	11	Yes

*Shri. George Kalaparambil John was appointed as the Whole-Time Director, designated as Executive Director of the Bank with effect from May 18, 2024 up to May 17, 2027.



REPORT ON CORPORATE GOVERNANCE (Contd.)

NO. OF DIRECTORSHIP, MEMBERSHIP AND CHAIRMANSHIP HELD BY THE DIRECTORS IN THE BOARD AND COMMITTEES OF OTHER COMPANIES AND DETAILS OF DIRECTORSHIP HELD BY THE DIRECTORS IN OTHER LISTED COMPANIES AS ON MARCH 31, 2025

Sl. No.	Name, category, DIN and age of the Director	Date of first appointment	End date of current term	Directorship in other listed company (ies) and category of directorships ¹	Number of directorships in other unlisted companies		Number of memberships/ chairpersonships in board committees ³	Equity shareholding in the Bank
					Indian Public Limited Companies	Other Companies ²		
1.	Shri. Ravimohan Periyakavil Ramakrishnan, Part- Time Chairman and Non-Executive Independent Director DIN: 08534931 Age: 66 Years	December 21, 2019	December 21, 2025	-	2	1	0	NIL
2.	Dr. Kadambelil Paul Thomas, Managing Director and Chief Executive Officer DIN: 00199925 Age: 61 Years	October 01, 2018	September 30, 2027	-	0	1	0	3,11,86,785
3.	Shri. Thomas Jacob Kalappila, Non-Executive Independent Director DIN:00812892 Age: 71 Years	March 10, 2020	March 09, 2026	-	1	2	0	NIL
4.	Dr. Vinod Vijayalekshmi Vasudevan, Non-Executive Independent Director DIN:02503201 Age: 57 Years	December 22, 2021	December 21, 2027	-	0	1	0	NIL
5.	Shri. Ravi Venkatraman, Non-Executive Independent Director DIN: 00307328 Age: 65 Years	December 13, 2022	December 12, 2025	SBFC Finance Limited (Independent Director	4	2	2 (1)	NIL
6.	Smt. Kolasseril Chandramohanam Ranjani, Non-Executive Independent Director DIN: 01735529 Age: 66 Years	December 13, 2022	December 12, 2025	-	0	1	0	NIL

REPORT ON CORPORATE GOVERNANCE (Contd.)

Sl. No.	Name, category, DIN and age of the Director	Date of first appointment	End date of current term	Directorship in other listed company (ies) and category of directorships ¹	Number of directorships in other unlisted companies		Number of memberships/ chairpersonships in board committees ³	Equity shareholding in the Bank
					Indian Public Limited Companies	Other Companies ²		
7.	Prof. Biju Varkkey, Non-Executive Independent Director DIN: 01298281 Age: 59 Years	August 17, 2023	August 16, 2026	V Guard Industries Limited (Independent)	0	1	1	NIL
8.	Dr. Joseph Vadakkekara Antony, Non-Executive Director DIN: 00181554 Age: 73 Years	November 18, 2023	November 17, 2025	-	1	1	0	NIL
9.	Shri. Ajayan Mangalath Gopalakrishnan Nair, Non-Executive Nominee Director DIN: 09782416 Age: 66 Years	December 13, 2022	December 12, 2025	-	0	1	0	3,335
10.	Shri. Gabriel John Samuel, Non-Executive Nominee Director DIN: 07725212 Age: 70 Years	December 13, 2022	December 12, 2025	-	0	0	0	NIL
11.	Shri. George Kalaparambil John, Whole-Time Director (Executive Director) DIN: 00694646 Age: 51 Years	May 18, 2024	May 17, 2027	-	0	0	0	53309

1 None of the Independent Directors of the Bank serve as an Independent Director in more than seven listed companies or as a Whole-Time Director in any listed company.

2 Includes Foreign Companies, Private Companies and Section 8 Companies.

3 Includes only membership of the Audit Committee and Stakeholders Relationship Committee in public limited companies other than ESAF Small Finance Bank Limited. Figures in brackets represent number of chairpersonships of the said committees, as per the disclosure received from the concerned directors.

During the FY 2024-25, the Board of the Directors of the Bank met eleven (11) times on following dates:

Q1	Q2	Q3	Q4
1. May 08, 2024	4. July 26, 2024	7. November 13, 2024	9. January 22, 2025
2. May 18, 2024	5. August 31, 2024	8. December 20, 2024	10. February 10, 2025
3. June 14, 2024	6. September 24, 2024		11. March 21, 2025

The maximum interval between any two meetings was not more than 120 days and requisite quorum was present at the respective Board Meetings. The facility to attend the meetings through Video Conferencing (VC) or Other Audio-Visual Means

REPORT ON CORPORATE GOVERNANCE (Contd.)

(OAVM) was provided to the Directors. The Board agenda with proper explanatory notes was prepared and circulated on time to all the Board members. All statutory and other matters of significant importance including information as mentioned in Part A of Schedule II to the Listing Regulations are tabled before the Board, to enable it to take appropriate decisions in both strategic and regulatory matters. The Board reviews compliance with all laws, rules, regulations on a quarterly basis. At the Board Meeting, Board Members have full freedom to express their opinion and decisions are taken after detailed deliberations.

DISCLOSURE OF RELATIONSHIP BETWEEN DIRECTORS INTER-SE

The Board of Directors has no inter-se relationship.

DETAILS OF FAMILIARISATION PROGRAMME IMPARTED TO INDEPENDENT DIRECTORS AND WEB LINK

Complying with SEBI Listing Regulations, provisions of the Companies Act, 2013 and the RBI guidelines, Familiarisation Programmes were conducted during the Financial Year 2024-25 to give an overview and introduction to the Independent Directors about the Bank's business and operations.

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

Further, all the newly appointed Board Members undergo a face-to-face induction schedule where the Bank's Management Team provides insights into their respective functions and the affairs of the Bank as a whole. The details of the familiarisation programme imparted to Independent Directors are available on the website of the Bank at <https://www.esafbank.com/pdf/corporate-governance/Familiarisation%20Programme%20for%20Independent%20Directors.pdf>

LIST OF CORE SKILLS, COMPETENCIES AND EXPERTISE OF BOARD OF DIRECTORS

Sl. No.	Name of the Director	Core Skills / Expertise / Competencies
1.	Shri. Ravimohan Periyakavil Ramakrishnan	Banking, Payment and Settlement Systems and Risk Management
2.	Dr. Kadambelil Paul Thomas	Banking, Co-operation, Rural Economy, Finance and Business Management
3.	Shri. Thomas Jacob Kalappila	Accountancy, Finance and Information Technology
4.	Dr. Vinod Vijayalekshmi Vasudevan	Information Technology, Business Management
5.	Shri. Ravi Venkatraman	Agriculture and Rural Economy, Risk Management, Accountancy, Finance, Information Technology
6.	Smt. Kolasseril Chandramohanan Ranjani	Agriculture and Rural Economy, Banking, Finance, Small Scale Industry, Co-operation, Business Management
7.	Prof. Biju Varkkey	Banking and Human Resources
8.	Dr. Joseph Vadakkekara Antony	Banking, Human Resources, Law and Economics
9.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Agriculture and Rural Economy, Banking, Finance, Law, Risk Management, Information Technology
10.	Shri. Gabriel John Samuel	Accountancy, Agriculture and Rural Economy, Banking, Finance, Economics, Business Management
11.	Shri. George Kalaparambil John	Banking, Finance, Agriculture and Rural Economy, Co-operation, Human Resources, and Business Management

REPORT ON CORPORATE GOVERNANCE (Contd.)

CONFIRMATION THAT THE INDEPENDENT DIRECTORS FULFIL THE CONDITION

The Independent Directors, appointed in the Board have fulfilled all the necessary condition and criteria as enumerated under Regulation 16(1)(b) of the Listing Regulations and have provided their declaration in relation to their Independence as required under Regulation 25(8) of the Listing Regulations. The Independent Directors have also confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. All the Independent Directors are Independent and not related to any members of the Board and they have registered themselves with the Indian Institute of Corporate Affairs (IICA) for the purpose of Independent Director registration, which is mandated by the Ministry of Corporate Affairs and are exempted from online self-assessment proficiency test. The terms and conditions of appointment of Independent Directors are available on the website of the Bank at <https://www.esafbank.com/pdf/policies/otherdisclosures/Terms%20and%20conditions%20of%20appointment%20of%20Independent-Directors.pdf>

DETAILED REASON OF THE RESIGNATION OF THE INDEPENDENT DIRECTOR BEFORE THE EXPIRY OF HIS/HER TENURE ALONG WITH CONFIRMATION THAT THERE ARE NO MATERIAL REASONS OTHER THAN THOSE PROVIDED

During the year under review, no Independent Director has resigned from the Board of the Bank.

AUDIT COMMITTEE OF THE BOARD (ACB)

Brief description of terms and reference

The Audit Committee of the Bank is constituted in line with the provisions of Regulation 18(1) of the Listing Regulations read with Section 177 of the Act.

The broad terms of reference of the Audit Committee are as follows:

1. Overseeing the Banks financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
2. Recommending to the Board the appointment/re-appointment, remuneration and terms of appointment of auditors of the Bank;
3. Approval of payments to the statutory auditors for any other services rendered by them;
4. Reviewing with the Management, the annual financial statements and auditor's report thereon, before

submission to the Board for approval with particular reference to:

- a) Matters required to be included in the Director's responsibility statement to be included in the Board's report in terms of clause(c) of sub-section (3) of Section 134 of the Act;
 - b) Changes, if any, in accounting policies and practices and reasons for the same;
 - c) Major accounting entries involving estimates based on the exercise of judgement by management;
 - d) Significant adjustments made in the financial statements arising out of audit findings;
 - e) Compliance with listing and other legal requirements relating to financial statements;
 - f) Disclosure of any related party transactions;
 - g) Modified opinion(s) in the draft audit report.
5. Reviewing with the Management, the quarterly financial statements before submission to the Board for approval;
 6. Reviewing with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/ notice and the report submitted by the monitoring agency, monitoring the utilisation of proceeds of a public or rights issue or Preferential Issue or Qualified Institution Placement and making appropriate recommendations to the Board to take up steps in this matter;
 7. Review and monitor the auditor's independence and performance and effectiveness of audit process;
 8. Approval of any subsequent modification of transactions of the Bank with related parties;
 9. Scrutiny of inter-corporate loans and investments;
 10. Valuation of undertakings or assets of the Bank wherever it is necessary;
 11. Evaluation of internal financial controls and risk management systems;
 12. Reviewing with the Management, the performance of statutory and internal auditors and adequacy of the internal control systems;
 13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;



REPORT ON CORPORATE GOVERNANCE (Contd.)

14. Discussion with internal auditors on any significant findings and follow-up thereon;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting matters to the Board;
16. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. Reviewing the functioning of the whistle blower mechanism;
19. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background etc., of the candidate;
20. Reviewing the utilisation of loans and/ or advances from/ investment by the holding company in the subsidiary exceeding ₹ 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/advances / investments;
21. Consider and comment on rationale, cost benefits and impact of schemes involving merger, demerger, amalgamation, etc.;
22. Carrying out any other function as is mentioned in terms of reference of the Audit Committee.

Composition, Name of Members and Chairperson

The Audit Committee consists of four (4) Directors, of which three (3) are Non-Executive Independent Directors. All the members of the Audit Committee have adequate knowledge in the areas of finance and accounting. Shri. Thomas Jacob Kalappila is the Chairman of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.

The Committee invites the heads of various business verticals, Chief Financial Officer, Chief Compliance Officer, Chief of Internal Vigilance, Head of Internal Audit and representatives of Statutory to attend the meetings of Audit Committee.

The Composition of Audit Committee as on March 31, 2025, is as under:

Sl. No.	Name of the Member	Designation
1.	Shri. Thomas Jacob Kalappila	Chairman
2.	Shri. Ravi Venkatraman	Member
3.	Smt. Kolasseril Chandramohanan Ranjani	Member
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member

Meetings and Attendance during the year

During the Financial Year 2024-25, nine (9) meetings of the Committee were held on the following dates:

Sl. No.	Date of Meeting
1	May 07, 2024
2	June 14, 2024
3	July 25, 2024
4	September 19, 2024
5	November 11, 2024
6	December 20, 2024
7	January 22, 2025
8	February 07, 2025
9	March 19, 2025

The details regarding the constitution of the Audit Committee along with the attendance recorded in the meetings held during the Financial Year 2024-25 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total No. of meetings held	No. of meetings attended
1.	Shri. Thomas Jacob Kalappila	Chairperson	9	9
2.	Shri. Ravi Venkatraman	Member	9	9
3.	Smt. Kolasseril Chandramohanan Ranjani	Member	9	9
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member	9	9

NOMINATION REMUNERATION AND COMPENSATION COMMITTEE OF THE BOARD (NRCCB)

Brief description of terms and reference

The Nomination, Remuneration and Compensation Committee of the Bank is constituted in line with the

REPORT ON CORPORATE GOVERNANCE (Contd.)

provisions of Regulation 19(1) of the Listing Regulations read with Section 178 of the Act.

The broad terms of reference of Nomination and Remuneration Committee includes the following:

1. Formulate comprehensive criteria for appointment of Directors in terms of qualifications, positive attributes, independence, professional experience, track record and integrity of the person.
2. Consider all information about the Directors/ MD & CEO/ Whole-Time Directors such as background details, past remuneration, recognition and awards, job profile and determine if the directors meet the 'fit and proper' criteria.
3. Conduct appropriate due diligence and scrutinise the declarations made by probable candidates at the time of appointment/ re-appointment of Directors of the Board.
4. For every appointment of an independent Director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director. The person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in the description. For the purpose of identifying suitable candidates, the Committee may:
 - Use the services of an external agency, if required.
 - Consider candidates from a wide range of backgrounds, having due regard to diversity.
 - Consider the time commitments of the candidates.
5. Hold Committee meetings to discuss matters pertaining to the remuneration payable, including any revisions in remuneration to MD & CEO, Directors and approve such payments by passing resolutions after considering the financial position of the Bank, industry trends, qualifications, experience and past performance of the appointee.
6. Bring about objectivity in determining the remuneration package while striking the balance between the interest of the Bank and the shareholders.
7. Ensure that the compensation for MD & CEO and Key Management Personnel is a mix of fixed and variable (incentive) pay for Directors and Key Management Personnel and conforms with the RBI Guidelines on Compensation of Whole-Time Directors/ Chief

Executive Officers/ Material Risk takers and Control function staff dated November 04, 2019 and August 30, 2021, and other applicable provisions.

8. Assist in defining the performance evaluation criteria for Directors and other Key Management Personnel and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
9. Analyse and ensure that the cost/ income ratio of the Bank supports the remuneration package consistent with maintenance of sound Capital Adequacy Ratio.
10. To represent the Committee and answer queries of investors at the Annual General Meeting of the Bank.
11. Review annually its own performance and terms of reference to ensure effectiveness of its operations and recommend changes, if any to the Board for approval.
12. Ensure that appropriate procedures are in place to assess Board Membership needs and Board effectiveness.
13. Ensure that the Bank has a detailed succession and management continuity plan for key positions.

Composition, Name of Members and Chairperson

Sl. No.	Name of the Member	Designation
1	Prof. Biju Varkkey	Chairman
2	Shri. Ravimohan Periyakavil Ramakrishnan	Member
3	Smt. Kolasseril Chandramohanan Ranjani	Member
4	Dr. Joseph Vadakkekara Antony	Member

Meetings and Attendance during the year

During the Financial Year 2024-25, Seven (7) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1	May 06, 2024
2	May 18, 2024
3	June 13, 2024
4	July 25, 2024
5	September 24, 2024
6	November 12, 2024
7	February 07, 2025



REPORT ON CORPORATE GOVERNANCE (Contd.)

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 2024-25 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total No. of meetings held	No. of meetings attended
1.	Prof. Biju Varkkey	Chairperson	7	7
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	7	7
3.	Smt. Kolasseril Chandramohanan Ranjani	Member	7	7
4.	Dr. Joseph Vadakkekara Antony	Member	7	7

STAKEHOLDERS RELATIONSHIP COMMITTEE OF THE BOARD (SRCB)

Brief description of terms and reference

- To resolve the grievances of the security holders of the Bank including complaints related to transfer/transmission of shares, non-receipt of Annual Report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, etc., and assisting with quarterly reporting of such complaints;
- To review measures taken for effective exercise of voting rights by shareholders;
- To review adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent;
- To review the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Bank; and
- Carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act or SEBI Listing Regulations or by any other regulatory authority.
- To approve, register, refuse to register transfer or transmission of shares and other securities and issue of duplicate share certificates.

- To sub-divide or consolidate any share or other securities certificate(s) of the Bank.

Composition, Name of Members and Chairperson

Sl. No.	Name of the Member	Designation
1	Smt. Kolasseril Chandramohanan Ranjani	Chairman
2	Dr. Kadambelil Paul Thomas	Member
3	Shri. Ravi Venkatraman	Member
4	Shri. John Samuel	Member
5	Shri. George Kalaparambil John	Member

Meetings and Attendance during the year

During the Financial Year 2024-25, Four (4) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1	May 08, 2024
2	July 24, 2024
3	November 13, 2024
4	February 07, 2025

The details regarding the constitution of the Stakeholders Relationship Committee along with the attendance recorded in the meetings held during the Financial Year 2024-25 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. Kolasseril Chandramohanan Ranjani	Chairperson	4	4
2.	Dr. Kadambelil Paul Thomas	Member	4	4
3.	Shri. Ravi Venkatraman	Member	4	4
4.	Shri. John Samuel	Member	4	4
5.	Shri. George Kalaparambil John*	Member	3	3

*Shri. George Kalaparambil John was appointed as the member of the Committee with effect from May 18, 2024, due to appointment as Executive Director of the Bank.

REPORT ON CORPORATE GOVERNANCE (Contd.)

RISK MANAGEMENT COMMITTEE OF THE BOARD (RMCB)

Brief description of terms and reference

- Oversee Risk Management and obtain assurance that all the principal risks faced by the Bank have been identified and are being appropriately managed.
- Approve/ recommend to the Board for its approval/ review the policies, risk assessment models, strategies and associated frameworks for the management of risk.
- Approve and periodically review Bank's overall risk appetite and set limits for all risks before submission to the Board.
- Ensure appropriate risk organisation structure with authority and responsibility clearly defined, adequate staffing, and the independence of Risk Management functions.
- Provide appropriate and prompt reporting to the Board of Directors, which would help the Board to have a detailed understanding of the level of risk and steps taken for managing risks.
- Review reports from management about the Bank's risk management framework (i.e. principles, policies, strategies, process and controls) and also discretions conferred on executive management, in order to oversee the effectiveness of them.
- Review and approve the Internal Capital Adequacy Assessment Process (ICAAP) document on a quarterly basis.
- Review reports from management about changes in the factors relevant to the Bank's projected strategy, business performance or capital adequacy.
- Determine prudential limits for individuals, groups, portfolios, geographies, sectors, industries and various other exposures of the Bank, within the ceilings fixed by RBI and the Board.
- Review reports from management about implications of new and emerging risks, legislative or regulatory initiatives and changes, organisational change and major initiatives, in order to monitor them.
- Review the Cybersecurity Functions of the Bank on regular intervals.
- Ensure adherence to the Board approved internal policy guidelines and also statutory and regulatory guidelines.
- Review performance and set objectives for the Bank's Chief Risk Officer and ensure they have unfettered access to the Board.

- Oversee statutory / regulatory reporting requirements related to risk management.
- Monitor and review the capital adequacy computation with an understanding of methodology, systems and data and ensure capital adequacy management with due regard to various risks impacting the balance sheet.
- Approve the stress testing results, review the performance of product-wise/geography-wise/rating-wise loan portfolio, rating migration of accounts, collection/recovery in NPA accounts etc. and recommend / monitor the action plans and corrective measures periodically.
- Monitor and review the exposure limits set by the Board.
- Monitor and review of non-compliance, limit breaches, audit / regulatory findings, and policy exceptions with respect to risk management.
- Review and confirm order/decisions for identification of wilful defaulters given by the Credit Risk Management Committee.
- Monitor the Bank's credit risk profile, including risk trends and concentrations, loan impairment etc.
- Determine/amend/review the functions of the Executive Level Committees from time to time.
- To formulate a detailed Risk Management Policy which shall include:
 - A framework for identification of internal and external risks specifically faced by the Bank, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cybersecurity risks or any other risk as may be determined by the Committee.
 - Measures for risk mitigation including systems and processes for internal control of identified risks.
 - Business continuity plan.
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Bank;
- To monitor and oversee implementation of the Risk Management Policy, including evaluating the adequacy of risk management systems;
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;



REPORT ON CORPORATE GOVERNANCE (Contd.)

26. To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;
27. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
28. In terms of the circular issued by the RBI vide no. DBR.BP.BC.No. 65/21.04.103/2016-17 dated April 27, 2017, the Committee shall meet the Chief Risk Officer on one-to-one basis without the presence of MD & CEO and Senior Management, at least on a quarterly basis.

Composition, Name of Members and Chairperson

Sl. No.	Name of the Member	Designation
1	Shri. Ravi Venkatraman	Chairman
2	Shri. Ravimohan Periyakavil Ramakrishnan	Member
3	Dr. Kadambelil Paul Thomas	Member
4	Shri. Thomas Jacob Kalappila	Member
5	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member

Meetings and Attendance during the year

During the Financial Year 2024-25, four (4) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1	June 13, 2024
2	September 18, 2024
3	December 19, 2024
4	March 20, 2025

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 2024-25 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. Ravi Venkatraman	Chairperson	4	4
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	4	4

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total No. of meetings held	No. of meetings attended
3.	Dr. Kadambelil Paul Thomas	Member	4	4
4.	Shri. Thomas Jacob Kalappila	Member	4	4
5.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member	4	4

MANAGEMENT COMMITTEE OF THE BOARD (MCB)

The Management Committee of the Board was constituted by the Board of Directors in the meeting held on August 17, 2017. The Committee was reconstituted during the year 2024-2025. As on March 31, 2025, the Committee had four (4) members:

Sl. No.	Name of the Member	Designation
1	Shri. Ravimohan Periyakavil Ramakrishnan	Chairman
2	Dr. Kadambelil Paul Thomas	Member
3	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member
4	Shri. Joseph Vadakkekara Antony	Member
5	Shri. George Kalaparambil John	Member

During the Financial Year 2024-25, Twelve (12) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1	May 07, 2024
2	June 12, 2024
3	July 24, 2024
4	August 31, 2024
5	September 18, 2024
6	October 14, 2024
7	October 30, 2024
8	November 12, 2024
9	December 19, 2024
10	February 01, 2025

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Sl. No.	Date of Meeting
11	March 06, 2025
12	March 21, 2025
13	March 27, 2025

The details regarding the constitution of the Management Committee along with the attendance recorded in the meetings held during the Financial Year 2024-25 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	Chairperson	13	13
2.	Dr. Kadambelil Paul Thomas	Member	13	13
3.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member	13	13
4.	Dr. Joseph Vadakkekara Antony	Member	13	13
5.	Shri. George Kalaparambil John*	Member	12	11

*Shri. George Kalaparambil John was appointed as the member of the Committee with effect from May 18, 2024, due to appointment as Executive Director of the Bank.

IT STRATEGY COMMITTEE OF THE BOARD (ITSCB)

Pursuant to the guidelines of the Reserve Bank of India, the IT Strategy Committee of the Board was constituted by the Board of Directors in the meeting held on May 26, 2017.

The Committee was reconstituted during the Financial Year 2024-25. As on March 31, 2025, there were five (5) members on the Committee:

Sl. No.	Name of the Member	Designation
1	Shri. Vinod Vijayalekshmi Vasudevan	Chairman
2	Shri. Thomas Jacob Kalappila	Member
3	Dr. Kadambelil Paul Thomas	Member
4	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member
5	Shri. George Kalaparambil John	Member

An organisation having a robust IT Policy will definitely enjoy more confidentiality, security and independence while implementing its managerial decisions. The formulation of the IT Strategy Committee ensure the following benefits to the organisation:

- To formulate robust and effective software and hardware policies for the Bank.
- To recommend the IT related policies to the Board of Directors.
- To monitor the effectiveness of the existing IT Policies adopted by the Bank.

The IT Strategy Committee of the Board was convened Six (6) times during the Financial Year 2024-25 on the following dates:

Sl. No.	Date of Meeting
1	June 12, 2024
2	August 09, 2024
3	August 31, 2024
4	September 23, 2024
5	December 19, 2024
6	March 20, 2025



REPORT ON CORPORATE GOVERNANCE (Contd.)

The details regarding the constitution of the IT Strategy Committee along with the attendance recorded in the meetings held during the Financial Year 2024-25 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. Vinod Vijayalekshmi Vasudevan	Chairman	6	6
2.	Shri. Thomas Jacob Kalappila	Member	6	6
3.	Dr. Kadambelil Paul Thomas	Member	6	6
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member	6	6

CUSTOMER SERVICE COMMITTEE OF THE BOARD (CSCB)

Pursuant to the directives issued by the Reserve Bank of India, the Customer Service Committee of the Board was constituted by the Board of Directors in the meeting held on August 17, 2017 to bring about improvements in the quality of customer services provided by the Bank. The Committee was reconstituted during the year 2024-2025. As on March 31, 2025, the Customer Service Committee comprises the following members who have adequate skills and rich experience dealing with customers belonging to different strata in society:

Sl. No.	Name of the Member	Designation
1	Shri. Ajayan Mangalath Gopalakrishnan Nair	Chairman
2	Shri. Vinod Vijayalekshmi Vasudevan	Member
3	Shri. Gabriel John Samuel	Member
4	Smt. Kolasseril Chandramohan Ranjani	Member
5	Shri. George Kalaparambil John	Member

The Customer Service Committee of the Board was convened four (4) times during the Financial Year 2024-25 on the following dates:

Sl. No.	Date of Meeting
1	May 08, 2024
2	July 25, 2024
3	November 12, 2024
4	February 07, 2025

The details regarding the constitution of the Customer Service Committee along with the attendance recorded in the meetings held during the Financial Year 2024-25 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Chairman	4	4
2.	Shri. Vinod Vijayalekshmi Vasudevan	Member	4	4
3.	Shri. Gabriel John Samuel	Member	4	4
4.	Smt. Kolasseril Chandramohan Ranjani	Member	4	4
5.	Shri. George Kalaparambil John*	Member	4	3

*Shri. George Kalaparambil John was appointed as the member of the Committee with effect from May 18, 2024, due to appointment as Executive Director of the Bank.

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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

- Recommend the amount to be expended for the CSR activities of the Bank.
- Monitor the Bank's Corporate Social Responsibility Policy and implementation of CSR Projects undertaken from time to time.

The Committee was reconstituted during the year 2024-2025. As on March 31, 2025, the Committee had four (4) members:

Sl. No.	Name of the Member	Designation
1	Shri. Gabriel John Samuel	Chairman
2	Dr. Kadambelil Paul Thomas	Member
3	Smt. Kolasseril Chandramohan Ranjani	Member
4	Shri. Joseph Vadakkekara Antony	Member

During the Financial Year 2024-25, four (4) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1	May 07, 2024
2	June 13, 2024
3	November 12, 2024
4	March 21, 2025

The details regarding the constitution of the Corporate Social Responsibility and Sustainability Committee along with the attendance recorded in the meetings held during the Financial Year 2024-25 are mentioned below:

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
1.	Shri. John Samuel	Chairman	4	4
2.	Dr. Kadambelil Paul Thomas	Member	4	4
3.	Smt. Kolasseril Chandramohan Ranjani	Member	4	4
4.	Dr. Joseph Vadakkekara Antony	Member	4	4

HIGH VALUE FRAUD MONITORING COMMITTEE OF THE BOARD (HVFMCB)

A High Value Fraud Monitoring Committee of the Board was constituted in the meeting of the Board of Directors held on October 03, 2018 to monitor and review all the frauds of ₹ 2.50 million and above, so that it can:

- Identify the systemic lacunae, if any, that facilitated perpetration of fraud and counter it by putting in place measures to plug the same.
- Identify the reasons for delay in detection, if any, and report the same to the top management of the Bank and the Reserve Bank of India.
- Monitor progress of CBI / Police Investigation and also monitor recovery position.
- Ensure that staff accountability is examined at all levels in all the cases of frauds, and staff side action, if required, is completed quickly without loss of time.
- Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening internal controls.
- Put in place other measures as may be considered relevant to strengthen preventive measures against fraud.

The Committee was reconstituted during the year 2024-2025. As on March 31, 2025, the Committee had five (5) members:

Sl. No.	Name of the Member	Designation
1	Dr. Kadambelil Paul Thomas	Chairman
2	Shri. Ravimohan Periyakavil Ramakrishnan	Member
3	Shri. Thomas Jacob Kalappila	Member
4	Shri. Ravi Venkatraman	Member
5	Shri. Gabriel John Samuel	Member

During the Financial Year 2024-25, Two (2) meeting of the Committee was convened on the following dates:

Sl. No.	Date of Meeting
1	May 07, 2024
2	May 14, 2024

REPORT ON CORPORATE GOVERNANCE (Contd.)

The details regarding the constitution of the High Value Fraud Monitoring Committee along with the attendance recorded in the meetings held during the Financial Year 2024-25 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. Kadambelil Paul Thomas	Chairman	2	2
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	2	2
3.	Shri. Thomas Jacob Kalappila	Member	2	2
4.	Shri. Ravi Venkatraman	Member	2	2
5.	Shri. Gabriel John Samuel	Member	2	2

Note: Pursuant to the Master Directions issued by the Reserve Bank of India on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions vide RBI/ DOS/ 2024-25/ 118 DOS. CO. FMG. SEC. No. 5/ 23.04.001/ 2024-25 dated July 15, 2024, the Board of Directors of the Bank in the meeting held on July 26, 2024 dissolved the High Value Fraud Monitoring Committee of the Board (HVFCB).

HUMAN RESOURCES COMMITTEE OF THE BOARD (HRCB)

The Human Resources Committee of the Board (HRCB) was constituted by the Board of Directors in the meeting held on August 25, 2021. The Committee was reconstituted during the year 2024-2025. As on March 31, 2025, the Committee had five (5) members:

Sl. No.	Name of the Member	Designation
1	Shri. Biju Varkkey	Chairman
2	Shri. Ravimohan Periyakavil Ramakrishnan	Member
3	Shri. Vinod Vijayalekshmi Vasudevan	Member
4	Dr. Kadambelil Paul Thomas	Member
5	Shri. Joseph Vadakkekara Antony	Member

During the Financial Year 2024-25, Four (4) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1	June 12, 2024
2	September 23, 2024
3	December 20, 2024
4	March 20, 2025

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 2024-25 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. Biju Varkkey	Chairman	4	4
2.	Shri. Ravimohan Periyakavil Ramakrishnan	Member	4	4
3.	Shri. Vinod Vijayalekshmi Vasudevan	Member	4	4
4.	Dr. Kadambelil Paul Thomas	Member	4	4
5.	Dr. Joseph Vadakkekara Antony	Member	4	4

SPECIAL COMMITTEE OF THE BOARD FOR MONITORING AND FOLLOW-UP OF CASES OF FRAUDS (SCBMF)

The Special Committee of the Board for Monitoring and Follow-up of Cases of Frauds was constituted by the Board of Directors in the meeting held on July 26, 2024 in pursuant to the Master Directions issued by the Reserve Bank of India on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions vide RBI/ DOS/ 2024-25/ 118 DOS. CO. FMG. SEC. No. 5/ 23.04.001/ 2024-25 dated July 15, 2024. As on March 31, 2025, the Committee had Four (4) members:

Sl. No.	Name of the Member	Designation
1	Dr. Joseph Vadakkekara Antony	Chairman
2	Shri. Thomas Jacob Kalappila	Member
3	Shri. George Kalaparambil John	Member
4	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member

During the Financial Year 2024-25, Five (5) meetings of the Committee were convened on the following dates:

Sl. No.	Date of Meeting
1	September 23, 2024
2	November 11, 2024
3	December 03, 2024
4	February 10, 2025
5	March 19, 2025

The details regarding the constitution of the Special Committee of the Board for Monitoring and Follow-up of Cases of Frauds along with the attendance recorded in the meetings held during the Financial Year 2024-25 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. Joseph Vadakkekara Antony	Chairman	5	5
2.	Shri. Thomas Jacob Kalappila	Member	5	5

Sl. No.	Name of the Members of the Committee	Designation	Attendance	
			Total no. of meetings held	No. of meetings attended
3.	Shri. George Kalaparambil John	Member	5	5
4.	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member	5	5

REVIEW COMMITTEE OF THE BOARD FOR IDENTIFICATION AND CLASSIFICATION OF WILFUL DEFAULTERS (RCBWD)

Review Committee of the Board for Identification and Classification of Wilful Defaulters was constituted by the Board of Directors in the meeting held on March 21, 2025 in pursuant to the Master Direction issued by the Reserve Bank of India on Treatment of Wilful Defaulters and Large Defaulters vide RBI/ DoR/ 2024-25/ 122 DoR. FIN. REC. No. 31/ 20.16.003/ 2024-25 dated July 30, 2024. The Bank constituted the Review Committee of the Board with minimum of three members of the Board, consisting of a Whole-Time Director who is the Managing Director and CEO as Chairperson and two Independent Directors or Non-Executive Directors as members.

Sl No	Name of the Member	Designation
1	Dr. Kadambelil Paul Thomas	Chairman
2	Shri. Ravimohan Periyakavil Ramakrishnan	Member
3	Shri. Ajayan Mangalath Gopalakrishnan Nair	Member

During the Financial year 2024-25, no meetings were held.

REMUNERATION OF DIRECTORS

Details of Remuneration paid to the Managing Director and CEO

a) Managerial remuneration to MD and CEO

Ratio of Remuneration of Each Director to Median Employee Remuneration;	The ratio of remuneration of each Director to median employee remuneration is as below:	
	MD & CEO	70 times
	Other Directors	Other directors are not paid any remuneration other than sitting fee for attending meetings of the Board and Committees.
The percentage increase in remuneration of each Director, if any, in the Financial Year;	Managing Director and CEO – 9.91% (Fixed Pay)	

REPORT ON CORPORATE GOVERNANCE (Contd.)

The percentage increase in the median remuneration of employees in the Financial Year;	Reduction of 14.19% in the median remuneration mainly on account of transition of employees from one of the Business Correspondents of the Bank during the year under review.
The number of permanent employees on the rolls of the Bank as on March 31, 2025	12,520
Average percentile increases 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 10% was made to the salaries of employees other than the managerial personnel and 14% increase was made in the managerial remuneration in the last Financial Year.
Affirmation that the remuneration is as per the remuneration policy of the Bank.	The remuneration is as per the Compensation Policy of the Bank.

Statement Showing

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;	Dr. Kadambelil Paul Thomas, Managing Director and CEO of the Bank, was paid an aggregate remuneration of ₹ 2,59,73,588/- (including perquisites) during the year.
The name of every employee, who, if employed for a part of the Financial Year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;	NIL
The name of every employee, who, if employed throughout the Financial Year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director or Whole-Time Director or Manager and holds by themselves or along with their spouse and dependent children, not less than two per cent of the equity shares of the Bank.	NIL

Details of Remuneration paid to the Non-Executive Directors

The following are the details of remuneration and sitting fee paid to the Non-Executive Directors of the Bank during the year under review:

a) Sitting Fees:

Sl. No.	Name of the Directors	Amount
1	Shri. Ravimohan Periyakavil Ramakrishnan	22,10,000
2	Shri. Thomas Jacob Kalappila	20,10,000
3	Dr. Vinod Vijayalekshmi Vasudevan	12,90,000
4	Shri. Ravi Venkatraman	16,60,000
5	Smt. Kolasseril Chandramohanan Ranjani	21,10,000
6	Prof. Biju Varkkey	12,60,000
7	Dr. Joseph Vadakkekara Antony	23,10,000
8	Shri. Ajayan Mangalath Gopalakrishnan Nair	27,10,000
9	Shri. John Samuel	13,00,000
Total		1,68,60,000

NAME AND DESIGNATION OF THE COMPLIANCE OFFICER

Shri. Ranjith Raj. P., Company Secretary of the Bank appointed as the Compliance Officer of the Bank.



REPORT ON CORPORATE GOVERNANCE (Contd.)

REDRESSAL OF INVESTOR GRIEVANCES

The Bank addresses all the complaints, suggestions and grievances expeditiously. The details of complaints received and resolved during the year are as follows:

Number of Investor Complaints including through SEBI SCORES platform received during the period April 1, 2024 to March 31, 2025	No. of Complaints
Investor complaints pending as on April 1, 2024	0
Investor complaints received during the period	
1. Investor complaints received through SEBI SCORES Platform of the Bank	1
2. Other Investor complaints received	17
Total number of complaints disposed off	18
Complaints pending as on March 31, 2025	0

GENERAL BODY MEETINGS HELD DURING THE LAST THREE YEARS

Details of Annual General Meeting held during the last three years

Financial Year	Date	Time	Address
2023-24	August 14, 2024	3.00 P.M	Registered and Corporate Office of the Bank, Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN - 680 651.
2022-23	December 29, 2023	3.00 P.M	Registered and Corporate Office of the Bank, Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN - 680 651.
2021-22	December 13, 2022	10:30 AM	Registered and Corporate Office of the Bank, Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN - 680 651.

DETAILS OF SPECIAL RESOLUTIONS PASSED IN THE PREVIOUS THREE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY

General Meetings:

No. of Meetings	Day, Date and Time	Mode of Meeting Held	Details of Special Resolutions passed, if any:
08 th AGM	Wednesday, August 14, 2024, at 3:00 PM	Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") mode	1. Re-appointment of Dr. Kadambelil Paul Thomas (DIN: 00199925) as the Managing Director and CEO of the Bank and approval of revision of remuneration. 2. Appointment of Shri. George Kalaparambil John (DIN:00694646) as a Whole-Time Director, designated as Executive Director, of the Bank and approval of remuneration. 3. Re-appointment of Dr. Vinod Vijayalekshmi Vasudevan (DIN: 02503201) as Non-Executive Independent Director of the Bank. 4. To borrow in excess of the paid-up share capital and free reserves and securities premium of the Bank under Section 180(1)(c) of the Companies Act, 2013. 5. Borrowing / raising of funds, by issue of debt securities on a Private Placement basis. 6. Fee for obtaining physical copies of documents.



REPORT ON CORPORATE GOVERNANCE (Contd.)

No. of Meetings	Day, Date and Time	Mode of Meeting Held	Details of Special Resolutions passed, if any;
07 th AGM	Friday, December 29, 2023, at 3:00 PM	Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") mode	- Appointment of Shri. Biju Varkkey (DIN: 01298281) as Non-Executive Independent Director of the Bank. - Revision of the remuneration of Dr.. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and Chief Executive Officer of the Bank. - Borrowing / raising of funds, by issue of debt securities on a Private Placement basis. - Ratification and Amendment of "ESAF SMALL FINANCE BANK EMPLOYEES STOCK OPTION PLAN 2019" ("ESAF ESOP PLAN - 2019" / "ESOP 2019" / "the Plan").
06 th AGM	Tuesday, December 13, 2022, at 10:30 A.M.	Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode	- Re-Appointment of Shri. Ravimohan Periyakavil Ramakrishnan (DIN: 08534931) as Non-Executive Independent Director of the Bank. - Revision of the remuneration of Dr. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank. - To raise funds through Private Placement of Unsecured, Rated, Redeemable Non-Convertible Debentures (NCDs).
05 th AGM	Wednesday, September 29, 2021, at 12:30 PM	Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode	- Revision of the remuneration of Dr. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank in line with the Guidelines issued by 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 on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff. - Re-appointment of Dr. Kadambelil Paul Thomas (DIN: 00199925) as the Managing Director and CEO of the Bank. - Alteration in Articles of Association of the Bank.
23 rd EGM	Friday, October 13, 2023, at 12 Noon.	Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") mode	Alteration of Articles of Association of the Bank.
22 nd EGM	Thursday, June 29, 2023, at 4:30 PM.	Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") mode	- Approval for Initial Public Offer of Equity Shares. - Adoption of the Amended ESAF ESOP PLAN 2019.
21 st EGM	Thursday, March 09, 2023, at 12:30 PM.	Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") mode	Issue of Equity Shares on Private Placement (aggregating 2,31,67,856 each valued at a price of ₹ 68/-).
20 th EGM	Wednesday, February 13, 2022, at 11:00 A.M.	Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") mode	- To borrow in excess of the paid-up share capital and free reserves and securities premium of the Bank under Section 180(1)(c) of the Companies Act, 2013. - To raise funds through Private Placement of Unsecured, Rated, Redeemable NonConvertible Debentures (NCDs).
19 th EGM	Monday, July 12, 2021, at 04:45 PM.	Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") mode	- Initial Public Offer of Equity Shares - Increase the limit of investment by the Non-Resident Indians and Overseas Citizens of India.
18 th EGM	Wednesday, March 24, 2021, at 10:00 AM.	Physical held at Registered and Corporate Office of the Bank, Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN - 680 651	Issue of Equity Shares (aggregating 2,18,14,973 each valued at a price of ₹ 75/-) on Private Placement.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Postal Ballot:

During the year under review, the Bank has not moved any resolution through postal ballot process.

Any resolution proposed to conduct through postal ballot:

No resolution requiring Postal Ballot is being proposed on or before the ensuing Annual General Meeting of the Bank.

Procedure for postal ballot:

The postal ballot was carried out as per the provisions of Sections 108 and 110 and other applicable provisions of the Act, read with the Rules framed thereunder and read with the General Circular nos. 14/2020, 17/2020, 02/2021, 21/2021 and 2/2022 dated April 08, 2020, April 13, 2020, January 13, 2021, December 14, 2021 and May 05, 2022, respectively issued by the Ministry of Corporate Affairs.

MEANS OF COMMUNICATION

Quarterly Results

The Bank regularly intimates information like quarterly/ half yearly/annual financial results and media releases on significant developments from time to time. The financial results and other official news releases are placed in the 'Investor Relations' section of the website of the Bank at www.esafbank.com and have also been communicated to the Stock Exchanges on which Equity shares of the Bank are listed.

Newspaper wherein results are normally published

The financial results are normally published in the newspapers- Financial Express (English) and Deepika (Malayalam).

Details of website and display of official news releases and presentation made to the institutional investors or to analysts.

The website of the Bank, www.esafbank.com contains comprehensive information about the Bank, its business, Directors, Committees of the Board, terms and conditions of appointment/re-appointment of Independent Directors, products, branch details, distributor locator, media details, service helplines, various policies adopted by the Board, contact details for investor grievance redressal, credit rating details, shareholding pattern, notice of meeting of Board of Directors, quarterly unaudited financial results, audited financial results, Annual Report, shareholder information, schedule of analyst or institutional investor conference, presentations made to analysts or institutional investor, audio recording of quarterly earnings calls, information on material events, other developments, etc.

GENERAL INFORMATION TO SHAREHOLDERS

Date, Venue and Time of the 09th Annual General Meeting

Day and Date	Wednesday, September 24, 2025
Time	3:00 PM
Mode and Venue	Video Conference / Other Audio Visual Means

Board Meeting and Financial Calendar

The Financial Year of the Bank starts from April 1st of a year and ends on March 31st of the following year.

Financial Calendar for Publication of Financial Results for the Financial Year 2024-25

For the quarter ended	Date of Approval
June 30, 2024	July 26, 2024
September 30, 2024	November 13, 2024
December 31, 2024	February 10, 2025
March 31, 2025	May 16, 2025

Calendar of Board Meeting to adopt the accounts (tentative and subject to change) for the Financial Year 2024-25 is as follows:

For the quarter ended	Proposed Dates
June 30, 2024	August 10, 2025
September 30, 2024	November 10, 2025
December 31, 2024	February 10, 2026
March 31, 2025	May 10, 2026

Dividend for the Financial Year 2024-25

The Board of Directors of the Bank, after considering holistically the relevant circumstances, has decided that it would be prudent, not to recommend any Dividend for the Financial Year under review.

Date of Book Closure

The register of members will remain closed from September 18, 2025 to September 24, 2025 (both days inclusive).

Unpaid dividend Amount

As per the provisions of Section 124(5) and (6) of the Act, the Bank is required to transfer the unpaid dividend amount which is unclaimed for a period of seven years from the date of declaration of dividend to the Investor Education and Protection Fund (IEPF) set up by the Central Government.

Members whose dividend is unpaid, may write to the Bank at its Registered Office or to MUFG Intime India Private Ltd., RTA of the Bank by giving details of their bank account for claiming dividend.



REPORT ON CORPORATE GOVERNANCE (Contd.)

Details of shares transferred to Investor Education and Protection Fund Authority (IEPF)

No share is due to be transferred to Investor Education and Protection Fund Authority (IEPF).

Name and address of the stock exchange at which the shares of the Bank are listed and details of annual listing fees paid.

Equity Shares of the Bank are quoted on the BSE Ltd. and the National Stock Exchange of India Ltd. (NSE), since November 10, 2023. Listing fees for the Financial Year 2024-25 have been paid to both the Stock Exchanges. Address of the Stock Exchanges are as follows:

BSE Ltd.	National Stock Exchange of India Ltd.
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001	Exchange Plaza, 5 th Floor Plot No.C/1, “G” Block Bandra- Kurla Complex Bandra(E), Mumbai- 400051

Custodial Fees

The Bank has paid the custodial fees to the National Security Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for the Financial Year 2025-26.

Details of stock code

The stock codes of the Bank at the Stock Exchanges are as follows:

BSE Ltd.	National Stock Exchange of India Ltd.
Scrip code: 544020 ISIN: INE818W01011	Symbol: ESAFSFB ISIN: INE818W01011

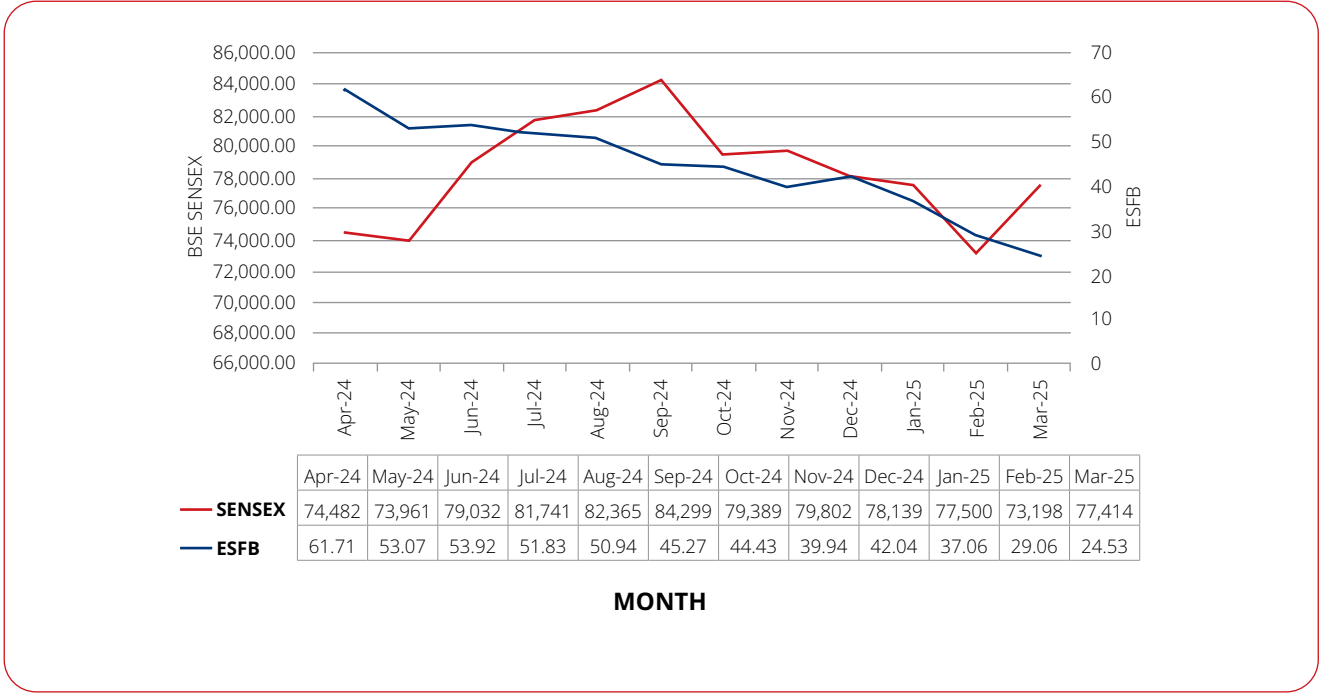
STOCK MARKET PRICE DATA OF BANK'S SHARES

The monthly high and low prices of the Bank's shares traded on the BSE Ltd. (BSE), Mumbai and National Stock Exchange of India Ltd. (NSE), Mumbai during the period from April 01, 2024 to March 31, 2025 are as under:

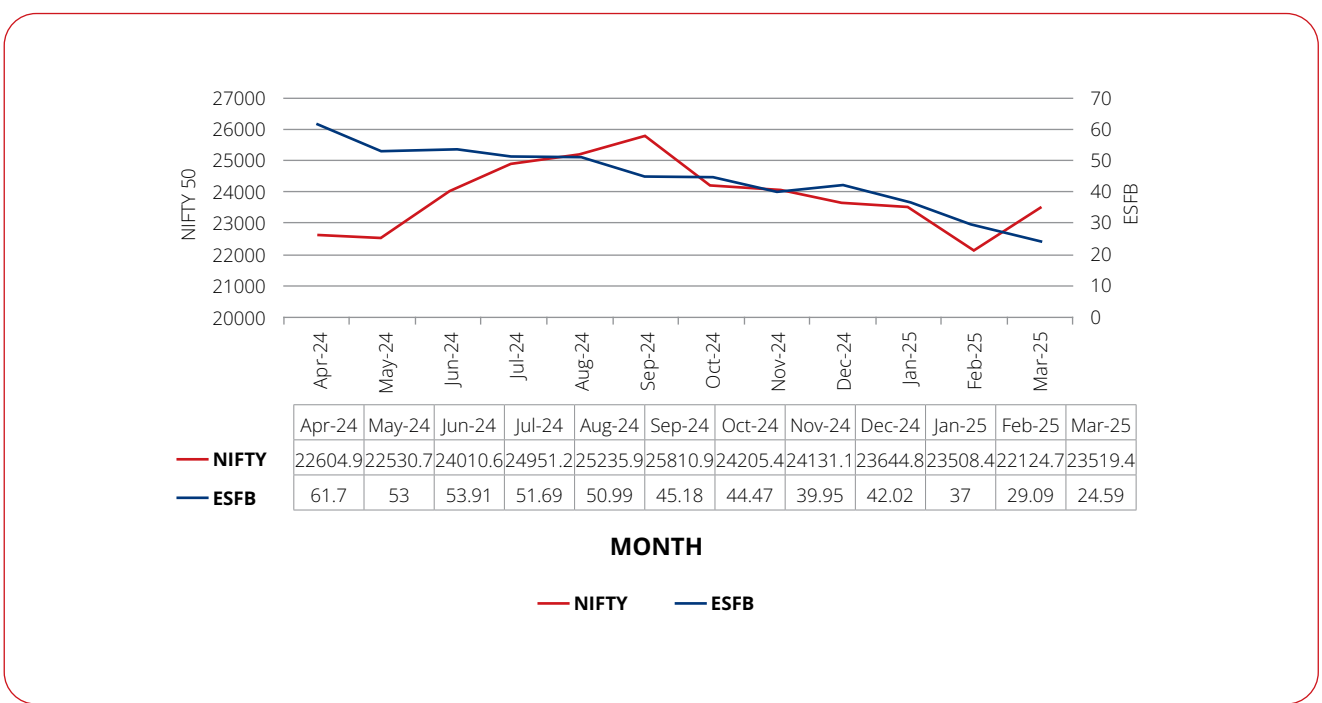
BSE Ltd. (BSE)			National Stock Exchange of India Ltd. (NSE)		
Month	High	Low	Month	High	Low
April, 2024	63.72	57.5	April, 2024	64.35	54.95
May, 2024	63.63	53.07	May, 2024	64.50	52.95
June, 2024	56.33	51.95	June, 2024	57	49
July, 2024	53.31	50.25	July, 2024	54.24	49.81
August, 2024	52.61	49.8	August, 2024	53.15	49.10
September, 2024	50.22	45.27	September, 2024	51.16	44.94
October, 2024	47.02	42.73	October, 2024	48.09	42.01
November, 2024	45.38	38.68	November, 2024	46.02	37.90
December, 2024	42.04	37.96	December, 2024	42.30	37.75
January, 2025	42.8	36.03	January, 2025	42.99	35.82
February, 2025	36.28	29.06	February, 2025	37.47	28.56
March, 2025	30.76	24.35	March, 2025	30.75	24.31

REPORT ON CORPORATE GOVERNANCE (Contd.)

PERFORMANCE OF THE ESAF SMALL FINANCE BANK EQUITY SHARES RELATIVE TO S&P BSE SENSEX FROM APRIL 2024 TO MARCH 2025.



PERFORMANCE OF THE ESAF SMALL FINANCE BANK EQUITY SHARES RELATIVE TO NSE NIFTY FROM APRIL 2024 TO MARCH 2025.





REPORT ON CORPORATE GOVERNANCE (Contd.)

The Bank's Equity shares were not suspended from trading during the year under review.

Registrar and Share Transfer Agent
MUFG INTIME INDIA PRIVATE LIMITED

(Formerly Link Intime India Private Limited)

C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg, Vikhroli (West),

NA, Mumbai, Mumbai City- 400083, Maharashtra, India

Tel: 912249186270

Email: rnt.helpdesk@in.mpms.mufg.com

Distribution of shareholding as on March 31, 2025

Sl. No.	Shareholding of Nominal shares		Number of shareholders	% of shareholders	Number of shares	% of shares
	From	To				
1	1-500		93,994	78.6673	1,48,44,538	2.88
2	501 -1000		11,123	9.3093	88,21,741	1.71
3	1001 - 2000		6,888	5.7648	1,04,14,910	2.02
4	2001 - 3000		2,517	2.1066	63,91,710	1.24
5	3001 - 4000		1,483	1.2412	52,75,368	1.02
6	4001 - 5000		896	0.7499	41,95,290	0.81
7	5001 - 10000		1,472	1.2320	1,08,33,874	2.10
8	10001 - 515427452		1,110	0.9290	45,46,50,021	88.21
			1,19,483	100	51,54,27,452	100

Category of shareholder as on March 31, 2025

Category	No. of Shares	% of total no. of shares
Promoter & Promoter Group	32,63,36,839	63.31
Corporate bodies & LLP	3,01,65,917	5.85
Banks, Financial Institutions, Insurance Companies, Mutual Funds, AIF	2,84,55,553	5.52
Indian public & other	8,44,54,579	16.39
NRI/OCB/ FII/foreign nationals	4,60,14,564	8.93
Total	51,54,27,452	100

Dematerialisation of shares and liquidity

The shares of the Bank are in dematerialised form and actively traded in National Stock Exchange of India Ltd., and BSE Ltd. The status of shares held in dematerialised form as on March 31, 2025 are given below:

Particulars	No. of shares	Percentage
Issued Capital	51,54,27,452	100
Listed Capital (Exchange-wise)	51,54,27,452	100
Shares held in Dematerialised Form	51,54,27,452	100
Shares held in Physical Form	NIL	NIL

REPORT ON CORPORATE GOVERNANCE (Contd.)

Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, conversion date and likely impact on equity:

Not applicable. The Bank has not yet issued GDRs/ ADRs and hence the same is not applicable in the Bank's case. The Bank does not have any outstanding Warrants or any other convertible instruments as on March 31, 2025.

Plant Locations

As the Bank is engaged in the business of Banking/ Financial Services, this is not applicable in the Bank's case. However, the Bank has 787 branches and 693 ATMs as on March 31, 2025.

Commodity price risk or foreign exchange risk and hedging activities

Risk is an integral part of the banking business and the Bank's aim is to maintain portfolio quality by making appropriate risk/reward trade-offs. Key risks that the Bank is exposed to are credit, concentration, market, country exposure, liquidity, operational and reputation risk. The Board of Directors of the Bank has oversight of all the risks assumed by the Bank and has delegated its power

to manage risk to Risk Management Committee (RMC) of the Board. The Bank does not have direct exposure on any commodities. The Bank has exposure to borrowers which are secured against various commodities.

During the year under review, the Bank has managed its foreign exchange risk by entering into hedging arrangements as and when considered necessary. The details of foreign currency risk and commodity price risk are disclosed in notes to the financial statements, which forms part of this Annual Report.

Address for investor correspondence is as follows

The Company Secretary and Compliance Officer

ESAF Small Finance Bank Limited

Building No. VII/83/8, ESAF Bhavan,

Thrissur-Palakkad National Highway,

Mannuthy, Thrissur, Kerala - 680651

Phone: 0487 7123456

e-mail: secretarial@esafbank.com

ranjith.raj@esafbank.com

List of credit rating obtained by the Bank with revision during the Financial Year.

The Bank's facilities are rated by CARE Ratings Limited and Brickwork Ratings India Private Limited. Credit ratings assigned to various debt instruments of the Bank during the Financial Year ended March 31, 2025 are as follows:

Sl. No.	Instrument	Name of the Credit Rating Agency	Amount (₹ in million)	Rating	Date of Re-affirmation
1	Tier-II Bonds	CARE Ratings Limited	3,600	CARE A; (Outlook: Negative)	March 28, 2025
2	Tier-II Bonds	Brickwork Ratings India Private Limited	200	BWR A/Stable	October 04, 2024

OTHER DISCLOSURES

Disclosure of material related party transaction that may have potential conflict with the interest of entity at large & web link for policy on dealing with related party transactions

During the year under review, no material related party transaction which had any potential conflict with the interest of entity at large was entered.

The Board of Directors of the Bank, as per the provisions of Regulation 23 of the Listing Regulations, has formulated a policy on Material Related Party Transaction. The said policy is available on the website of the Bank at <https://www.esafbank.com/storage/2025/04/Related-Party-Transaction-Policy.pdf> Related Party Transaction Policy. The related party transactions entered during the year under review are in the ordinary course of business and on arms' length basis. Further, a statement on all related party transactions is presented before the Audit Committee of the Bank on quarterly basis for its review.

Also, all related party transactions are mentioned in the standalone financial statements and Directors' report as at March 31, 2025 which forms part of this Annual Report for details of related party transactions.

Web link where policy on dealing with related party transactions

The Board of Directors has formulated a policy on Materiality and Dealing with Related Party Transactions and the same is hosted on the website of the Bank at <https://www.esafbank.com/storage/2025/04/Related-Party-Transaction-Policy.pdf>

REPORT ON CORPORATE GOVERNANCE (Contd.)

Details of Non-Compliance by the Bank, Penalties, strictures imposed on the Bank by Stock Exchange or the Board or any statutory authority, on any matter related to capital markets during lasts three years.

During the year under review, there were instance of non-compliance by the Bank and the Bank got penalised by BSE Ltd., Reserve Bank of India and GST Department. The penalties or strictures imposed by the regulators on the Bank is as follows:

Sl. No.	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In ₹)	Brief of the case
1	Commercial Tax Officer, Purasavakkam, Chennai Central	73,816	Penalty on non-reversal of Input Tax Credit and Non-distribution of Input Service Distribution (ISD). Based on the expert opinion, the Bank is filing an appeal.
2	Deputy Commissioner of State Tax, Bhopal, Madhya Pradesh	5,30,794	Allegation of Eway bills wrongly generated by vendor and Non-cancellation of the same and reversal as per GSTR-9 and reconciliation statement difference. Based on the expert opinion, the Bank is filing an appeal.
3	Deputy Commissioner of State Tax, Bhopal, Madhya Pradesh	2,49,639	Allegation of Eway bills wrongly generated by vendor and Non-cancellation of the same, reversal as per GSTR-9 and reconciliation statement difference, shortfall in Reverse Charge Mechanism payment. Based on the expert opinion, the Bank is filing an appeal.
4	BSE Limited	11,800	BSE Limited has imposed a monetary penalty of ₹ 11,800 for delayed submission of the notice of Record Date under Regulation 60(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
5	Reserve Bank of India	29,55,000	The Reserve Bank of India (RBI), by order dated January 05, 2024 and press release dated January 12, 2024, has imposed a monetary penalty of ₹ 29.55 lakhs (Rupees Twenty-Nine lakhs and Fifty-five Thousand only) on ESAF Small Finance Bank Limited (the Bank) for non-compliance with the directions issued by RBI on 'Customer Service in Banks'.
6	BSE Limited	17,700	BSE Limited has imposed a monetary penalty of ₹ 17,700 for delayed submission of financial results for the quarter and half year ended on September 30, 2023 under Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Details of establishment of Vigil Mechanism and Whistle Blower Policy

The Bank has put in place a 'Whistle Blower Policy/ Vigil Mechanism' in compliance with the provisions of Regulations 4(2) (d) and 22 of the SEBI LODR Regulations, the Companies Act, 2013 and SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended.

The Bank has established the Vigil Mechanism/ Whistle Blower Policy for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Bank's Code of Conduct or ethics policy. The Vigil Mechanism provides for adequate

safeguards against victimisation of Directors/ Employees who blow the whistle and the Bank affirms that no employee has been denied access to the Audit Committee of the Board under the Whistle Blower/ Vigil Mechanism in the Bank. The details of the Whistle Blower Policy is available on the website of the Bank at <https://www.esafbank.com/storage/2025/04/Whistle-Blower-Policy-V-8.0.pdf>.

Details of compliance with mandatory requirements and adoption of the nonmandatory requirements

The Bank has fully complied with the mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Details of policy for determining material subsidiaries

The Bank does not have material subsidiaries, joint ventures or associate companies.

Details of utilisation of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A).

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

Certificate from a Company secretary in practice that none of the Directors on the board of the Bank have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

Pursuant to the Regulation 34(3) read with Schedule V (C)(10)(i) of the Listing Regulations, a certificate has been obtained from "SEP & Associates", Practising Company Secretaries, confirming that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of the Companies either by Securities and Exchange Board of India or the Ministry of Corporate Affairs or any other Statutory Authorities. Certificate obtained from the Practising Company Secretary, forms part of this Report.

Where the Board had not accepted any recommendation of any Committee of the Board which is mandatorily required, in the relevant Financial Year, the same to be disclosed along with reasons.

During the year under review, the Board has accepted all the recommendations of all the Committees of the Board.

Disclosure by listed entity and its subsidiaries of 'loans and advances in the nature of loans to firms/ companies in which directors are interested by name and amount.

During the year under review, the listed entity and its subsidiaries has not given any loans and advances to firms/ companies in which directors are interested.

Details of material subsidiaries of the listed entity; including the date and place of incorporation and

the name and date of appointment of the statutory auditors of such subsidiaries.

Not applicable as the Bank does not have material subsidiaries.

TOTAL FEES PAID TO STATUTORY AUDITORS

M/s. Abarna and Ananthan Chartered Accountants (Firm Registration Number: 000003S) and M/s. Kirtane and Pandit, Chartered Accountants (Firm Registration Number: 105215W/ W100057) were appointed as Joint Auditors of the Bank on 06th Annual General Meeting held on December 13, 2022 and 07th Annual General Meeting held on December 29, 2023 respectively. Fees paid to Statutory Auditors is provided in the financial statements as at March 31, 2025 which forms part of this Annual Report.

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

The Prevention of Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013 ("POSH") has been implemented with the aim of preventing and protecting women from sexual harassment at the workplace and thereby ensuring a safe working environment for women. The POSH Act, as mandatory compliance, requires to constitute an Internal Complaints Committee ("ICC") in the prescribed manner in order to receive and address complaints of any sort of sexual harassment from women in a time-bound and extremely confidential manner. The ICC will have the power to investigate and redress complaints of sexual harassment in the manner enumerated under the POSH Act and POSH Rules.

At our Bank, every staff has the right to be treated with dignity and respect. The Bank shows no leniency towards harassment of women at workplace and this is strictly forbidden as it could lead to vicious act. The Bank has formulated a policy on "Prevention, Prohibition and Redressal of sexual harassment of women employees at workplace and Redressal of Complaints of sexual harassment" in compliance with the POSH Act and Rule to ensure a harmless workplace for the women employees in the Bank. As per Section 4 of "The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act- 2013", the Bank constitutes an Internal Complaints Committee to prevent women harassment at workplace to provide them with better atmosphere.



REPORT ON CORPORATE GOVERNANCE (Contd.)

The disclosure required under section 22 of the Sexual Harassment of Women at the workplace (Prevention, Prohibition & Redressal) Act, 2013 are given below:

Complaints Received	Complaint Status	
Number of complaints pending as on the beginning of the Financial Year	NIL	
Number of complaints of sexual harassment received in the year	4	
Number of complaints disposed off during the year	4	
Number of complaints pending as on the end of the Financial Year	NIL	
Number of cases pending for more than ninety days	NIL	
Remedial measures taken by the Bank	1. Counselling 2. Warning and Admonition	
No. of workshops or awareness programmes against sexual harassment	1. Workshops -146 2. E-shiksha – 1303 Employees 3. Posters in all branches 4. Circulars on notice board of all branches.	
Nature of action taken by employer/district officer	Total Cases Disposed of	4
	Termination/Dismissal	NIL
	Warning	2
	Complaint Withdrawn	NIL
	Allegation not proved	NIL

DETAILS OF ADOPTION OF DISCRETIONARY REQUIREMENTS SPECIFIED IN PART E OF SCHEDULE II TO THE LISTING REGULATIONS

The Bank has adopted the following non-mandatory requirements of Part E of Schedule II to the listing Regulations.

- The Chairperson of the Bank is in Non- Executive Category.
- The listed entity follows the regime of financial statements with unmodified audit opinion.
- The Independent firms of the Internal Auditors of the Bank are directly reporting to the Audit Committee of the Board.

DISCLOSURE ON COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Bank has complied with all the requirements of Corporate Governance mentioned in the Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations wherever applicable.

DETAILS OF OTHER COMPLIANCES

Details of compliances of provisions relating to Corporate Governance in various Regulations of the Listing Regulations, other than those specified above are as under:

Notice of interest by Senior Management Personnel

The Senior Management team has confirmed to the Board of Directors that no material and commercial transactions have been entered into between the Bank and Members of the Senior Management team, where they have personal interest.

Management Discussion and Analysis Report

Management Discussion and Analysis Report detailing the industry developments, segment-wise/product-wise performance and other matters, forms part of this Annual Report.

Non-compliance of any requirement of Corporate Governance Report, with reasons if any, thereof shall be disclosed.

The Bank has complied with all the requirements of Corporate Governance Report as specified in sub-paras (2) to (10) of Schedule V (c) of the listing regulations.

Risk management

The Board has adopted Risk Management Policy of the Bank and has implemented the procedures to inform the members of Audit Committee and Board about the risk assessment and mitigations. The members of the Committee consist of one Part-Time Chairman and Executive Director, Two Non-Executive Independent

REPORT ON CORPORATE GOVERNANCE (Contd.)

Directors, One Non-Executive Nominee Director and Managing Director and Chief Executive Officer of the Bank. A detailed note on Risk Management forms part of this Annual Report.

Review of compliance reports pertaining to all laws applicable to the Bank

A comprehensive report on the status of compliance, with all the applicable laws to the Bank is placed before the Board on a quarterly basis for their review and knowledge.

COMPLIANCE WITH SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015

The Bank has adopted a “Code of Conduct- Prohibition of Insider Trading Policy” in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended (PIT Regulations), to regulate, monitor and report trading in Securities of the Bank by Designated Persons and their Immediate Relatives. The Code is applicable to Promoters and Promoter's Group, all Directors, Designated Persons, Connected Persons and their Immediate Relatives who are expected to have access to Unpublished Price Sensitive Information (UPSI) relating to the Bank. The objective of this Code is the preservation of confidentiality of UPSI, to prevent misuse of such information and to prohibit Designated Persons and their Immediate Relatives from trading in the Bank's Securities while in possession of UPSI.

The Company Secretary has been designated as the Compliance Officer for this purpose and is responsible for setting forth policies, procedures and monitoring adherence to the SEBI Regulations and the Bank's Code of Conduct.

This Code also lays down the ethical standards to be adhered to while trading in Securities of the Bank. The Code requires that trading by Designated Persons and their Immediate Relatives shall be subject to pre- clearance by the Compliance Officer, if the value of the proposed trade(s) is above a minimum threshold limit of ₹10,00,000/- (Rupees Ten Lakh) in value (either in one transaction or series of transaction) over any calendar quarter, or such other limits as the Board may stipulate. This is a mandatory requirement even when the trading window is open. Further it prohibits the purchase or sale of Bank's securities by the Promoters, Directors, KMPs, Auditors, Designated Persons, other Connected Persons and their immediate relatives of the Bank while in possession of UPSI in relation to the Bank. Further, trading window shall be closed from the end of every quarter till 48 hours after the declaration of financial results. The details of Trading Window closure during the period under review are mentioned below:

Trading Window Closure Period	Purpose of closure of Trading Window
April 01, 2024 to May 10 2024	For announcement/declaration of the Audited Financial Results of the Bank for the quarter and Financial Year ending on March 31, 2024.
July 01, 2024 to July 28, 2024	For announcement/declaration of the Unaudited Financial Results of the Bank for the Quarter ending on June 30, 2024.
October 01, 2024 to November 15, 2024	For announcement/declaration of the Unaudited Financial Results of the Bank for the Quarter ending on September 30, 2024.
January 01, 2025 to February 12, 2025	For announcement/declaration of the Unaudited Financial Results of the Bank for the Quarter ending on December 31, 2024.
April 01, 2025 to May 18, 2025	For announcement/declaration of the Audited Financial Results of the Bank for the Quarter and Financial Year ending on March 31, 2025.

DISCLOSURE OF CERTAIN TYPES OF AGREEMENTS BINDING THE BANK

The Bank has not entered into any such agreements binding the Bank.

AGREEMENT EXECUTED WITH EXECUTIVE DIRECTORS

Bank has not executed any agreements with its Executive Directors.

CEO/CFO CERTIFICATION

The certification by Managing Director & CEO and Chief Financial Officer pursuant to the Regulation 17(8) read with Part B of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on the financial statements and internal controls relating to financial reporting has been obtained and the same forms part of the Annual Report..

Pursuant to Regulation 17(8) of the Listing Regulations, Dr. Kadambelil Paul Thomas, Managing Director and Chief Executive Officer and Shri. Gireesh C. P., Executive Vice President - Finance and Chief Financial Officer, has given CEO/CFO Certificate as per the format specified in part B to the Schedule II of the Listing Regulations, and said certificate was placed before the meeting of Board of Directors in their meeting held on May 16, 2025 and is annexed to this report.



REPORT ON CORPORATE GOVERNANCE (Contd.)

COMPLIANCE WITH MANDATORY REQUIREMENTS

The Bank's shares were listed on the Stock Exchanges on November 10, 2023. The Bank has complied with all mandatory recommendations prescribed in Listing Agreement/ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 from the date of listing or from the respective date of applicability of the same in the Bank's case, whichever is earlier. A certificate to this effect issued by SEP & Associates, Practising Company Secretaries, is annexed.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

In addition to the Mandatory Requirements, the Bank has ensured the implementation of the non-mandatory requirements as suggested in Regulation 27 read with Part E of Schedule II of the Listing Regulations.

1	Shareholders' rights	The Bank publishes its financial result once approved by the Board of Directors to the Stock Exchanges within 30 minutes (under Regulation 30 of the Listing Regulations) of the conclusion of the agenda/meeting. The same are also available on the websites of the Stock Exchanges. Quarterly/Annual Financial statements are also published in the Newspapers and uploaded in the Bank's website. Shareholders/Investor presentations on Quarterly / Annual financial statements are uploaded in the Bank's website and intimated to Stock Exchanges and where shares of the Bank are listed. The quarterly/ yearly financial results, press release published thereon, and investor presentations are sent to the shareholders via email.
2	Separate posts of Chairperson and the Managing Director or the Chief Executive Officer	The Bank has separated the positions of the Chairperson and the Managing Director & Chief Executive Officer. The Part-Time Chairperson is a Non-Executive Independent Director and is not related to the Managing Director & Chief Executive Officer as per the definition of the term "relative" defined under the Companies Act, 2013.
3	Reporting of Internal Auditor	The Internal Auditor directly reports to the Audit Committee of the Board.

DECLARATION OF COMPLIANCE WITH THE CODE OF CONDUCT

GOVERNANCE CODES	The Bank has adopted a 'Code of Conduct and Ethics for Board of Directors and Senior Management Personnel of the Bank' which is applicable to the Board of Directors and Senior Management personnel of the Bank. The code requires Directors and Senior Management Team members to act honestly, fairly, ethically and with integrity, conduct themselves in professional, courteous and respectful manner. All the Directors and Senior Management personnel have affirmed compliance with the Code of Conduct as approved and adopted by the Board of Directors. An annual confirmation of the Code of Conduct is taken from all the Directors and Senior Managerial Personnel to whom the Code applies. Managing Director & CEO's affirmation that the Code of Conduct has been complied with by the persons covered under the Code is given at the end/part of this report as per the requirements of Regulation 34(3) read with Schedule V (D) of the Listing Regulations.
CONFLICT OF INTERESTS	Each Director informs the Bank on an annual basis about the Board and the Committee positions they occupy in other companies including Chairpersonships and notifies changes during the year. The members of the Board while discharging their duties, avoid conflict of interest in the decision-making process. The Members of Board restrict themselves from any discussion and voting in transactions in which they have concern or interest.

SEBI INVESTOR COMPLAINTS REDRESSAL SYSTEM (SCORES)

SCORES platform of SEBI facilitates online filing of investor grievance/ complaints and online view of the status of the same. The Bank endeavours to redress the grievance/ complaints of the Investors within the prescribed time frame, from the date of lodgement of complaint in SCORES platform. The details of each grievance /complaint (category wise) received and redressed are furnished to the Stakeholders Relationship Committee of the Board (SRC) and to the Board on a quarterly basis.

REPORT ON CORPORATE GOVERNANCE (Contd.)

GREEN INITIATIVES

In terms of Rule 18 of the Companies (Management and Administration) Rules, 2014, MCA Circular no. 09/2023 dated September 25, 2023 and SEBI circular no. SEBI/HO/ CFD/CFD PoD[1]2/P/CIR/2023/167 dated October 07, 2023, the Annual Report containing the Standalone Financial Statements for Financial Year 2024, the Board's Report, the Auditors' Report and other documents required to be attached thereto along with the notice convening the 9th AGM is being sent only through electronic mode to those members who have registered their email address(es) with the Bank / the RTA or their respective DPs, as the case may be. Accordingly, no physical copy of the notice of the 09th AGM and the Annual Report for Financial Year 2025 is being sent to members who have not registered their email address(es) with the Bank / RTA. Any member who wishes to receive a physical copy of the Annual Report is requested to write to investor.relations@esafbank.com or quoting his / her DP ID and client ID / folio number as the case may be to enable the Bank to provide physical copy of the said documents at free of cost. Please note that the said documents are also uploaded on the Bank's website <https://www.esafbank.com/investor-relation/?id=annual-reports>.

LINKS OF KEY INFORMATION AVAILABLE ON THE WEBSITE

Particulars	Website links
Basic Information	https://www.esafbank.com/about-us/
Board of Directors	https://www.esafbank.com/team/board-of-directors/
Vision Mission Statement	https://www.esafbank.com/vision-and-mission/
Board Committees	https://www.esafbank.com/investor-relation/?id=board-committee
Terms and conditions of appointment of Independent Directors	https://www.esafbank.com/pdf/policies/other-disclosures/Terms%20and%20conditions%20of%20appointment%20of%20Independent-Directors.pdf
Disclosure on Familiarisation Programmes for Independent Directors	https://www.esafbank.com/pdf/corporate-governance/Familiarisation%20Programme%20for%20Independent%20Directors.pdf
Disclosure on Related Party Transactions	https://www.esafbank.com/storage/2025/04/Related-Party-Transaction-Policy.pdf
Annual Secretarial Compliance Report	https://www.esafbank.com/investor-relation/?id=secretarial-compliance-report
Shareholding Pattern	https://www.esafbank.com/investor-relation/?id=stock-information
Compliance report on Corporate Governance	https://www.esafbank.com/investor-relation/?id=corporate-governance
Statement of Investor Complaints	https://www.esafbank.com/investor-relation/?id=disclosure-to-stock-exchanges
General Meetings	https://www.esafbank.com/investor-relation/?id=shareholders-meeting
Investor Assistance	https://www.esafbank.com/investor-relation/?id=investor-contacts

BOARD INTERACTION WITH STAKEHOLDERS

Earnings Calls/ Investors Presentations/ Media Releases

The Bank conducts meetings/calls with Institutional Investors and Analysts every quarter, after the results are declared. The Investor presentations and transcript/audio recordings of the Institutional Investors and Analysts calls are uploaded on the Bank's website at <https://www.esafbank.com/investor-relation/?id=presentation-and-concall-transcript> and also submitted to the stock exchanges. The Bank also uploads the audio recordings of the Institutional Investors and Analysts meetings/ calls on the Bank's website at <https://www.esafbank.com/investor-relation/?id=presentation-and-concall-transcript> with a reporting of the same to the stock exchanges.

REPORT ON CORPORATE GOVERNANCE (Contd.)

INVESTOR HELP DESK

All investor-related activities are attended to and processed at the office of the Bank/ Bank's Registrars and Transfer Agents (RTAs). Pursuant to Regulation 6(2)(d) of the Listing Regulations, the Bank has created a separate email ID viz. investor.relations@esafbank.com for redressal of Investor Complaints and Grievances.

By Order of the Board

Sd/-

Ravimohan Periyakavil Ramakrishnan

Part-Time Chairman and Non-Executive Independent Director
(DIN:08534931)

Place: Thrissur
Date: May 16, 2025



REPORT ON CORPORATE GOVERNANCE (Contd.)

AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

I, Kadambelil Paul Thomas, Managing Director & CEO, hereby declare that the Bank's Code of Conduct and Ethics for the Board of Directors and Senior Management Personnel has been duly accepted, and that all members of the Board of Directors and Senior Management Personnel have affirmed compliance with the said Code, as required under Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on Corporate Governance.

By Order of the Board

Sd/-

Kadambelil Paul Thomas

Managing Director & CEO
(DIN: 00199925)

Place: Thrissur
Date: May 16, 2025



REPORT ON CORPORATE GOVERNANCE (Contd.)

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

To
The Members,
ESAF Small Finance Bank Limited,
Building No.VII/83/8, ESAF Bhavan,
Thrissur-Palakkad National Highway,
Mannuthy, Thrissur, Kerala, India, 680651

1. We have examined the compliance of conditions of Corporate Governance by M/s. ESAF Small Finance Bank Limited (hereinafter referred as "the Company") for the Financial Year ended March 31, 2025, as prescribed under Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraphs(s) C, D and E of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as "Listing Regulations").

Management's Responsibility

2. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations. Responsibility also includes collecting, collating and validating data and designing, implementing and monitoring of Corporate Governance process suitable for ensuring compliance with the above-mentioned Listing Regulations.

Our Responsibility

3. Pursuant to the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended March 31, 2025.
4. We have examined the compliance of conditions of Corporate Governance by the Company for the period April 1, 2024 to March 31, 2025 as per the Listing Regulations. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance for the period April 01, 2024 to March 31, 2025. It is neither an audit nor an expression of opinion on the financial statements of the Company.

Opinion

5. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) and paragraph(s) C and D of Schedule V to the Listing Regulations during the financial year ended March 31, 2025.
6. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Restriction on use

7. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose.

For SEP & Associates
Company Secretaries
(Peer Review Certificate No. 3693/2023)

CS Puzhankara Sivakumar
Managing Partner
FCS: 3050 COP: 2210
UDIN: F003050G001020066

Place: Ernakulam
Date: May 16, 2025

REPORT ON CORPORATE GOVERNANCE (Contd.)

CEO / CFO CERTIFICATION

We, Kadambelil Paul Thomas, Managing Director & CEO and Gireesh C. P., Chief Financial Officer of ESAF Small Finance Bank Limited hereby certify that:

- (A) We have reviewed financial statements for the 12 months ended March 31, 2025, and that to the best of our knowledge and belief:
 - (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (B) There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the period which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- (C) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
- (D) We have indicated to the auditors and the Audit Committee:
 - (1) there has not been any significant changes in internal control over financial reporting during the period;
 - (2) there has not been any significant changes in accounting policies during the period; and
 - (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Sd/-
Gireesh C. P.
Chief Financial Officer

Place: Thrissur
Date: May 16, 2025

Sd/-
Kadambelil Paul Thomas
Managing Director & CEO
(DIN: 00199925)



REPORT ON CORPORATE GOVERNANCE (Contd.)

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and clause (10)(i) of Para C of Schedule V of SEBI
(Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
ESAF Small Finance Bank Limited
ESAF Bhavan, Thrissur-Palakkad National Highway,
Thrissur, Kerala, India, 680651

We SEP & Associates, Company Secretaries, Kochi, have examined the relevant registers, records, forms, returns and disclosures received from the Directors of ESAF Small Finance Bank Limited having CIN L65990KL2016PLC045669 and having registered office at Building No.VII/83/8, ESAF Bhavan, Thrissur-Palakkad National Highway, Mannuthy, Thrissur, Kerala, India - 680651 (hereinafter referred to as 'the Company'), produced before us by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Bank & its officers, we hereby certify that none of the Directors on the Board of the Bank as stated below for the Financial Year ending on March 31, 2025 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sl. No.	Name of Director	DIN	Date of appointment in the Bank
1	Shri. Ravimohan Periyakavil Ramakrishnan	08534931	December 21, 2019
2	Dr. Kadambelil Paul Thomas	00199925	May 05, 2016
3	Shri. Thomas Jacob Kalappila	00812892	March 10, 2020
4	Dr. Vinod Vijayalekshmi Vasudevan	02503201	December 22, 2021
5	Shri. Ravi Venkatraman	00307328	December 13, 2022
6	Smt. Kolasseril Chandramohanan Ranjani	01735529	December 13, 2022
7	Prof. Biju Varkkey	01298281	August 17, 2023
8	Dr. Joseph Vadakkekara Antony	00181554	November 18, 2023
9	Shri. Ajayan Mangalath Gopalakrishnan Nair	09782416	December 13, 2022
10	Shri. John Samuel	07725212	December 13, 2022
11	Shri. George Kalaparambil John	00694646	May 18, 2024

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

For SEP & Associates
Company Secretaries
(Peer Review Certificate No.3693/ 2023)

CS Puzhankara Sivakumar
Managing Partner
FCS: 3050 COP: 2210
UDIN: F003050G001020055

Place: Ernakulam
Date: May 16, 2025

INDEPENDENT AUDITORS' REPORT

To the Members of ESAF SMALL FINANCE BANK LIMITED

Report on the Audit of the Financial Statements

OPINION

We have audited the accompanying financial statements of **ESAF SMALL FINANCE BANK LIMITED** (the "Bank"), which comprise the Balance Sheet as at March 31, 2025, Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information, and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act ("Accounting Standards") as applicable to the Bank, the relevant circulars, guidelines and directions issued by the Reserve Bank of India ("RBI") from time to time and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2025, its profit and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sl. No.	Key Audit Matter	Auditors Response
1	Classification of Advances, Provisioning and other relevant compliance of RBI Guidelines: The Bank's portfolio comprises of Net Advances of ₹ 18,027 crore as at March 31, 2025 comprising Micro Banking and Retail Banking. As required by Income Recognition and Asset Classification Norms (IRAC), guidelines issued by RBI and other circulars, notification and directives issued by RBI, the Bank has classified Advances and has made appropriate provisions in accordance with such guidelines. Income from Advances constitutes ₹ 3,410.50 crore 78.78% of Total Income. The provision in respect of NPA is ₹ 1496.60 crore, which constitutes 30.85% of the total expenditure. The carrying value of these advances (net of provisions) may be materially misstated if, either individually or in aggregate the IRAC Norms, are not properly followed. Besides identification of and provisioning requirement for non-performing loans in accordance with the RBI guidelines also includes management estimates and judgement. Since the identification of NPAs and provisioning for such advances is significant to the overall audit, we have concluded that this is a key audit matter.	- We have tested the design and operating effectiveness of the key controls of the system, application, process over approval, recording, monitoring, recovery of loans, overdue & stressed accounts, identification of Non-Performing Advances (NPA), provision of NPA including verification of valuation of reports of experts for primary and collateral securities based on the understanding of the prudential guidelines and overall organisational IT framework of the Bank and communication through various circulars and reports. - We have evaluated the Internal Controls over the sanctioning & monitoring process and the possible system override / circumvention to such controls supervisory framework such as Internal Audit, Credit Audit, Concurrent Audit, Systems Audit, as well as Internal Check, effectiveness of such framework as per the policies and procedures of the Bank and in compliance with prudential guidelines.

INDEPENDENT AUDITOR'S REPORT (Contd.)

Sl. No.	Key Audit Matter	Auditors Response
		- Selected samples of NPA borrowers based on quantitative and qualitative risk factors to ascertain proper classification based on the age of the NPA status including computation of overdue period to assess the correct classification and required provision as per the IRAC norms and the Bank's policy. - We have tested samples of Performing Assets for ascertaining compliance with the IRAC norms. - Performed inquiries with the Credit and Risk department to ascertain if there were any indicators of stress or occurrence of an event of default in a loan account or any product which are to be classified as NPA. - We have assessed the adequacy of the disclosures as prescribed in the relevant accounting standards and the RBI requirements relating to NPAs. - With respect to contingency provision held as at March 31, 2025 towards unforeseen risk and stress emanating from certain portfolio of advances, we have tested key inputs, assumptions and methodology used by the management in estimating the required provision.
2	Key Information Technology (IT) systems used in financial reporting process: As a Scheduled Commercial Bank that operates on Core Banking Solution ("CBS") and other applications across its branches, the reliability and security of IT systems plays a key role in the business operations. Since a 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. 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. 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.	In assessing the controls over the IT systems of the Bank, we involved our technology specialists to understand the IT control environment, IT infrastructure and IT systems. We conducted an assessment and identified key IT systems that are critical for accounting and financial reporting process and are relevant for our audit and tested their internal controls. In particular: - 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 the Bank's controls to evaluate segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit; - We tested key automated and manual business cycle controls and logic for system-generated reports relevant to the audit; and - We also tested compensating controls and performed alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements.



INDEPENDENT AUDITOR'S REPORT (Contd.)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

- The Bank's Board of Directors is responsible for the preparation of the other information. The other information comprises the Chairman's Statement, the Directors' Report including annexures to the Directors' Report included in the Annual Report but does not include the financial statements and our Auditors Report thereon and the Basel II Disclosures under New Capital Adequacy Framework (Basel II Disclosures). The Directors' Report is expected to be made available to us after the date of this Auditors' Report.
- Our opinion on the financial statements does not cover the other information and Basel II Disclosures available in the website of the Bank and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, Accounting Standards and other accounting principles generally accepted in India and the circulars, guidelines and the directions issued by RBI, 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 the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' 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 Auditors' 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 Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- 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:
 - 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.

- In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.
- As explained in the paragraph 2 below, the financial accounting system of the Bank is centralised and, therefore, accounting returns are not required to be submitted by branches.
- In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
- The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act as applicable to the Bank.
- 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, 2025 from being appointed as a director in terms of Section 164(2) of the Act.
- With respect to the maintenance of accounts and other matters connected therewith, reference is made to our remarks in paragraph 1(b) above on reporting under Section 143(3)(b) and paragraph 1(k)(v) below on reporting under Rule 11(g) of the Rules,
- With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls with reference to financial statements.
- With respect to the other matters to be included in the Auditors' 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.
- With respect to the other matters to be included



in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

- The Bank has disclosed the impact of pending litigations on its financial position as at the year-end in its financial statements - Refer Schedule 12 to the financial statements;
- The Bank did not have any long-term contracts including derivative contracts as at the year-end for which there were any material foreseeable losses.
- There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
- The Management has represented that, to the best of its knowledge and belief, as disclosed in the note 18.16 to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - The Management has represented, that, to the best of its knowledge and belief, as disclosed in Note B.16 of Schedule 18 to the financial statements, no funds have been received by the Bank from any person(s) or entity(ies), including

foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
- Based on our examination, which included test checks, the Bank has used accounting softwares for maintaining its books of account for the Financial Year ended March 31, 2025 which has a feature of recording audit trail (edit log) facility, and the same has operated throughout the year for all relevant transactions recorded in the software systems. Further, during the course of our audit, we did not come across any instance of the audit trail feature being tampered with and the audit trail has been preserved by the Bank as per the statutory requirements for record retention.

- We report that during the course of our audit, we have visited and performed select relevant procedures at 34 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 **Abarna & Ananthan**
Chartered Accountants
Firm Registration No. 000003S

Abarna Bhaskar
Partner
Membership No. 025145
UDIN: 25025145BMKWVP1881

Place: Mannuthy
Date : May 16, 2025

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm Registration No.: 105215W/W100057

Sandeep Welling
Partner
Membership No. 044576
UDIN: 25044576BMKYD2962

Place: Mannuthy
Date : May 16, 2025

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(i) 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, 2025 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 the Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the 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

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT (Contd.)

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

OPINION

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls

with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2025, 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 **Abarna & Ananthan**
Chartered Accountants
Firm Registration No. 0000035

Abarna Bhaskar
Partner
Membership No. 025145
UDIN: 25025145BMKWVP1881

Place: Mannuthy
Date : May 16, 2025

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm Registration No.: 105215W/W100057

Sandeep Welling
Partner
Membership No. 044576
UDIN: 25044576BMKQYD2962

Place: Mannuthy
Date : May 16, 2025

BALANCE SHEET

AS AT MARCH 31, 2025

(₹ In Thousands)			
	Schedule No.	As at March 31, 2025	As at March 31, 2024
CAPITAL AND LIABILITIES			
Capital	1	51,54,275	51,47,799
Employee Stock Options Outstanding		40,368	56,794
Reserves and Surplus	2	1,42,95,845	1,97,13,342
Deposits	3	23,27,64,400	19,86,78,036
Borrowings	4	1,40,57,300	3,22,25,300
Other Liabilities and Provisions	5	54,70,706	50,47,674
Total		27,17,82,894	26,08,68,945
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,35,14,295	1,36,46,453
Balances with Banks and Money at Call and Short Notice	7	62,76,839	5,82,795
Investments	8	5,99,52,619	5,54,10,223
Advances	9	18,02,78,720	18,29,31,116
Fixed Assets	10	30,04,175	20,75,529
Other Assets	11	87,56,246	62,22,829
Total		27,17,82,894	26,08,68,945
Contingent Liabilities	12	19,85,923	21,949
Bills for Collection		-	-
Significant Accounting Policies and Notes to Accounts Forming Part of Financial Statements	17 & 18		

Schedules referred to above form an integral part of the Financial statements.

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

In terms of our report attached

For and on behalf of the Board of Directors

For **Abarna & Ananthan**
Chartered Accountants
Firm's Registration Number: 000003S

P.R. Ravi Mohan
Chairman
DIN:08534931

Dr. Kadambelil Paul Thomas
Managing Director & CEO
DIN: 00199925

Abarna Bhaskar
Partner
Membership No. : 025145

Thomas Jacob Kalappila
Director
DIN: 00812892

George K. John
Executive Director
DIN:00694646

Place : Mannuthy
Date: May 16, 2025

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm's Registration Number: 105215W/W100057

Sandeep Welling
Partner
Membership No. : 044576

Gireesh C.P.
Chief Financial Officer

Ranjith Raj P.
Company Secretary

Place : Mannuthy
Date : May 16, 2025

Place : Mannuthy
Date : May 16, 2025



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2025

(₹ In Thousands)			
	Schedule No.	Year ended March 31, 2025	Year ended March 31, 2024
I. INCOME			
Interest Earned	13	3,86,22,200	3,81,85,309
Other Income	14	46,70,884	44,17,211
Total		4,32,93,084	4,26,02,520
II. EXPENDITURE			
Interest Expended	15	1,81,06,897	1,44,87,344
Operating Expenses	16	1,96,15,082	1,64,88,295
Provisions and Contingencies		1,07,85,000	73,71,204
Total		4,85,06,979	3,83,46,843
III. PROFIT			
Net Profit /(Loss) for the year (I - II)		(52,13,895)	42,55,677
Add: Balance in Profit and Loss Account Brought Forward From Previous Year		85,72,774	54,20,221
		33,58,879	96,75,898
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		-	10,63,919
Transfer to Capital Reserve		86,708	10,174
Dividend Paid		3,60,346	-
Transfer to/(from) Investment Fluctuation Reserve		-	29,031
Balance Carried Over to Balance Sheet		29,11,825	85,72,774
Total		33,58,879	96,75,898
Earnings per Share (face value of ₹10/- each) (Refer Note B.1 of schedule 18)			
Basic (₹)		(10.13)	8.96
Diluted (₹)		(10.12)	8.94
Significant Accounting Policies and Notes to Accounts Forming Part of Financial Statements	17 & 18		

Schedules referred to above form an integral part of the Financial statements.

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

In terms of our report attached

For and on behalf of the Board of Directors

For **Abarna & Ananthan**
Chartered Accountants
Firm's Registration Number: 000003S

P.R. Ravi Mohan
Chairman
DIN:08534931

Dr. Kadambelil Paul Thomas
Managing Director & CEO
DIN: 00199925

Abarna Bhaskar
Partner
Membership No. : 025145

Thomas Jacob Kalappila
Director
DIN: 00812892

George K. John
Executive Director
DIN:00694646

Place : Mannuthy
Date: May 16, 2025

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm's Registration Number: 105215W/W100057

Sandeep Welling
Partner
Membership No. : 044576

Gireesh C.P.
Chief Financial Officer

Ranjith Raj P.
Company Secretary

Place : Mannuthy
Date : May 16, 2025

Place : Mannuthy
Date : May 16, 2025

CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2025

(₹ In Thousands)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Cash Flow from Operating Activities		
Net Profit/(Loss) Before Tax	(69,29,720)	57,04,124
Adjustments for:		
Depreciation on Bank's Property	5,92,542	5,09,940
Amortisation of Premium/ Discount on HTM Investments	5,673	64,766
Profit on Sale of Investments (net)	(7,91,569)	(2,06,516)
(Profit)/ Loss on Sale of Fixed Assets	(943)	(895)
Provision for Non-Performing Advances	1,49,66,061	58,90,179
Provision for Standard Advances	61,127	2,04,304
Expense on Employee Stock Option	39,480	(1,958)
Profit on Revaluation of Investments (net)	(23,372)	(2,01,654)
Provision/(Reversal) for Other Contingencies	24,641	(74,038)
	79,43,920	1,18,88,252
(Increase)/ Decrease in Investments (other than HTM Investments)	25,62,125	(10,61,495)
(Increase)/ Decrease in Advances	(1,23,13,664)	(4,95,77,989)
(Increase)/ Decrease in Fixed Deposit with Bank (Original Maturity greater than 3 months)	(3,183)	(23,801)
(Increase)/ Decrease in Other Assets	(7,93,814)	(16,62,918)
Increase/ (Decrease) in Deposits	3,40,86,363	5,20,21,799
Increase/ (Decrease) in Other Liabilities and Provisions	3,37,264	28,723
Direct Taxes Paid (net)	(55,789)	(16,03,293)
Net Cash Flow from/(used in) Operating Activites (A)	3,17,63,222	1,00,09,278
Cash Flow from/(Used in) Investing Activities		
Purchase of Fixed Assets	(15,26,801)	(7,14,122)
Proceeds from Sale of Fixed Assets	6,556	8,818
(Increase)/ Decrease in Held to Maturity Investments	(61,68,070)	(51,20,049)
Net Cash Used in Investing Activities (B)	(76,88,315)	(58,25,353)
Cash Flow from/(Used in) Financing Activities		
Proceeds from Issue of Share Capital (including Share Premium)	12,142	39,07,000
Share Issue Expenses	-	(2,39,311)
Dividend Paid	(3,60,346)	-
Increase/(Decrease) in Borrowings	(1,81,68,000)	(13,16,656)
Cash Flow from/(Used in) Financing Activities (C)	(1,85,16,204)	23,51,033
Net Increase in Cash and Cash Equivalents (A+B+C)	55,58,703	65,34,958
Cash and Cash Equivalents at the Beginning of Period/Year	1,41,99,197	76,64,239
Cash and Cash Equivalents at the End of Period/Year	1,97,57,900	1,41,99,197



CASH FLOW STATEMENT (Contd.)

(₹ In Thousands)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Note:		
Cash in Hand	13,31,548	15,04,627
Balance with RBI in Current Account	1,10,32,747	1,21,41,826
Balance with Banks in India in Current Account	3,60,028	5,52,744
Balance with Banks in India in Term Deposit	7,50,000	
Money at Call and Short Notice (Schedule 7 I (ii))	49,99,583	-
Lending Under Reverse Repo	11,50,000	-
Balance with Banks Outside India in Current Account	1,33,994	-
Cash and Cash Equivalents at the End of the Year	1,97,57,900	1,41,99,197

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3 - Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with the Companies (Account) Rules, 2014 .

In terms of our report attached

For and on behalf of the Board of Directors

For **Abarna & Ananthan**
Chartered Accountants
Firm's Registration Number: 0000035

P.R. Ravi Mohan
Chairman
DIN:08534931

Dr. Kadambelil Paul Thomas
Managing Director & CEO
DIN: 00199925

Abarna Bhaskar
Partner
Membership No. : 025145

Thomas Jacob Kalappila
Director
DIN: 00812892

George K. John
Executive Director
DIN:00694646

Place : Mannuthy
Date: May 16, 2025

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm's Registration Number: 105215W/W100057

Sandeep Welling
Partner
Membership No. : 044576

Gireesh C.P.
Chief Financial Officer

Ranjith Raj P.
Company Secretary

Place : Mannuthy
Date : May 16, 2025

Place : Mannuthy
Date : May 16, 2025

SCHEDULES

FORMING PART OF THE BALANCE SHEET

1. CAPITAL

(₹ In Thousands)		
Particulars	As at March 31, 2025	As at March 31, 2024
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 #		
51,54,27,452 Equity Shares of ₹10/- each (51,47,79,858 Equity Shares of ₹10/- each)	51,54,275	51,47,799
Total	51,54,275	51,47,799

2. RESERVES AND SURPLUS

(₹ In Thousands)		
	As at March 31, 2025	As at March 31, 2024
I. Statutory Reserve		
Opening balance	29,91,149	19,27,230
Additions during the year	-	10,63,919
	29,91,149	29,91,149
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	-	-
Additions during the year	-	-
	-	-
(b) Others		
Opening balance	50,230	40,056
Additions during the year	86,708	10,174
	1,36,938	50,230
III. Share Premium		
Opening balance	77,48,748	48,87,628
Additions during the year (Refer Note 2.1)	42,093	32,53,939
Deductions during the year (Refer Note 2.1)	-	3,92,819
	77,90,841	77,48,748
IV. General Reserve		
Opening balance		
Additions during the year (Refer Note 2.2)	1,14,651	
Deductions during the year		
	1,14,651	-
V. Revenue and Other Reserves		
a) Revenue Reserve		
Opening balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
	-	-
b) Investment Fluctuation Reserve		
Opening balance	3,50,441	3,21,410
Additions during the year	-	29,031
	3,50,441	3,50,441
VI. Balance in Profit and Loss Account	29,11,825	85,72,774
Total (I to VI)	1,42,95,845	1,97,13,342

Note 2.1

Year ended March 31, 2025

During the year ended March 31, 2025, the Bank has allotted 6,47,594 equity shares pursuant to the exercise of options under the approved employee Stock Option scheme. Total share premium collected is ₹ 5,666 Thousands and appropriated from Employees Stock Option outstanding is ₹36,427 Thousands.

Year ended March 31, 2024

The Bank has completed the process of Initial Public Offer (IPO) and raised ₹ 39,07,000 Thousands by issue of 653,06,060 equity shares which got listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") on November 10, 2023. Total Share premium collected is ₹ 32,53,939 Thousands. The Bank has incurred expenses towards the aforesaid issue of equity shares amounting to ₹ 3,92,819 Thousands which has been charged-off to securities premium account as on March 31, 2024 in accordance with Section 52 of the Companies Act, 2013.

Note 2.2 - General Reserve

- A. The RBI, vide its Master Direction dated September 12, 2023 issued revised norms for the classification, valuation and operation of the investment portfolio of banks, which became applicable from April 01, 2024. While hitherto the investment portfolio was classified under the Held To Maturity (HTM), Available For Sale (AFS) and Held For Trading (HFT) categories, the revised norms bring in a principle-based classification of investment portfolio and a symmetric treatment of fair value gains and losses. In accordance with the revised norms and the Bank's Board-approved policy, the Bank has classified its investment portfolio as on April 01, 2024, under the categories of Held To Maturity (HTM), Available For Sale (AFS), Fair Value Through Profit and Loss (FVTPL) and Held For Trading (HFT) as a sub category of FVTPL, and from that date, measures and values the investment portfolio under the revised framework. On transition to the framework on April 01, 2024, the Bank has recognised a net gain of ₹ 95,173 Thousands as General Reserve in accordance with the said norms. The impact of the revised framework for the previous period (2023-24) is not ascertainable and as such the profit or loss from the investments, included in other income for the year ended March 31, 2025 is not comparable with that of the previous period/s. Any circular/ direction issued by RBI is implemented prospectively when it becomes applicable, unless specifically required otherwise/ for retrospective application under those circulars / directions.
- B. As at March 31, 2025, the Bank has transferred ₹ 19,478 Thousands to General Reserve being the balance relating to the 3,52,882 lapsed option of ESOS Tranche 1.

3. DEPOSITS

(₹ In Thousands)		
	As at March 31, 2025	As at March 31, 2024
A. I. Demand Deposits		
i. From Banks	1,82,889	1,56,457
ii. From Others	31,26,933	31,66,737
	33,09,822	33,23,194
II. Savings Bank Deposits	5,45,18,118	4,16,96,020
III. Term Deposits		
i. From Banks	1,21,28,158	1,26,31,595
ii. From Others	16,28,08,302	14,10,27,227
	17,49,36,460	15,36,58,822
Total (I to III)	23,27,64,400	19,86,78,036
B. I. Deposits of Branches in India	23,27,64,400	19,86,78,036
II. Deposits of Branches Outside India	-	-
Total (I to II)	23,27,64,400	19,86,78,036

4. BORROWINGS

	(₹ In Thousands)	
	As at March 31, 2025	As at March 31, 2024
I. Borrowings in India		
i. Reserve Bank of India	-	65,00,000
ii. Other Banks	-	-
iii. Other Institutions and Agencies	1,01,77,300	2,09,95,300
iv. Subordinated Debt	34,00,000	42,50,000
v. Perpetual Debt Instrument	4,80,000	4,80,000
	1,40,57,300	3,22,25,300
II. Borrowings Outside India	-	-
Total (I to II)	1,40,57,300	3,22,25,300
Secured Borrowings Included in I and II above	-	65,00,000

5. OTHER LIABILITIES AND PROVISIONS

	(₹ In Thousands)	
	As at March 31, 2025	As at March 31, 2024
I. Bills Payable	1,61,037	73,975
II. Inter-Office Adjustments (Net)	-	-
III. Interest Accrued	1,04,494	6,54,858
IV. Provision for Standard Assets	11,61,997	11,00,870
V. Others (Including Provisions)	40,43,178	32,17,971
Total (I to V)	54,70,706	50,47,674

6. CASH AND BALANCES WITH RESERVE BANK OF INDIA

	(₹ In Thousands)	
	As at March 31, 2025	As at March 31, 2024
I. Cash in Hand	13,31,548	15,04,627
II. Balance with Reserve Bank of India		
i. in Current Accounts	1,10,32,747	1,21,41,826
ii. in Other Accounts	11,50,000	-
Total (I to II)	1,35,14,295	1,36,46,453

7. BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	(₹ In Thousands)	
	As at March 31, 2025	As at March 31, 2024
I. In India		
i. Balances with Banks		
a. in Current Accounts	3,60,028	5,52,744
b. in Other Deposit Accounts	7,83,234	30,051
Total	11,43,262	5,82,795

(₹ In Thousands)

	As at March 31, 2025	As at March 31, 2024
ii. Money at Call and Short Notice		
a. With Banks	-	-
b. With Other Institutions	49,99,583	-
c. Lending under Reverse Repo (RBI)	-	-
Total	49,99,583	-
Total (I)	61,42,845	5,82,795
II. Outside India		
i. in Current Accounts	1,33,994	-
ii. in Other Deposit Accounts	-	-
iii. Money at Call and Short Notice	-	-
Total (II)	1,33,994	-
Total (I to II)	62,76,839	5,82,795

8. INVESTMENTS (NET OF PROVISIONS)

	(₹ In Thousands)	
	As at March 31, 2025	As at March 31, 2024
I. Investments in India in :		
i. Government Securities	5,53,56,784	5,40,98,658
ii. Other Approved Securities	-	-
iii. Shares	2,30,953	1,17,142
iv. Debentures and Bonds	-	-
v. Subsidiaries/ Joint Ventures	-	-
vi. Others [Certificate of Deposits (CDs), Mutual Funds, Security Receipts(SRs) etc.]	43,64,882	11,94,423
Total (I)	5,99,52,619	5,54,10,223
II. Investments Outside India	-	-
Total (II)	-	-
Total (I to II)	5,99,52,619	5,54,10,223
Gross Investments	5,99,52,619	5,62,28,562
Less: Depreciation/ Provision for Investments	-	8,18,339
Net Investments	5,99,52,619	5,54,10,223

9. ADVANCES (NET OF PROVISIONS)

	(₹ In Thousands)	
	As at March 31, 2025	As at March 31, 2024
A. i. Bills purchased and discounted	5,64,547	3,18,403
ii. Cash credits, overdrafts and loans repayable on demand	66,34,111	31,76,872
iii. Term loans	17,30,80,062	17,94,35,841
Total	18,02,78,720	18,29,31,116
B. i. Secured by tangible assets	9,32,59,074	4,85,92,231
ii. Covered by Bank/Government guarantees	2,92,635	-
iii. Unsecured	8,67,27,011	13,43,38,885
Total (Net of Provisions)	18,02,78,720	18,29,31,116



(₹ In Thousands)

	As at March 31, 2025	As at March 31, 2024
C. I. Advances in India		
i. Priority Sectors	11,69,53,018	12,16,99,215
ii. Public Sector	-	-
iii. Banks	-	-
iv. Others	6,33,25,702	6,12,31,901
Total (I)	18,02,78,720	18,29,31,116
II. Advances Outside India		
i. Due from Banks	-	-
ii. Due from Others	-	-
a) Bills Purchased and Discounted	-	-
b) Syndicated Loans	-	-
c) Others	-	-
Total (II)	-	-
Total (I to II)	18,02,78,720	18,29,31,116

10. FIXED ASSETS

(₹ In Thousands)

	As at March 31, 2025	As at March 31, 2024
I OWNED ASSETS		
a. 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	-	-
b. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	40,18,428	26,72,878
Additions during the year	9,19,875	13,83,212
Deductions during the year	19,854	37,662
Closing balance	49,18,449	40,18,428
Depreciation		
As at the beginning of the year	19,68,979	14,73,181
Charge for the year	5,92,542	5,09,940
Deductions during the year	14,241	14,142
Depreciation to date	25,47,280	19,68,979
Net Block	23,71,169	20,49,449

(₹ In Thousands)

	As at March 31, 2025	As at March 31, 2024
II ASSETS GIVEN ON LEASE		
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. Capital Work in progress (Including Capital Advances)	6,33,006	26,080
Total (I & II)	30,04,175	20,75,529

11. OTHER ASSETS

(₹ In Thousands)

	As at March 31, 2025	As at March 31, 2024
I. Inter-office adjustments (net)	-	-
II. Interest accrued	32,67,509	35,43,321
III. Tax paid in advance/Tax Deducted at source (Net of provision)	2,14,885	1,91,105
IV. Stationery and stamps	589	426
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred tax asset (net)	21,81,556	4,65,732
VII. Others	30,91,707	20,22,245
Total (I to VII)	87,56,246	62,22,829

12. CONTINGENT LIABILITIES

(₹ In Thousands)

	As at March 31, 2025	As at March 31, 2024
I. Claims against the Bank not acknowledged as debts	4,576	1,176
II. Liability on account of outstanding forward exchange contracts	19,57,583	-
III. Guarantees given on behalf of constituents - in India	17,154	15,173
IV. Acceptances, endorsements and other obligations	-	-
V. Other items for which the Bank is contingently liable	6,610	5,600
Total (I to V)	19,85,923	21,949

SCHEDULES

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

13. INTEREST EARNED

	(₹ In Thousands)	
	Year ended March 31, 2025	Year ended March 31, 2024
I. Interest/discount on advances/bills	3,41,05,016	3,46,14,270
II. Income on investments	40,20,424	35,29,475
III. Interest on balances with Reserve Bank of India and other inter-bank funds	4,96,760	41,564
IV. Others	-	-
Total (I to IV)	3,86,22,200	3,81,85,309

14. OTHER INCOME

	(₹ In Thousands)	
	Year ended March 31, 2025	Year ended March 31, 2024
I. Commission, exchange and brokerage	22,92,240	29,15,044
II. Profit on sale of investments (Net)	7,91,569	2,06,516
III. Profit on revaluation of investments (Net)	23,372	2,01,654
IV. Profit on sale of land, buildings and other assets (Net)	943	895
V. Profit on foreign exchange transactions (Net)	16,144	10,273
VI. Income earned by way of dividends etc. from companies	2,104	1,163
VII. Miscellaneous income *	15,44,512	10,81,666
Total (I to VII)	46,70,884	44,17,211
* includes income from:		
Income from PSLC	5,61,796	3,67,158

15. INTEREST EXPENDED

	(₹ In Thousands)	
	Year ended March 31, 2025	Year ended March 31, 2024
I. Interest on deposits	1,61,25,571	1,23,98,060
II. Interest on Reserve Bank of India/inter-bank borrowings	1,03,114	2,89,967
III. Others	18,78,212	17,99,317
Total (I to III)	1,81,06,897	1,44,87,344

16. OPERATING EXPENSES

	(₹ In Thousands)	
	Year ended March 31, 2025	Year ended March 31, 2024
I. Payments to and provisions for employees	66,00,751	36,29,738
II. Rent, taxes and lighting	11,66,077	8,43,178
III. Printing and stationery	82,437	70,721
IV. Advertisement and publicity	1,15,999	2,73,425
V. Depreciation on the Bank's property	5,92,542	5,09,940
VI. Directors' fees, allowances and expenses	25,665	24,594
VII. Auditors' fees and expenses	8,788	7,997
VIII. Law charges	18,963	14,999
IX. Postage, telegrams, telephones etc	3,29,394	1,94,970
X. Repairs and maintenance	98,843	79,913

(₹ In Thousands)

	Year ended March 31, 2025	Year ended March 31, 2024
XI. Insurance	2,88,729	1,99,484
XII. Other expenditure *	1,02,86,894	1,06,39,336
Total (I to XII)	1,96,15,082	1,64,88,295

* includes expenditure towards

(₹ In Thousands)

	Year ended March 31, 2025	Year ended March 31, 2024
CBS Management fees & technology-related expenses	12,71,135	9,91,773
Business Correspondent expenses	59,57,557	76,77,723
One-time payment to ESMACO on employee transition (Refer Note B.19 of schedule 18)	5,80,000	-

17. SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 Background

ESAF Small Finance Bank Limited ("the Bank") is a public limited company incorporated on May 05, 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 September 16, 2015. The Bank received the license from the Reserve Bank of India on November 18, 2016, and commenced its banking operations from March 10, 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 November 12, 2018. The Bank provides micro, retail (which includes Gold Loans, Mortgage Loans, Mobility Loans, Agriculture Loans, etc.) and corporate banking, para banking activities such as debit card, third-party financial product distribution, in addition to treasury and permitted foreign exchange business. The Bank has completed the process of Initial Public Offer (IPO) and the equity shares got listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") on November 10, 2023.

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 except as disclosed in Note 4.2 below read with Note A.3.6 of Schedule 18.

3 Use of Estimation

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and

liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Bank's management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates are recognised prospectively in current and future periods.

4 Significant Accounting Policies

4.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

- Interest Income is recognised in the Profit and Loss Account on accrual basis, except in the case of Non-Performing Assets (NPAs). Interest on Non-Performing Assets (NPAs) is recognised on realisation basis as per the prudential norms issued by the RBI. Interest is not charged on the delayed remittances for the overdue period on microloans.
- 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'.
- Income on non-coupon bearing discounted instruments is recognised over the tenure of the instrument on a straight line basis. In case of coupon bearing discounted instruments, discount income is recognised over the tenure of the instrument on yield basis.
- Dividend on investments in shares and units of mutual funds are accounted when the Bank's right to receive the dividend is established.
- 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.
- Other fees and commission income (including commission income on third-party products) are recognised when due, except in cases where the Bank is uncertain of ultimate collection and in case of Non-Performing Assets.

- 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.
- Guarantee commission is recognised on a straight line basis over the period of contract.
- Locker rent is recognised on realisation basis.
- For a securitisation or direct assignment transaction, the Bank recognises profit upon receipt of the funds and loss at the time of sale. The unrealised gains, associated with expected future margin income is recognised in Profit and Loss account on receipt of cash, after absorbing losses, if any.
- 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

Effective April 1, 2024, investments, are accounted in accordance with RBI guidelines: Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions) 2023 ("Master Directions"), which are briefly as follows:

i. Categorisation of Investments:

The Bank classifies its investment portfolio under the following three categories:

Held to Maturity (HTM)- The securities that are acquired with the intention and objective of holding it to maturity and the contractual terms of the security give rise to cashflows that are Solely Payments of Principal and Interest (SPPI criteria) on principal outstanding on specified dates.

Available for Sale (AFS) – The securities that are acquired with the objective of both collecting contractual cash flows and selling securities and the contractual terms of the securities meet the SPPI criteria. In case of equity instruments, the Bank may make an irrevocable election to classify an equity instrument that is not held with the objective of trading under AFS.

Debt Securities that are held for Asset Liability Management (ALM) purposes that meet the SPPI criterion are also classified under AFS.

Fair Value through Profit and Loss (FVTPL)- The securities that do not qualify for inclusion in HTM or AFS shall be classified under FVTPL.

Held for Trading (HFT), which is a sub-category of FVTPL, consists of all instruments meeting the specifications prescribed by Master Directions.

ii. Presentation of Investments in the Balance Sheet

Investments are presented in the Balance Sheet under six groups vis., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries, Associates and Joint Ventures and (vi) Other Investments

iii. Recognition and Measurement

a) Initial Recognition and Measurement

All investments are measured at fair value on initial recognition. Unless facts and circumstances suggest that the fair value is materially different from the acquisition, cost is presumed to be fair value. Broken period interest in debt instruments and government securities is treated as revenue item.

Where the securities are quoted or the fair value can be determined based on market observable inputs (such as yield curve, credit spread, etc.) any Day 1 gain/ loss is recognised in the Profit and Loss Account, under Schedule 14: 'Other Income' within the subhead 'Profit on revaluation of investments' or 'Loss on revaluation of investments', as the case may be.

Any Day 1 loss arising from Level 3 investments is recognised immediately.

Any Day 1 gains arising from Level 3 investments is deferred. In the case of debt instruments, the Day 1 gains are amortised on a straight-line basis up to the maturity date (or earliest call date for perpetual instruments), while for unquoted equity instruments, the gain is set aside as a liability until the security is listed or derecognised.

b) Subsequent Measurement

HTM - Securities held in HTM are carried at cost. Any discount or premium on the securities under HTM are amortised over



the remaining life of the instrument. Any profit or loss on the sale of investments in HTM is recognised in the Profit and Loss Account and is appropriated to the 'Capital Reserve Account' after adjustments of taxes and transfer to Statutory Reserve.

AFS - The securities held in AFS are fair-valued at least on a quarterly basis. Any discount or premium on the acquisition of debt securities under AFS are amortised over the remaining life of the instrument. The net appreciation or depreciation are directly credited or debited to AFS-Reserve. Upon sale or maturity of a debt instrument in AFS category, the accumulated gain/loss for that security in the AFS-Reserve is transferred from the AFS-Reserve and recognised in the Profit and Loss Account. In the case of equity instruments designated under AFS at the time of initial recognition, any gain or loss on sale of such investments is not transferred from AFS-Reserve to the Profit and Loss Account. Instead, such gain or loss is transferred from AFS-Reserve to the Capital Reserve.

FVTPL- The securities held in FVTPL are fair-valued and the net gain or loss arising on such valuation are directly credited or debited to the Profit and Loss Account. Securities that are classified under the HFT sub-category within FVTPL are fair-valued on a daily basis, whereas securities in FVTPL are fair-valued on quarterly basis. Any discount or premium on the acquisition of debt securities under FVTPL are amortised over the remaining life of the instrument.

iv. Investment Fluctuation Reserve (IFR)

RBI advised the Bank to create IFR with effect from 2018-19. As per RBI guidelines, transfer to IFR will be 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 % of the AFS and FVTPL (including HFT) portfolio, on a continuing basis.

v. Reclassifications Between Categories

Reclassification of investments between categories is carried out with approval of Board of Directors and prior approval of Department of Supervision (DoS), RBI. Any reclassification is

applied prospectively from reclassification date and the accounting treatment is in accordance with the RBI guidelines.

vi. Valuation of Investments

The fair value for the purpose of initial recognition and periodical valuation of investments shall be determined as per the valuation norms laid down in accordance with RBI guidelines.

1. **Quoted Securities** - The fair value for the quoted securities shall be the prices declared by the Financial Benchmarks India Private Ltd. (FBIL) in accordance with RBI circular FMRD.DIRD.7/14.03.025/2017-18 dated March 31, 2018, as amended from time to time. For securities whose prices are not published by FBIL, the fair value of the quoted security shall be based upon quoted price as available from the trades/ quotes on recognised stock exchanges, reporting platforms or trading platforms authorised by RBI/SEBI or prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).
2. **Unquoted SLR Securities**
 - Treasury Bills shall be valued at carrying cost.
 - Unquoted Central / State Government securities shall be valued on the basis of the prices/ YTM rates published by the FBIL.
 - Other approved securities shall be valued applying the YTM method by marking them up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by FBIL.
3. **Unquoted Non-SLR Securities**
 - Equity shares for which current quotations are not available i.e., which are classified as illiquid or which are not listed on a recognised exchange, the fair value for the purposes of these directions shall be the break-up value (without considering 'revaluation reserves', if any) which is to be ascertained from the company's latest audited balance sheet. In case the latest audited balance sheet is not available or is more than 18 months

old, the shares shall be valued at ₹ 1 per company.

- For other unquoted Non-SLR securities, fair valuation shall be based on the RBI Master Direction-Classification, Valuation and Operation of Investment Portfolio of Commercial Bank (Directions), 2023.

4. In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.
5. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions are accounted for as interest income.

vii. Fair Value Measurement

"Fair value" means the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Bank classifies its investment portfolio into three fair value hierarchies vis. Level 1, Level 2, and Level 3 to signify the context of inputs used for valuation of a financial instrument., described as follows:

"Level 1 investments" are fair-valued based on quoted prices (unadjusted) in active markets for identical instruments that the Bank can access at the measurement date.

"Level 2 investments" are fair-valued based on those inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

"Level 3 investments" are fair-valued at unobservable inputs such as valuation of equity shares in an unlisted company where break-up value has to be ascertained from the company's latest audited balance sheet. However, net revaluation gain in Level 3 instruments recognised in the Profit and Loss Account or in the AFS Reserve will be deducted from CET1 Capital.

viii. Provision for Non-Performing Investments

The criteria for classification and recognition of Non-Performing Investments are as per the guidelines used to classify an asset as

Non-Performing Asset (NPA) as per the extant Prudential Norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to Advances.

ix. Short Sales

The short sale transactions in Central Government dated securities undertaken by the Bank shall be accounted in accordance with RBI guidelines. The short position is categorised under HFT- FVTPL category and netted off from investments in the Balance Sheet.

4.3 Advances

- i. Advances are classified into Performing Assets ("Standard") and Non-Performing Assets ("NPA") as per the RBI guidelines and are stated net of unrealised interest/charges in suspense for Non-Performing Advances and provisions made towards NPAs and principal portion of advance prepaid by customer, if any. Interest/ other charges on Non-Performing Advances 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 restructuring of stressed assets and the resolution framework for Covid 19 related stress, the Bank, in accordance with its Board-approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.
- vi. Priority Sector Lending Certificate (PSLC): The Bank enters into transactions for the sale and/ or Purchase of Priority Sector Lending Certificates (PSLC). In case of a sale transaction, the Bank sells the fulfillment of priority sector obligations and in the case of a purchase transaction, the Bank buys the fulfillment of priority sector obligations through the RBI trading platform. There is no transfer of loan assets or risks. The fees received for the sale of PSLC is recorded as other income and fees paid for purchase of PSLC is recorded as other expenditure in Profit and Loss account.
- vii. Securitisation Transaction and Direct Assignments:
The Bank transfers its loan receivables through Direct Assignment route as well as transfer to Special Purpose Vehicle (SPV).

The transferred loans and such securitised receivables are de-recognised as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Sales/ transfer that do not meet true sale criteria are accounted for as borrowings. For a Securitisation or Direct Assignment Transaction, the Bank recognises profit upon receipt of that funds and loss is recognised at the time of sale. The unrealised gains, associated with expected future margin income is recognised in Profit and Loss account on receipt of cash, after absorbing losses, if any.

On sale of stressed assets, if the sale is at a price below the net book value (i.e., funded outstanding less specific provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year when the sum of cash received by way of initial consideration and / or redemption or transfer of security receipts issued by SC / RC exceeds the net book value of the loan at the time of transfer.

In respect of stressed assets sold under an asset securitisation, where the investment by the Bank in Security Receipts (SRs) backed by the assets sold by it is more than 10 % of such SRs, provisions held are higher of the provisions required in terms of net asset value declared by the Securitisation Company ("SC") / Reconstruction Company ("RC") and provisions as per the extant norms applicable to the underlying loans, notionally treating the book value of these SRs as the corresponding stressed loans assuming the loans remained in the books of the Bank.

Investments in Pass Through Certificates (PTCs) issued by other Special Purpose Vehicles (SPVs), are accounted at acquisition cost and are classified as investments. Loans bought through the Direct Assignment route which are classified as advances and are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on effective interest rate method.

4.4 Fixed Assets (Property Plant & Equipment and Intangible Assets) and Depreciation / Amortisation

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 Fxed 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 Equipment	4-5	5
Computers	2- 3	3
Furniture & Fixtures	9-10	10
Motor Vehicles	2-5	8
Servers	5	6

An Intangible Asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible Assets acquired separately are measured on initial recognition at cost. The cost of an Intangible Asset comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets comprising 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 pro rata basis by the Bank.

Capital work-in-progress includes costs incurred towards creation of Fixed Assets that are not ready for their intended use and also includes advances paid to acquire Fixed Assets.

4.5 Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount, which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

4.6 Retirement and Employee Benefits

i. Short-Term Employee Benefit

The undiscounted amount of short-term employee benefits, which are expected to be paid in exchange for the services rendered by employees, are recognised during the year when the employee renders the service.

ii. Long-Term Employee Benefit

a. Defined Contribution Plan:

Provident Fund: In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre-determined rate. Contribution to provident fund is recognised 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 unrecognised deferred tax assets. It recognises unrecognised deferred tax assets 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 realised.

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 assets to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the year of change.

4.9 Cash and Cash Equivalent

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice with an original maturity of three months or less (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

4.10 Segment Information

In accordance with guidelines issued by RBI and Accounting Standard 17 (AS-17) on "Segment Reporting", the Bank's business has been segregated into Treasury, Wholesale Banking, Retail Banking Segments and Other Banking Operations:

- 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.
- Wholesale Banking:** The Wholesale Banking segment provides loans to corporate segment identified on the basis of RBI guidelines.

Revenues of this segment consist of interest earned on loans made to corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses.

- Retail Banking:** The Retail Banking segment provides loans to non-corporate customers identified on the basis of RBI guidelines and also includes deposits from customers. Revenues of this segment consist of interest earned on loans made to non-corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/ deposits received and other expenses.
- Other Banking Operations:** This segment includes income from parabanking 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 unallocable assets and liabilities such as fixed assets, deferred tax, tax paid in advance and income tax provision, etc.

The RBI vide its Circular dated April 7, 2022 on establishments of Digital Banking Units (DBUs) has prescribed reporting of Digital Banking Segments as a sub segment of Retail Banking Segment (RBS). The Bank has not set up any DBU so far and hence DBU has not been disclosed as a separate segment as per Accounting Standard 17 (Segment Reporting).

Geographical Segment

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

4.11 Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes)

by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year.

4.12 Provisions and Contingent Assets/Liabilities

A Contingent Liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised 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 recognised because it cannot be measured reliably. The Bank does not recognise 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 recognised 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 leases. 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.

Outstanding forward (other than deposit and placement swaps) and spot foreign exchange contracts outstanding at the Balance Sheet date are revalued at rates notified by FEDAI for specified maturities and at the interpolated rates of interim maturities. In case of forward contracts of greater maturities where exchange rates are not notified by FEDAI, are revalued at the forward exchange rates implied by the swap curves in respective currencies. The forward profit or loss on the forward contracts are discounted using discount rate and the resulting profits or losses are recognised in the Profit and Loss Account as per the regulations stipulated by the RBI.

Foreign exchange swaps “linked” to foreign currency deposits and placements are translated at the prevailing spot rate at the time of swap. The premium or discount on the swap arising out of the difference in the exchange rate of the swap date and the maturity date of the underlying forward contract is amortised over the period of the swap and the same is recognised in the Profit and Loss Account. Contingent liabilities on account of letters of credit, bank guarantees and acceptances and endorsements outstanding as at the Balance Sheet date denominated in foreign currencies and other foreign exchange contracts are translated at period end rates notified by FEDAI.

4.15 Derivative Transactions

Notional amounts of derivative transactions comprising swaps, futures and options are disclosed as off Balance Sheet exposures. The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the

derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting date. Derivatives are classified as assets when the fair value is positive (positive marked to market) or as liabilities when the fair value is negative (negative marked to market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

Outstanding derivative transactions designated as ‘hedges’ are accounted in accordance with hedging instrument on an accrual basis over the life of the underlying instrument. Option premium paid or received is recognised in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

4.16 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 recognised 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.

18. NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2025

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 Standardised approach for Credit Risk. As per RBI letter “DBR.NBD.No. 4502/16.13.218/2017-18” dated November 08, 2017, no separate capital charge is prescribed for market and operational risk. The total Capital Adequacy Ratio of the Bank at March 31, 2025 is 21.84% (Previous year: 23.27%) against the regulatory requirement of 15.00% prescribed by RBI.

No Capital Conservation Buffer and Counter-Cyclical Capital Buffer is applicable on Small Finance Bank (SFB) as per operating guidelines issued on SFB by RBI.

1.1. Composition of Regulatory Capital

Particulars	(₹ in crore)	
	As at March 31, 2025	As at March 31, 2024
i) Common Equity Tier I Capital (CET1)	1,746.02	2,451.07
ii) Additional Tier 1 Capital	48.00	48.00
iii) Tier I Capital - A	1,794.02	2,499.07
iv) Tier II Capital - B	434.24	453.13
v) Total Capital (A)+(B)	2,228.26	2,952.20
vi) Total Risk Weighted Assets (RWAs)	10,202.70	12,683.50
Capital Ratios:		
vii) CET I Capital (%) [CET 1 as a percentage of RWAs]	17.11%	19.32%
viii) Tier I Capital (%) [Tier I Capital as a percentage of RWAs]	17.58%	19.70%
ix) Tier II Capital (%) [Tier II Capital as a percentage of RWAs]	4.26%	3.57%
x) Total CRAR % [Total Capital as a percentage of RWAs]	21.84%	23.27%
xi) Leverage Ratio	6.63%	9.58%
(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)	4.85	390.70*
(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 II Compliant Subordinated Debt Instruments	-	280.00

* The Bank has raised Equity Share Capital of ₹65.31 crores through Initial Public Offer (IPO) on November 10, 2023. The Bank has issued and allotted 6,30,33,333 equity shares of ₹10 each at a premium of ₹50 per equity share to investors and 22,72,727 equity shares of Rs 10 each at a premium of ₹45 per equity share to its employees. The total Share Premium collected is ₹325.39 crores. The issue expenses of ₹39.28 crores has been applied to the Share Premium Account. The Bank’s shares are listed in NSE and BSE stock exchanges.

1.2. Draw Down from Reserves

There has been no draw down from reserves other than those disclosed in Schedule 2.

2. Asset Liability Management

2.1. Maturity Pattern of Certain Items of Assets and Liabilities

a. As at March 31, 2025:

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	79.16	624.98	554.14	1,266.60	1,102.35	1,102.36	1,952.30	6,263.71	3,243.78	1,191.90	646.59	18,027.87
Investments	1,338.29	-	-	141.83	245.86	243.05	955.56	1,022.66	2,038.39	5.31	4.31	5,995.26
Deposits	187.94	259.93	177.85	631.05	1,192.54	1,053.91	4,230.19	4,494.89	10,996.24	28.66	23.24	23,276.44
Borrowings	-	-	-	-	115.00	115.70	190.70	330.96	305.37	85.00	263.00	1,405.73
Foreign Currency Assets	16.93	-	-	-	-	-	-	-	-	-	-	16.93
Foreign Currency Liabilities	-	-	-	-	1.73	2.21	19.91	37.17	25.27	0.04	-	86.33

b. As at March 31, 2024:

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	50.78	304.70	355.48	812.53	933.30	933.30	3,543.53	4,617.35	5,594.48	782.54	365.12	18,293.11
Investments	1,869.77	-	-	72.33	154.89	171.61	401.27	538.63	2,322.95	2.41	7.16	5,541.02
Deposits	258.82	259.53	447.33	386.39	827.44	844.62	2,014.52	2,368.47	12,409.55	12.90	38.23	19,867.80
Borrowings	-	100.00	-	-	97.00	156.70	628.70	537.40	1,354.73	-	348.00	3,222.53
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.

2.2. Liquidity Coverage Ratio

a. Year ended March 31, 2025

Particulars	Q1 2024-25			Q2 2024-25			Q3 2024-25			Q4 2024-25			(₹ in crore)
	Total Unwei-ghted Value (average)	Total Wei-ghted Value (average)		Total Unwei-ghted Value (average)	Total Wei-ghted Value (average)		Total Unwei-ghted Value (average)	Total Wei-ghted Value (average)		Total Unwei-ghted Value (average)	Total Wei-ghted Value (average)		
High Quality Liquid Assets (HQLA)													
1 Total High Quality Liquid Assets (HQLA)		5,098.69			5,663.58			5,687.33				5,847.03	
Cash Outflows													
2 Retail deposits and deposits from small business customers, of which:													
i Stable deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
ii Less stable deposits	16,079.90	1,607.99		16,858.46	1,685.85		17,896.29	1,789.63		18,480.89		1,848.09	
3 Unsecured wholesale funding, of which													
i Operational deposits (all counterparties)													
ii Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-	-	-	-
iii Unsecured debt	2,775.38	2,576.20		2,815.36	2,635.93		2,734.78	2,561.26		2,610.94		2,443.17	
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	224.15	39.86		238.48	40.38		249.50	43.29		267.28		62.46	
6 Other contractual funding obligations	441.66	441.66		504.45	504.45		588.34	588.34		459.80		459.80	
7 Other contingent funding obligations	1.46	0.04		1.54	0.05		1.67	0.05		1.63		0.05	
Total Cash Outflows		4,665.75			4,866.66			4,982.57				4,813.57	
Cash Inflows													
8 Secured lending (e.g. reverse repos)	-	-		-	-		-	-		-		-	
9 Inflows from fully performing exposures	930.55	465.27		990.64	495.32		1,192.21	596.11		985.77		492.88	
10 Other cash inflows	25.00	25.00		117.07	117.07		193.50	193.50		144.82		144.82	
Total Cash Inflows	955.55	490.27		1,107.71	612.39		1,385.71	789.61		1,130.59		637.70	
11 Total HQLA (a)	-	5,098.69		-	5,663.58		-	5,687.33		-		5,847.03	
12 Total Net Cash outflows (b)		4,175.48			4,254.27			4,192.96				4,175.87	
Liquidity Coverage Ratio (%) (a/b)		122.11%			133.13%			135.64%				140.02%	

The average weighted and unweighted amounts are calculated taking simple average based on daily observations from the respective quarters.





a. Year ended March 31, 2024

Particulars		Q1 2023-24		Q2 2023-24		Q3 2023-24		Q4 2023-24		(₹ in crore)
		Total Unwei-ghed Value (average)	Total Wei-ghed Value (average)	Total Unwei-ghed Value (average)	Total Wei-ghed Value (average)	Total Unwei-ghed Value (average)	Total Wei-ghed Value (average)	Total Unwei-ghed Value (average)	Total Wei-ghed Value (average)	
High Quality Liquid Assets (HQLA)										
1	Total High Quality Liquid Assets (HQLA)			3,363.41		4,624.86		4,968.91		4,609.53
Cash Outflows										
2	Retail deposits and deposits from small business customers, of which:									
	i	Stable deposits	10,954.43	547.72	11,995.29	599.76	13,082.53	654.13	6,116.96	305.85
	ii	Less stable deposits	859.87	85.99	861.69	86.17	1,119.83	111.98	9,511.01	951.10
3	Unsecured wholesale funding, of which									
	i	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii	Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	iii	Unsecured debt	1,706.37	1,492.31	1,807.77	1,641.68	1,936.38	1,770.67	2,207.72	2,039.38
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	108.88	14.01	152.30	22.74	195.70	35.29	208.91	37.84
6	Other contractual funding obligations		422.78	422.78	496.82	496.82	727.86	727.86	458.98	458.98
7	Other contingent funding obligations		1.40	0.04	1.49	0.04	1.56	0.05	1.60	0.05
Total Cash Outflows				2,562.85		2,847.21		3,299.98		3,793.20
Cash Inflows										
8	Secured lending (e.g. reverse repos)		-	-	-	-	-	-	-	-
9	Inflows from fully performing exposures		655.07	327.53	657.23	328.62	732.83	366.41	946.20	473.10
10	Other cash inflows		8.82	8.82	34.03	34.03	26.43	26.43	6.79	6.79
Total Cash Inflows			663.89	336.35	691.26	362.65	759.26	392.84	952.99	479.89
11	Total HQLA (a)		-	3,363.41	-	4,624.86	-	4,968.91	-	4,609.53
12	Total Net Cash outflows (b)			2,226.50		2,484.56		2,907.14		3,313.31
Liquidity Coverage Ratio (%) (a/b)				151.06%		186.14%		170.92%		139.12%

The average weighted and unweighted amounts are calculated taking simple average based on daily observations from the respective quarters.

Qualitative disclosure around LCR

The Reserve Bank of India has prescribed monitoring of sufficiency of the Bank's liquid assets using Basel III – Liquidity Coverage Ratio (LCR). The LCR is aimed at measuring and promoting short-term resilience of banks to potential liquidity disruptions by ensuring maintenance of sufficient High Quality Liquid Assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

The LCR requirement has been introduced in a phased manner and the Bank is required to maintain minimum ratio of 100% from April 01, 2021.

The ratio comprises High Quality Liquid Assets (HQLAs) as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises of primarily cash, excess CRR, SLR securities in excess of minimum SLR requirement and a portion of mandatory SLR as permitted by RBI (under MSF) and Level 2 HQLA which comprises of investments in highly rated non-financial corporate bonds and listed equity investments considered at prescribed haircuts. Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

The Bank monitors the LCR periodically and has maintained LCR well above the regulatory threshold. Average LCR for Quarter ended March 31, 2025 is 140.02% (Previous Year: 139.12%).

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management. 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. The Bank has incorporated Basel Liquidity Standards - LCR for liquidity risk. In computing the above information, certain estimates and assumptions have been made by the Bank's management which have been relied upon by auditors.

2.3 Net Stable Funding Ratio

As at June 30, 2024

(₹ in crore)					
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item					
1 Capital: (2+3)	2,650.28	65.00	60.00	300.00	2,950.28
2 Regulatory capital	2,650.28	65.00	60.00	300.00	2,950.28
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers: (5+6)	4,360.66	2,038.99	2,339.84	8,731.74	15,724.11
5 Stable deposits	-	-	-	-	-
6 Less stable deposits	4,360.66	2,038.99	2,339.85	8,731.74	15,724.11
7 Wholesale funding: (8+9)	566.24	1,060.51	1,333.62	2,286.26	1,764.14
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	566.24	1,060.51	1,333.62	2,286.26	1,764.14
10 Other liabilities: (11+12)	476.49	565.00	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	476.49	565.00	-	-	-
13 Total ASF (1+4+7+10)	8,053.66	3,729.51	3,733.46	11,318.00	20,438.54
RSF Item					
14 Total NSFR High-Quality Liquid Assets (HQLA)	989.67	1,307.92	-	5,214.11	898.63
15 Deposits held at other financial institutions for operational purposes	70.36	-	-	-	35.18
16 Performing loans and securities: (17+18+19+21+23)	12.17	8,155.97	3,899.60	4,912.18	10,046.46



(₹ in crore)					
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
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	-	327.46	75.90	-	87.07
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:	-	7,828.45	3,823.64	4,650.14	9,778.66
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21 Performing residential mortgages, of which:	-	0.06	0.06	262.04	170.39
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	12.17	-	-	-	10.34
24 Other assets: (sum of rows 25 to 29)	1,398.25	-	-	874.41	2,272.66
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	1,398.25	-	-	874.41	2,272.66
30 Off-balance sheet items	238.06	-	-	-	11.87
31 Total RSF (14+15+16+24+30)	2,708.51	9,463.89	3,899.60	11,000.71	13,264.80
32 Net Stable Funding Ratio (%)					154.08%

As at September 30, 2024

(₹ in crore)						
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	2,624.42	60.00	40.00	300.00	2,924.42
2	Regulatory capital	2,624.42	60.00	40.00	300.00	2,924.42
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	4,713.65	1,386.10	4,974.77	7,231.84	16,475.73
5	Stable deposits	-	-	-	-	-

(₹ in crore)					
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
6 Less stable deposits	4,713.65	1,386.10	4,974.77	7,231.84	16,475.72
7 Wholesale funding: (8+9)	605.39	1,061.86	1,748.14	1,424.88	1,290.16
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	605.39	1,061.86	1,748.14	1,424.88	1,290.16
10 Other liabilities: (11+12)	315.24	160.00	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	315.24	160.00	-	-	-
13 Total ASF (1+4+7+10)	8,258.71	2,667.96	6,762.90	8,956.72	20,690.33
RSF Item					
14 Total NSFR High-Quality Liquid Assets (HQLA)	1,048.94	866.91	-	5,436.02	530.90
15 Deposits held at other financial institutions for operational purposes	64.64	-	-	-	32.32
16 Performing loans and securities: (17+18+19+21+23)	11.41	8,645.71	3,882.75	4,383.50	9,739.28
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	-	573.65	200.81	-	186.45
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:	-	8,072.04	3,681.90	4,084.28	9,348.61
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:	-	0.03	0.04	299.22	194.52
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	11.41	-	-	-	9.70
24 Other assets: (sum of rows 25 to 29)	1,533.67	-	-	772.74	2,306.41
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	1,533.67	-	-	772.74	2,306.41



(₹ in crore)

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
30 Off-balance sheet items	240.85				12.01
31 Total RSF (14+15+16+24+30)	2,899.51	9,512.62	3,882.75	10,592.26	12,620.91
32 Net Stable Funding Ratio (%)					163.94%

As at December 31, 2024

(₹ in crore)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	2,628.45	60.00	-	300.00	2,928.45
2	Regulatory capital	2,628.45	60.00	-	300.00	2,928.45
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	4,979.21	2,348.04	5,566.69	6,302.28	17,276.60
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	4,979.21	2,348.05	5,566.69	6,302.28	17,276.60
7	Wholesale funding: (8+9)	612.91	1,459.53	1,440.38	931.82	1,013.37
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	612.91	1,459.53	1,440.38	931.82	1,013.37
10	Other liabilities: (11+12)	58.26	60.00	-	-	-
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in the above categories	58.26	60.00	-	-	-
13	Total ASF (1+4+7+10)	8,278.83	3,927.57	7,007.08	7,534.08	21,218.43
RSF Item						
14	Total NSFR High-Quality Liquid Assets (HQLA)	982.91	322.65		6,205.37	522.18
15	Deposits held at other financial institutions for operational purposes	31.17	-	-	-	15.59
16	Performing loans and securities: (17+18+19+21+23)	20.76	8,512.95	4,302.75	3,929.66	9,612.64
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	-	423.11	323.81	-	225.37
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:	-	8,089.84	3,978.93	3,904.79	9,353.46
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:	-	-	-	24.87	16.16
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-

(₹ in crore)

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	20.76	-	-	-	17.65
24 Other assets: (sum of rows 25 to 29)	1,601.08	-	-	838.28	2,439.36
25 Physical traded commodities, including gold					
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27 NSFR derivative assets					
28 NSFR derivative liabilities before deduction of variation margin posted					
29 All other assets not included in the above categories	1,601.08	-	-	838.28	2,439.36
30 Off-balance sheet items	292.63				14.60
31 Total RSF (14+15+16+24+30)	2,928.55	8,835.60	4,302.75	10,973.32	12,604.37
32 Net Stable Funding Ratio (%)					168.34%

As at March 31, 2025

(₹ in crore)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	2,109.21	-	-	283.00	2,392.21
2	Regulatory capital	2,109.21	-	-	283.00	2,392.21
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	5,150.01	5,012.76	3,286.70	6,668.17	18,105.87
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	5,150.01	5,012.76	3,286.70	6,668.17	18,105.87
7	Wholesale funding: (8+9)	632.79	1,751.04	1,021.67	771.04	794.50
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	632.79	1,751.04	1,021.67	771.04	794.50
10	Other liabilities: (11+12)	451.91	40.00	-	-	-
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in the above categories	451.91	40.00	-	-	-
13	Total ASF (1+4+7+10)	8,343.91	6,803.79	4,308.37	7,722.21	21,292.58
RSF Item						
14	Total NSFR High-Quality Liquid Assets (HQLA)	1,236.43	614.96		5,535.68	491.65
15	Deposits held at other financial institutions for operational purposes	124.40	-	-	-	62.20
16	Performing loans and securities: (17+18+19+21+23)	21.11	6,927.53	6,453.15	3,641.56	9,695.08
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-



(₹ in crore)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	281.48	296.20	-	190.32
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:	-	6,646.06	6,156.95	3,591.50	9,454.28
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:	-	-	-	50.06	32.54
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	21.11	-	-	-	17.94
24	Other assets: (sum of rows 25 to 29)	1,719.08	-	-	904.40	2,623.48
25	Physical traded commodities, including gold					
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27	NSFR derivative assets					
28	NSFR derivative liabilities before deduction of variation margin posted					
29	All other assets not included in the above categories	1,719.08	-	-	904.40	2,623.48
30	Off-balance sheet items	236.54				11.79
31	Total RSF (14+15+16+24+30)	3,337.55	7,542.49	6,453.15	10,081.64	12,884.20
32	Net Stable Funding Ratio (%)					165.26%

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 the Bank's management which have been relied upon by the auditors.

2.3 Net Stable Funding Ratio

As at June 30, 2023

		Unweighted value by residual maturity				(₹ in crore)
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
ASF Item						
1	Capital: (2+3)	1,973.11	-	-	145.00	2,118.11
2	Regulatory capital	1,973.11	-	-	145.00	2,118.11
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	1,183.25	1,939.70	9,239.61	12,909.04
5	Stable deposits	-	657.32	1,939.71	7,072.46	12,306.39
6	Less stable deposits	-	525.93	-	2,167.15	602.65
7	Wholesale funding: (8+9)	-	1,016.73	2,121.84	2,250.32	2,747.72
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	1,016.73	2,121.84	2,250.32	2,747.72
10	Other liabilities: (11+12)	475.85	253.89	63.61	133.03	-
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in the above categories	475.85	253.89	63.61	133.03	-
13	Total ASF (1+4+7+10)	2,448.96	2,453.87	4,125.15	11,767.96	17,774.87
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)	821.27	-	-	4,768.79	947.30
15	Deposits held at other financial institutions for operational purposes	64.92	-	-	-	32.46
16	Performing loans and securities: (17+18+19+21+23)	11.49	3,736.50	4,839.96	5,133.09	8,585.22
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	-	109.94	63.77	-	48.38
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:	-	3,626.49	4,776.16	4,945.96	8,405.39
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21	Performing residential mortgages, of which:	-	0.07	0.03	187.13	121.69
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	11.49	-	-	-	9.76
24	Other assets: (sum of rows 25 to 29)	824.34	-	-	595.58	1,419.92
25	Physical traded commodities, including gold	-	-	-	-	-



(₹ in crore)

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
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	824.34	-	-	595.58	1,419.92
30 Off-balance sheet items	117.49	-	-	-	5.85
31 Total RSF (14+15+16+24+30)	1,839.51	3,736.50	4,839.96	10,497.47	10,990.75
32 Net Stable Funding Ratio (%)					161.73%

As at September 30, 2023

(₹ in crore)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	2,114.12	-	25.00	205.00	2,319.12
2	Regulatory capital	2,114.12	-	25.00	205.00	2,319.12
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	1,431.11	2,643.71	9,651.84	14,236.99
5	Stable deposits	-	923.23	2,643.71	7,321.91	13,625.60
6	Less stable deposits	-	507.88	-	2,329.93	611.38
7	Wholesale funding: (8+9)	-	1,591.81	2,126.97	1,666.69	2,197.72
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	1,591.81	2,126.97	1,666.69	2,197.72
10	Other liabilities: (11+12)	444.14	195.88	70.07	202.14	-
11	NSFR derivative liabilities		-	-	-	-
12	All other liabilities and equity not included in the above categories	444.14	195.88	70.07	202.14	-
13	Total ASF (1+4+7+10)	2,558.27	3,218.80	4,865.75	11,725.67	18,753.84
RSF Item						
14	Total NSFR High Quality Liquid Assets (HQLA)	926.67	142.99		5,531.01	891.33
15	Deposits held at other financial institutions for operational purposes	49.65	-	-	-	24.83
16	Performing loans and securities: (17+18+19+21+23)	10.43	4,555.16	4,652.60	4,966.60	8,759.63
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	-	96.01	41.70	-	35.25

(₹ in crore)

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
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:	-	4,459.08	4,610.82	4,760.99	8,581.79
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21 Performing residential mortgages, of which:	-	0.07	0.09	205.61	133.73
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	10.43	-	-	-	8.86
24 Other assets: (sum of rows 25 to 29)	909.83	-	-	623.54	1,533.38
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	909.83	-	-	623.54	1,533.38
30 Off-balance sheet items	187.21	-	-	-	9.33
31 Total RSF (14+15+16+24+30)	2,083.79	4,698.15	4,652.60	11,121.15	11,218.49
32 Net Stable Funding Ratio (%)					167.17%

As at December 31, 2023

(₹ in crore)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	2,630.66	-	65.00	165.00	2,795.66
2	Regulatory capital	2,630.66	-	65.00	165.00	2,795.66
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	2,569.52	2,319.67	10,312.68	13,716.33
5	Stable deposits	-	25.76	114.23	8,152.13	93.17
6	Less stable deposits	-	2,543.77	2,205.44	2,160.55	13,623.16
7	Wholesale funding: (8+9)	-	2,153.94	1,544.89	1,385.38	1,488.08
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	2,153.94	1,544.89	1,385.38	1,488.08

(₹ in crore)

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
10 Other liabilities: (11+12)	451.95	429.33	92.46	179.97	-
11 NSFR derivative liabilities		-	-	-	
12 All other liabilities and equity not included in the above categories	451.95	429.33	92.46	179.97	-
13 Total ASF (1+4+7+10)	3,082.61	5,152.78	4,022.03	12,043.02	18,000.07
RSF Item					
14 Total NSFR High-Quality Liquid Assets (HQLA)	896.21	-		5,577.26	1,060.29
15 Deposits held at other financial institutions for operational purposes	77.07	-	-	-	38.53
16 Performing loans and securities: (17+18+19+21+23)	11.08	5,609.30	5,148.57	5,101.48	9,664.85
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	-	45.81	134.27	-	74.01
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:	-	5,563.47	5,014.21	4,882.84	9,439.26
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	0.09	218.64	142.17
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	11.08	-	-	-	9.42
24 Other assets: (sum of rows 25 to 29)	1,200.16	-	-	679.34	1,879.50
25 Physical traded commodities, including gold					
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27 NSFR derivative assets					
28 NSFR derivative liabilities before deduction of variation margin posted					
29 All other assets not included in the above categories	1,200.16	-	-	679.34	1,879.50
30 Off-balance sheet items	181.19				9.03
31 Total RSF (14+15+16+24+30)	2,365.70	5,609.30	5,148.57	11,358.09	12,652.20
32 Net Stable Funding Ratio (%)					142.27%

As at March 31, 2024

(₹ in crore)

		Unweighted value by residual maturity			Weighted value	
		No maturity	< 6 months	6 months to < 1yr		≥ 1yr
ASF Item						
1	Capital: (2+3)	2,644.20	25.00	60.00	340.00	2,984.20
2	Regulatory capital	2,644.20	25.00	60.00	340.00	2,984.20
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	3,454.83	1,712.37	11,241.00	14,767.38
5	Stable deposits	-	45.88	108.38	8,498.61	-
6	Less stable deposits	-	3,408.95	1,603.99	2,742.38	14,767.38
7	Wholesale funding: (8+9)	-	1,708.56	1,045.52	2,335.35	1,961.66
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	1,708.56	1,045.52	2,335.35	1,961.66
10	Other liabilities: (11+12)	400.35	792.94	105.70	221.07	-
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in the above categories	400.35	792.94	105.70	221.07	-
13	Total ASF (1+4+7+10)	3,044.55	5,981.33	2,923.58	14,137.42	19,713.24
RSF Item						
14	Total NSFR High Quality Liquid Assets (HQLA)	1,364.65	-		5,409.87	959.85
15	Deposits held at other financial institutions for operational purposes	55.33	-	-	-	27.67
16	Performing loans and securities: (17+18+19+21+23)	11.71	6,957.79	4,715.25	5,531.01	10,487.38
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	-	37.34	226.63	-	118.92
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:	-	6,920.41	4,488.57	5,294.08	10,204.46
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:	-	0.04	0.05	236.92	154.05
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	11.71	-	-	-	9.96
24	Other assets: (sum of rows 25 to 29)	1,243.61	-	-	797.67	2,041.28
25	Physical traded commodities, including gold					
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27	NSFR derivative assets					

(₹ in crore)					
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
28 NSFR derivative liabilities before deduction of variation margin posted					
29 All other assets not included in the above categories	1,243.61	-	-	797.67	2,041.28
30 Off-balance sheet items	239.64				11.95
31 Total RSF (14+15+16+24+30)	2,914.95	6,957.79	4,715.25	11,738.54	13,528.13
32 Net Stable Funding Ratio (%)					145.72%

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 01, 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 the Bank's management which have been relied upon by the auditors.

3. Investments

3.1 Composition of Investment Portfolio

a) As at March 31, 2025

(₹ in crore)							
Sl. No.	Particulars	Investments in India					
		Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or joint ventures	Others
I.	Held to Maturity						
	Gross	4,433.22	-	-	-	-	-
	Less: Provision for Non-Performing Investments (NPI)	-	-	-	-	-	-
	Net	4,433.22	-	-	-	-	-
	High Quality Liquid Assets (HQLA)						
II	Available for sale						
	Gross	-	-	-	-	-	287.97
	Less: Provision for Non-Performing Investments (NPI)	-	-	-	-	-	-
	Less: Provision for depreciation	-	-	-	-	-	-
	Net	-	-	-	-	-	287.97

(₹ in crore)							
Sl. No.	Particulars	Investments in India					
		Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or joint ventures	Others
III	Held for Trading *						
	Gross	1,100.11	-	23.10	-	-	148.51
	Less: Provision for Non-Performing Investments (NPI)	-	-	-	-	-	-
	Add/Less: Provision for Appreciation/ (depreciation)	2.34	-	-	-	-	0.01
	Net	1,102.45	-	23.10	-	-	148.52
IV	Total Investments	5,533.33	-	23.10	-	-	436.48
	Less: Provision for Non-Performing Investments	-	-	-	-	-	-
	Less: Provision for depreciation	2.34	-	-	-	-	0.01
	Net	5,535.67	-	23.10	-	-	436.49

As on March 31, 2025, the Bank does not have investments outside India. Hence, corresponding disclosures are not made.

* FVTPL is categorised under HFT for disclosure purpose.

b) As at March 31, 2024

(₹ in crore)							
Sl. No.	Particulars	Investments in India					
		Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or joint ventures	Others
I.	Held to Maturity						
	Gross	3,788.82	-	-	-	-	-
	Less: Provision for Non-Performing Investments (NPI)	-	-	-	-	-	-
	Net	3,788.82	-	-	-	-	-
II	Available for sale						
	Gross	1,439.99	-	11.71	-	-	185.36
	Less: Provision for Non-Performing Investments(NPI)	-	-	-	-	-	-
	Less: Provision for depreciation	15.68	-	-	-	-	65.92
	Net	1,424.31	-	11.71	-	-	134.77

(₹ 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	
III	Held for Trading							
	Gross	196.98	-	-	-	-	-	196.98
	Less: Provision for Non-Performing Investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	0.24	-	-	-	-	-	0.24
	Net	196.74	-	-	-	-	-	196.74
IV	Total Investments	5,425.79	-	11.71	-	-	206.23	5,622.86
	Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-
	Less: Provision for depreciation	15.92	-	-	-	-	65.92	81.84
	Net	5,409.87	-	11.71	-	-	140.32	5,541.02

As on March 31, 2024, the Bank does not have Investments outside India. Hence, corresponding disclosures are not made.

3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve :

(₹ in crore)

Particulars	As at March 31, 2025	As at March 31, 2024
1 Movement of provisions held towards depreciation on investments		
i. Opening Balance	81.83	102.00
ii. Add : Provisions made during the year	-	16.29
iii. Less : Write-off/Write-back of excess provisions made during the year	81.83	36.46
iv. Closing Balance	-	81.83
2 Movement of Investment Fluctuation Reserve		
i. Opening Balance	35.04	32.14
ii. Add : Amount transferred during the year	-	2.90
iii. Less : Drawdown	-	-
iv. Closing Balance	35.04	35.04
3 Closing balance in IFR as a percentage of closing balance of Investments in AFS and HFT Category	2.24%	2.00%

3.3 Sale/ Transfer of Securities to/from HTM Category

During the years ended March 31, 2025 and March 31, 2024, 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 programmes;

- 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 years ended March 31, 2025 and March 31, 2024.

b) i. Issuer Composition of Non-SLR Investments as at March 31, 2025

(₹ 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	2.74	-	-	-	-
2	FIs	1.29	-	-	-	-
3	Banks	438.36	435.08	-	-	-
4	Private Corporates	15.78	1.99	-	-	-
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	1.41	1.41	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	459.58	438.48	-	-	-

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, Certificate of Deposits and Security Receipts issued by ARCs registered with Reserve Bank in line with extant RBI guidelines.

ii. Issuer Composition of Non-SLR Investments as at March 31, 2024

(₹ 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	24.67	23.44	-	-	-
2	FIs	0.42	-	-	-	-
3	Banks	98.62	96.00	-	-	-
4	Private Corporates	7.45	0.77	-	-	0.77
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	65.92	65.92	-	-	-
7	Provision held towards depreciation	(65.92)	-	-	-	-
	Total	131.16	186.13	-	-	0.77

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, Certificate of Deposits and Security Receipts issued by ARCs registered with Reserve Bank in line with extant RBI guidelines.

3.5 Details of Repo /Reverse Repos

As at March 31, 2025

Particulars	(₹ in crore)							
	Minimum outstanding during the year		Maximum outstanding during the year		Daily average outstanding during the year*		Outstanding as on March 31, 2025	
	FV	MV	FV	MV	FV	MV	FV	MV
Securities sold under repos								
i. Government securities	1.02	1.00	196.25	189.97	5.08	4.85	0.00	0.00
ii. Corporate debt securities	-	-	-	-	-	-	-	-
iii. Any other securities	-	-	-	-	-	-	-	-
Securities purchased under reverse repos								
i. Government securities	28.34	29.99	1117.39	1149.90	342.29	357.51	460.47	499.37
ii. Corporate debt securities	-	-	-	-	-	-	-	-
iii. Any other securities	-	-	-	-	-	-	-	-

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

As at March 31, 2024

Particulars	(₹ in crore)							
	Minimum outstanding during the year		Maximum outstanding during the year		Daily average outstanding during the year*		Outstanding as on March 31, 2024	
	FV	MV	FV	MV	FV	MV	FV	MV
Securities sold under repos								
i. Government securities	10.00	10.00	1093.19	1064.89	412.20	408.45	0.00	0.00
ii. Corporate debt securities	-	-	-	-	-	-	-	-
iii. Any other securities	-	-	-	-	-	-	-	-
Securities purchased under reverse repos								
i. Government securities	10.64	10.00	201.42	197.98	87.11	87.71	0.00	0.00
ii. Corporate debt securities	-	-	-	-	-	-	-	-
iii. Any other securities	-	-	-	-	-	-	-	-

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

3.6 During the year ended March 31, 2025, the Bank implemented the RBI Master Direction - Classification, Valuation, and Operation of Investment Portfolio of Commercial Banks (Directions), 2023, dated September 12, 2023. This directive is applicable to banks from April 01, 2024. Consequent to the transition provisions, the Bank has recognised net gain of ₹ 951.73 lakhs (net of taxes) which has been credited to General Reserve as on April 01, 2024, on account of revision in the carrying value of investments to the fair value as on such date. The impact of the revised framework for previous period 2023-24 is not ascertainable and assess the profit or loss from the investments included in other income for the year ended March 31, 2025, incomparable with the previous period (s)/year.

4. Asset Quality

4.1. Classification of Advances and Provision Held

As at March 31, 2025

Particulars	(₹ in crore)					
	Standard		Non-Performing			Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA	
Gross Standard Advances and NPAs						
Opening balance	17,879.32	883.69	2.79	6.56	893.04	18,772.36
Add: Additions during the year					1,699.94	
Less: Reductions during the year *					1,302.42	
Closing balance	17,488.23	1,274.29	8.86	7.41	1,290.56	18,778.79

(₹ in crore)						
Particulars	Standard	Non-Performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA	
* Reductions in Gross NPAs due to:						
i) Recoveries (excluding recoveries made from upgraded accounts)					21.17	
ii) Upgradations					56.32	
iii) Technical/ prudential write-offs					1,224.93	
iv) Write-offs other than those under (iii) above					-	
Provisions (excluding floating provisions)						
Opening balance of provision held	110.09	469.90	2.79	6.56	479.25	589.34
Add: Fresh provisions made during the year					1,523.46	
Less: Excess provision reversed/ written-off loans #					1,251.79	
Closing balance of provisions held	116.20	734.65	8.86	7.41	750.92	867.12
# includes provision utilised towards technical write-off ₹ 1,224.93 crore						
Net NPAs						
Opening balance		413.79	-	-	413.79	
Add: Fresh additions during the year					539.65	
Less: Reductions during the year					413.80	
Closing balance		539.64	-	-	539.64	
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						294.36
Add: Technical/ prudential write-off accounts during the year						1,224.93
Less: Recoveries made from previously technical/ prudential written off accounts during the year						37.26
Less:Sacrifice made from previously technical/prudential written off accounts during the year						1.43
Closing balance						1,480.60

As at March 31, 2024

						(₹ in crore)
Particulars	Standard	Non-Performing				Total
	Total Standard Advances	Sub- Standard	Doubtful	Loss	Total NPA	
Gross Standard Advances and NPAs						
Opening balance	13,766.44	333.43	14.51	3.75	351.69	14,118.13



Particulars	Standard	Non-Performing			(₹ in crore)	
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA	Total
Add: Additions during the year					894.91	
Less: Reductions during the year *					353.56	
Closing balance	17,879.32	883.69	2.79	6.56	893.04	18,772.36
* Reductions in Gross NPAs due to:						
i) Recoveries (excluding recoveries made from upgraded accounts)					9.06	
ii) Upgradations					38.37	
iii) Technical/ prudential write-offs					306.13	
iv) Write-offs other than those under (iii) above					-	
Provisions (excluding floating provisions)						
Opening balance of provision held	89.66	175.54	14.51	3.75	193.80	283.46
Add: Fresh provisions made during the year					611.29	
Less: Excess provision reversed/ written of loans #					325.84	
Closing balance of provisions held	110.09	469.90	2.79	6.56	479.25	589.34
# includes provision utilised towards technical write-off ₹ 306.13 crore						
Net NPAs						
Opening balance		157.89	-	-	157.89	
Add: Fresh additions during the year					421.56	
Less: Reductions during the year					165.66	
Closing balance		413.79	-	-	413.79	
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						12.71
Add: Technical/ prudential write-off accounts during the year						306.13
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						21.59
Less: Sacrifice made from previously technical/prudential written-off accounts during the year						0.33
Less: Technical write-off upgraded to Standard on payment of overdues						2.56
Closing balance						294.36

Asset Quality Ratios

Particulars	March 31, 2025	March 31, 2024
Gross NPA to Gross Advances (%)	6.87%	4.76%
Net NPA to Net Advances (%)	2.99%	2.26%
Provision Coverage Ratio (%)	80.53%	65.15%

4.2. Sector-Wise Advances and Gross NPAs

SI No.	Sector	(₹ in crore)		
		Gross Advances	Gross NPAs	Percentage of Gross NPAs to Gross Advances in that Sector
A	Priority Sector			
1	Agricultural and Allied Activities	7,773.79	974.29	12.53%
2	Advances to Industries Sector Eligible as Priority Sector Lending	440.24	68.28	15.51%
3	Services	773.52	105.01	13.58%
4	Personal and Other Loans	3,416.88	99.53	2.91%
	Sub-Total (A)	12,404.43	1,247.11	10.05%
B	Non-Priority Sector			
1	Agricultural and Allied Activities	3,364.00	-	0.00%
2	Industry	0.20	0.17	85.00%
3	Services	297.32	5.26	1.77%
4	Personal and Other Loans	2,712.84	38.02	1.40%
	Sub-Total (B)	6,374.36	43.45	0.68%
	Total (A+B)	18,778.79	1,290.56	6.87%

SI No.	Sector	(₹ in crore)		
		Gross Advances	Gross NPAs	Percentage of Gross NPAs to Gross Advances in that Sector
A	Priority Sector			
1	Agricultural and Allied Activities	10,157.00	625.79	6.16%
2	Advances to Industries Sector Eligible as Priority Sector Lending	653.77	59.34	9.08%
3	Services	1,052.94	105.16	9.99%
4	Personal and Other Loans	755.26	51.12	6.77%
	Sub-Total (A)	12,618.97	841.41	6.67%
B	Non Priority Sector			
1	Agricultural and Allied Activities	3,849.98	0.20	0.01%
2	Industry	187.04	13.21	7.06%
3	Services	1,287.71	26.26	2.04%
4	Personal and Other Loans	828.66	11.96	1.44%
	Sub-Total (B)	6,153.39	51.63	0.84%
	Total (A+B)	18,772.36	893.04	4.76%

The Bank has compiled the data for the purpose of this disclosure , which has been relied upon by the auditors.



4.3. Overseas Assets, NPAs and Revenue:

The Bank does not have any branches outside India. Hence disclosure relating to overseas assets, NPAs and Revenue are not applicable to the Bank during the years ended March 31, 2025 and March 31, 2024.

4.4 Resolution of Stressed Assets- Revised Framework

The Bank is having Nil loan account for resolution of stressed asset (revised framework) as on March 31, 2025 (Previous year : Nil) as per the RBI Circular DBR.No. BP.BC.45/21.04.048/ 2018-19 dated June 07, 2019, as amended.

4.5. Divergence in Asset Classification and Provisioning

RBI vide circular no. DOR.ACC.REC.No.74/21.04.018/2022-23 dated October 11, 2022, has directed that banks shall make suitable disclosures, wherever (a) the additional provisioning requirement assessed by RBI exceeds 5 % of the reported profit before provisions and contingencies for the reference period, or (b) the additional Gross NPA identified by RBI exceeds 5 % of the published incremental Gross NPA for the reference period, or both. There are no reportable matters to the Bank for the years ended March 31, 2025 and March 31, 2024.

4.6. Disclosure of Transfer of Loan Exposures

- (i) During the year ended March 31, 2025, the Bank has not acquired / transferred any ""loans not in default"" through assignment of loans.
- (ii) During the year ended March 31, 2025, the Bank has not acquired/ transferred any stressed loans (Non-Performing Asset and Special Mention Account).
- iii) Details of ratings of SRs outstanding as on March 31, 2025 are given below:

Ratings	Rating Agency	Recovery Rating	Gross Value of Outstanding SRs ₹ in crore
RR3	Crisil	50% and upto 75%	49.15*

* the same has been carried at ₹2/- in the books.

4.7. Fraud Accounts

Particulars	(₹ in crore)	
	March 31, 2025	March 31, 2024
Number of frauds reported	192	524
Amount involved in fraud (₹ crore)	4.77	3.43
Amount of provision made for such frauds *	2.61	1.48
Amount of unamortised provision debited from 'other reserves' as at the end of the year	-	-

The above table represents frauds reported during the year, including Internet / Payment Banking frauds for which no provisions are required as the customers have shared their credentials.

*Provision is made net of recovery.

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 August 06, 2020 (Resolution Framework 1.0) and 5 May 2021 (Resolution framework 2.0) are given below.

During the half year ended March 31, 2025

Particulars	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of the previous half year ended September 30, 2024 (A)	of (A) aggregate debt that slipped into NPA during the half year ended March 31, 2025	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 March 31, 2025
Personal Loans	4.08	0.02	-	0.32	3.74
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	4.84	0.11	-	0.75	3.98
Total	8.92	0.13	-	1.07	7.72

During the half year ended September 30, 2024

Particulars	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of the previous half year ended March 31, 2024 (A)	of (A) aggregate debt that slipped into NPA during the half year ended September 30, 2024	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 September 30, 2024
Personal Loans	4.90	0.16	-	0.66	4.08
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	6.34	0.34	-	1.16	4.84
Total	11.24	0.50	-	1.82	8.92

5. Exposures

5.1. Exposure to Real Estate Sector:

Particulars	(₹ in crore)	
	March 31, 2025	March 31, 2024
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;	744.57	372.79
of which individual housing loans eligible for inclusion in priority sector advances	305.32	216.85

(₹ in crore)

Particulars	March 31, 2025	March 31, 2024
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 securitised exposures		
- Residential	-	-
- Commercial Real Estate	-	-
Indirect Exposure		
Fund based and Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	102.05	77.34
Total Exposure to Real Estate Sector	846.62	450.13

5.2. Exposure to Capital Market

(₹ in crore)

Particulars	March 31, 2025	March 31, 2024
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;	22.51	10.70
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	22.51	10.70

5.3. Risk Category-Wise Country Exposure

As per extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in following table.

Risk Category	Exposure (net) as at March 31, 2025	Provision held as at March 31, 2025	Exposure (net) as at March 31, 2024	Provision held as at March 31, 2024
Insignificant	0.31	-	-	-
Low	16.62	-	-	-
Moderately Low	-	-	-	-
Moderate	-	-	-	-
Moderately High	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Total	16.93	-	-	-

5.4. Unsecured Advances

During the years ended March 31, 2025 and March 31, 2024, the Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc. Hence the disclosure is not applicable.

5.5. Details of Factoring Exposure:

The factoring exposure of the Bank as at March 31, 2025 is Nil (Previous Year: Nil).

5.6. Intra Group Exposures

The Bank does not have any intra group exposures for the year ended March 31, 2025 and March 31, 2024. Exposure is computed as per RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July 01, 2015.

5.7. Unhedged Foreign Currency Exposure

The Bank held ₹0.20 crore towards unhedged foreign currency exposure as on March 31, 2025 (Previous Year: ₹0.20 crore). The Bank held no incremental capital on advances to borrowers with unhedged foreign currency as on March 31, 2025 (Previous Year: Nil).

6. Concentration of Deposits, Advances, Exposures and NPAs

6.1. Concentration of Deposits:

(₹ in crore)

Particulars	March 31, 2025	March 31, 2024
Total deposits of twenty largest depositors	1,458.20	1,443.97
Percentage of deposits of twenty largest depositors to total deposits of the Bank	6.26%	7.27%

6.2. Concentration of Advances:

(₹ in crore)

Particulars	March 31, 2025	March 31, 2024
Total advances to twenty largest borrowers	702.21	560.94
Percentage of advances to twenty largest borrowers to total advances of the Bank	3.78%	3.00%

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 01, 2015.

6.3. Concentration of Exposures:

Particulars	(₹ in crore)	
	March 31, 2025	March 31, 2024
Total exposure to twenty largest borrowers/customers	702.21	592.36
Percentage of exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	3.78%	3.16%

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 01, 2015.

The Bank has compiled the data for the purpose of disclosure in Note No. 6.1 to 6.3, which has been relied upon by the auditors.

6.4. Concentration of NPAs:

Particulars	(₹ in crore)	
	March 31, 2025	March 31, 2024
Total exposure to top twenty NPA accounts	33.75	4.93
Total exposure to top twenty NPA accounts to Gross NPA	2.62%	0.55%

7. Derivatives

7.1 Forward Rate Agreement/ Interest Rate Swap

The Bank has not entered into any Forward Rate Agreement/ Interest Rate Swap contracts during Financial Years 2024-25 and 2023-24. Hence this disclosure is not applicable to the Bank.

7.2 Exchange Traded Interest Rate Derivatives

The Bank has not entered into any exchange traded interest rate derivatives contracts during Financial Years 2024-25 and 2023-24. Hence this disclosure is not applicable to the Bank.

7.3 Disclosures on Risk Exposure in Derivatives

A. Qualitative Disclosures

- i. Structure and organisation for management of risk in derivatives trading:

The Board of Directors, Risk Management Committee of Board (RMCB), Asset Liability Management Committee (ALCO) and Risk Management department are entrusted with management of risk in derivative transactions for trading and hedging. The Bank's exposure to derivatives is limited to foreign exchange swaps done for hedging its FCNR portfolio. Policy for hedging is included in Foreign Exchange policy of the Bank.

Bank has operations and Risk management functions independent of dealing function. The Market Risk division of Risk Management department is responsible for assessment, monitoring, measurement and reporting of market risk and counterparty risk in foreign exchange swaps entered into for trading and hedging.

- ii. Scope and nature of risk measurement, risk reporting and risk monitoring systems:

Market Risk division of Risk Management department monitors the Bank's exposures in FX spot and forwards on daily basis via computing VaR, AGL etc. and reports to the Chief Risk Officer.

A report is submitted to Risk Management Committee of Board (RMCB) on periodic intervals.

- iii. Policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:

Policy for hedging is included in Foreign Exchange policy of the Bank.

- iv. Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation:

Notional amounts of derivative transactions comprising of swaps, futures and options are disclosed as Off-Balance Sheet exposures. The Bank recognises all derivative contracts (other than those designated as

hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting date. Derivatives are classified as assets when the fair value is positive (positive marked to market) or as liabilities when the fair value is negative (negative marked to market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

Outstanding derivative transactions designated as "Hedges" are accounted in accordance with hedging instrument on an accrual basis over the life of the underlying instrument. Option premium paid or received is recognised in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

B. Quantitative Disclosures

The Bank does not have any currency derivatives and interest rate derivatives. Hence disclosure is not applicable for Financial Years 2024-25 and 2023-24.

8. Disclosures Relating to Securitisation

The Bank has not undertaken any Securitised transaction during the years ended March 31, 2025 and March 31, 2024 and no outstanding as on March 31, 2025. 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 March 31, 2025, and March 31, 2024.

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

During the years ended 31st March 2025 and 31st March 2024, the Bank was not required to transfer any amount to Depositor Education and Awareness Fund.

11. Disclosure of Complaints

a. Customer Complaints

SI No.	Particulars	March 31, 2025	March 31, 2024
(a)	No. of complaints pending at the beginning of the year	303	220
(b)	No. of complaints received during the year	7,682	10,344
(c)	No. of complaints disposed during the year	7,803	10,261
	<i>Of which, number of complaints rejected by the Bank</i>	2	9
(d)	No. of complaints pending at the end of the year	182	303

Customer Complaints above includes:

- i. ATM transaction disputes relating to the Bank's customers on the Bank's ATM.

SI No.	Particulars	March 31, 2025	March 31, 2024
(a)	No. of complaints pending at the beginning of the year	5	2
(b)	No. of complaints received during the year	263	458
(c)	No. of complaints disposed during the year	267	455
	<i>Of which, number of complaints rejected by the Bank</i>	-	-
(d)	No. of complaints pending at the end of the year	1	5

- ii. ATM transaction disputes relating to the Bank's customers on other Banks ATM.

SI No.	Particulars	March 31, 2025	March 31, 2024
(a)	No. of complaints pending at the beginning of the year	27	38
(b)	No. of complaints received during the year	1,721	2,831
(c)	No. of complaints disposed during the year	1,735	2,842
	<i>Of which, number of complaints rejected by the Bank</i>	-	-
(d)	No. of complaints pending at the end of the year	13	27

b. Maintainable Complaints Received by the Bank from Office of Ombudsman

Sl. No.	Particulars	March 31, 2025	March 31, 2024
(a)	Number of maintainable complaints received by the Bank from Office of Ombudsman	64	74
	<i>Of (a), number of complaints resolved in favour of the Bank by Office of Ombudsman</i>	39	72
	<i>Of (a), number of complaints resolved through conciliation/ mediation/advisories issued by Office of Ombudsman</i>	25	2
	<i>Of (a), number of complaints resolved after passing of Awards by Office of Ombudsman against</i>	-	-
(b)	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

c. Top Five Grounds of Complaints Received by the Bank from Customers

Year ended March 31, 2025

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	38	2,092	(41.63%)	18	-
Internet Banking/ Mobile Banking/ Electronic Banking	261	5,496	(17.32%)	163	-
Account opening/difficulty in operation of accounts	-	16	100.00%	-	-
Loans and advances	2	29	(14.71%)	-	-
Levy of charges without prior notice/excessive charges/ foreclosure charges	2	23	(30.30%)	-	-
Others	-	26	(25.71%)	1	-
Total	303	7,682	(25.73%)	182	-

Year ended March 31, 2024

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	42	3,584	3.14%	38	-
Internet Banking/ Mobile Banking/ Electronic Banking	178	6,647	61.26%	261	-
Misselling/ Parabanking	-	11	100.00%	-	-
Loans and advances	-	34	142.86%	2	-
Levy of charges without prior notice/excessive charges/ foreclosure charges	-	33	312.50%	2	-
Others	-	35	218.18%	-	-
Total	220	10,344	35.07%	303	-

The Bank has compiled the data for the purpose of this disclosure, which has been relied upon by the auditors.

12. Disclosure of Penalties Imposed by RBI

During the year ended March 31, 2025, the Reserve Bank of India had imposed a penalty under Banking Regulation Act, 1949 for failure to adhere to

- RBI Directions on "Customer Services in Bank" ₹ Nil (Previous Year: ₹0.30 crore).
- RBI Circular DCM (RMMT) No.S153/11.01.01/2021-22 dated August 10, 2021 and addendum dated January 03, 2022 on cash out at ATM of more than ten hours in a month by the Bank of Rs 0.003 crore (Previous Year: ₹0.006 crore).

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 4 Independent Directors of the Bank. Key mandate of the NRC is to oversee the implementation of the compensation policy of the Bank. The scope and function of the NRC are in accordance with Section 178 of the Companies Act 2013, Securities & Exchange Board of India Regulation 2015 and the guidelines issued by Reserve Bank of India from time to time.

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

Objective of the Banks' Compensation Policy is:

- to provide a fair and transparent structure that is designed to retain and attract the talent pool.
- the compensation shall be adjusted for all types of risk and the outcomes shall be symmetric with risk outcomes.
- to ensure that a sustained and rigorous compensation practice is followed.
- to ensure that a comprehensive and timely disclosure of information is made available to all stakeholders to facilitate constructive engagement.

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 the event of negative contributions of the Bank and/or in the relevant line of business, disciplinary proceedings initiated if any, in a year the deferred compensation will be subjected to 'malus' and 'clawback' arrangements.

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

Variable pay for Whole-Time Directors/Managing Director/ Material Risk Takers will have minimum pay out of 50% of the fixed pay and maximum pay out of 300% of the fixed pay, which will be determined based on the level of responsibility. However, any bonus at the time of joining/ sign on bonus will be limited only to the first year and would be in the form of Employee Stock Options.

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:

For MD & CEO, WTDs, and other employees who are MRTs, deferral arrangements exist for the variable pay, regardless of the quantum of pay. For such executives of the Bank, a minimum of 60% of the Total Variable Pay is invariably under deferral arrangements. Further, if cash component is part of variable pay, at least 50%



of the cash bonus will be deferred. However, in cases where the cash component of variable pay is under ₹25 lakh, deferral requirements is not necessary.

The deferral period is a minimum of three years and would be applicable to both the cash and non-cash components of the variable pay.

The deferral of the variable pay will be spread out over the course of the deferral period.

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

Variable remuneration in the form of Cash or in the form ESOP is paid periodically.

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

B. Quantitative Disclosures

SI No.	Particulars	March 31, 2025	March 31, 2024
1	Number of meetings held by the Nomination and Remuneration Committee during the Financial Year and remuneration paid to its members.	7 Remuneration paid: ₹ 0.14 crore	5 Remuneration paid: ₹ 0.11 crore
2	(i) Number of employees having received a variable remuneration awards during the Financial Year	Eight (MD & CEO, ED and one level below MD & CEO and ED)	Five (MD & CEO and one level below MD & CEO)
	(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 31-03-2025 - ₹ 0.64 crore	Remuneration Payable in cash to MD & CEO as on March 31, 2024 - ₹ 1.15 crore
	ii) Total amount of deferred remuneration paid out in the Financial Year	₹ 0.51 crore	₹ 0.27 crore
	Breakdown of amount of remuneration awards for the Financial Year to show fixed, variable, deferred and non-deferred	Fixed Salary (Including Perquisites & Leave encashment) : ₹ 6.62 crore Variable pay :Rs 0.33 crore Deferred Variable Pay : ₹ 0.51 crore	Fixed Salary : ₹ 4.50 crore Variable pay : ₹ 0.93 crore Deferred Variable Pay : ₹ 0.27 crore
5	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments	Nil	Nil
	ii) Total amount of reductions during the Financial Year due to ex-post explicit adjustments		
	iii) the amount of reductions during the Financial Year due to ex-post implicit adjustments		
6	Number of Material Risk Takers (MRTs) identified	8	1
7	(i) Number of cases where malus has been exercised	Nil	Nil
	(ii) Number of cases where clawback has been exercised		
	(iii) Number of cases where both malus and clawback have been exercised		

SI No.	Particulars	March 31, 2025	March 31, 2024
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 March 31, 2025. The Ratio of the Remuneration of the Managing Director to the mean pay of the Bank as a whole is 51:1 as on March 31, 2025. For the purpose of mean calculation, CTC of the employees are considered.	The mean of the Pay of the Bank as a whole is ₹ 0.06 crore as on March 31, 2024. The Ratio of the Remuneration of the Managing Director to the mean pay of the Bank as a whole is 55:1 as on March 31, 2024. For the purpose of mean calculation, CTC of the employees are considered.

14. Other Disclosures

14.1.Business Ratios / Information:

Particulars	March 31, 2025	March 31, 2024
Interest income as a percentage to Working Funds *	14.37%	16.73%
Non-interest income as a percentage of Working Funds*	1.74%	1.94%
Cost of deposits &	7.45%	7.23%
Net Interest margin@@	8.03%	11.12%
Operating profit # as a percentage of Working Funds*	2.71%	5.09%
Return on assets ## *	-1.94%	1.86%
Business ^ (deposit plus advance) per employee (₹ in crore)\$	3.20	6.16
Profit per employee \$ (₹ in crore)	(0.04)	0.07

* 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. Average represents monthly average.

@@ Net Interest Margin is calculated as percentage of Net Interest Income to Average Earning Assets. Average Earning Assets consist of Gross Advances, Net Investments, Balances with Other Banks in Deposit Accounts and Money at Call and Short Notice. Average is the 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 at the year ends. Inter-bank deposits are excluded for the purposes of computation of this ratio.

14.2. Bancassurance Business

	(₹ in crore)	
Particulars	March 31, 2025	March 31, 2024
Fees/remuneration received from Bancassurance business:		
- For selling life insurance policies	73.34	76.23
- For selling non-life insurance policies	3.24	1.77
- For selling pension products	0.37	0.33
- Others	0.11	0.02
Total	77.06	78.35

14.3. Marketing and Distribution

The Bank received fees/remuneration in respect of Marketing and Distribution function (excluding bancassurance business) during the year ended March 31, 2025 amounting to ₹ Nil (Previous year: ₹ 7.96 crore).

14.4. Priority Sector Lending Certificates

The amount of PSLCs (Category-wise) sold/ purchased

Sl. No.	Type of PSLCs	March 31, 2025		March 31, 2024	
		Purchase	Sale	Purchase	Sale
1	Agriculture	-	-	-	-
2	Micro-Enterprises	-	-	-	-
3	General	-	-	-	-
4	Small and Marginal Farmer	-	3,364.00	-	3,850.00

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	March 31, 2025		March 31, 2024	
Provision towards NPA / Write-offs	1,241.50		579.25	
Provision towards Standard Assets	6.11		20.43	
Provision towards Depreciation on Investments				
Provision made towards Income Tax				
- Current Tax expense	-		153.00	
- Deferred Tax	(171.58)		(8.15)	
Other Provision and Contingencies	2.47		(7.41)	
Total Provisions and Contingencies	1,078.50		737.12	

14.6. Implementation of IFRS converged Indian Accounting Standards (Ind AS)

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

14.7. Payment of DICGC Insurance Premium

Particulars	March 31, 2025		March 31, 2024	
i) Payment of DICGC Insurance Premium (Including taxes)	27.67		20.84	
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 March 31, 2025 and March 31, 2024.

14.9 Letter of Comforts

The Bank has not issued any Letter of Comforts during years ended March 31, 2025 and March 31, 2024. Hence corresponding disclosures are not made.

14.10 Green Deposits

The Bank has not raised any green deposits during years ended March 31, 2025 and March 31, 2024. Hence corresponding disclosures are not made.

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

During the years ended March 31, 2025 and March 31, 2024, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by the RBI.

16. The Bank was carrying an additional contingency provision on standard assets of ₹ 35.82 crore as on March 31, 2024 and further made a provision of ₹ 8.85 crore during the year ended and consequently the contingency provision on standard assets as at March 31, 2025 stands at ₹ 44.67 crore.

18. NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2025

B. OTHER DISCLOSURES:

1. Earnings per Equity Share:

Particulars	March 31, 2025		March 31, 2024	
Net Profit/ (Loss) attributable to equity Shareholders (A)	(521.39)		425.57	
Weighted average number of equity shares used in computation of basic earnings per share (B) (In crore)	51.49		47.52	
Add: Effect of dilution - Stock options granted to employees	0.06		0.08	
Weighted average number of equity shares used in computation of basic earnings per share (C)(In crore)	51.54		47.60	
Basic (₹)[A/B]	(10.13)		8.96	
Diluted (₹)[A/C]	(10.12)		8.94	
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 the RBI guidelines : Treasury, Wholesale Banking, Retail Banking and Other Banking Operations:

Segment Revenue	March 31, 2025				
	Treasury	Wholesale Banking	Retail Banking	Other Banking Operations	Total
Segment Revenue	535.04	141.61	3,529.99	122.67	4,329.31
Segment Results (Operating Profit)	74.45	23.06	(904.89)	114.41	(692.97)
Income Tax Expenses					(171.58)
Net Profit					(521.39)
Segment Assets	7,939.97	1,245.49	17,452.77	-	26,638.23
Unallocated Assets					540.06
Total Assets					27,178.29
Segment Liabilities	5,819.22	1,236.74	17,768.96	-	24,824.92
Unallocated Liabilities					408.36
Share Capital and Reserves and Surplus					1,945.01
Total Liabilities					27,178.29

Segment Revenue	March 31, 2024				
	Treasury	Wholesale Banking	Retail Banking	Other Banking Operations	Total
Segment Revenue	399.06	94.29	3,642.61	124.29	4,260.25
Segment Results (Operating Profit)	52.98	54.70	344.60	118.13	570.41
Income Tax Expenses					144.84
Net Profit					425.57
Segment Assets	6,905.03	977.18	17,931.43	-	25,813.64
Unallocated Assets					273.24
Total Assets					26,086.88

(₹ in crore)

Segment Revenue	March 31, 2024				Total
	Treasury	Wholesale Banking	Retail Banking	Other Banking Operations	
Segment Liabilities	5,103.97	866.57	17,119.79	-	23,090.33
Unallocated Liabilities					510.44
Share Capital and Reserves and Surplus					2,486.11
Total Liabilities					26,086.88

Segmental information is provided as per the MIS/reports available for internal reporting purposes, which includes certain estimates and assumptions.

The methodology adopted in compiling and reporting the above information has been relied upon by the auditors. The RBI vide its Circular dated April 07, 2022 on establishments of Digital Banking Units (DBUs) has prescribed reporting of Digital Banking Segments (DBS) as a sub segment of Retail Banking Segment (RBS). The Bank has not set up any DBU so far and hence DBU has not been disclosed as a separate segment as per Accounting Standard 17 (Segment Reporting).

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 ₹85.71 crore (year ended March 31, 2024 - ₹ 62.78 crore).

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

(₹ in crore)

Particulars	March 31, 2025	March 31, 2024
Not later than one year	87.31	72.75
Later than one year but not later than five years	304.91	321.74
Later than five years	129.63	70.11

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	March 31, 2025	March 31, 2024
Deferred Tax Asset		
Provision for Employee Benefits	5.52	3.62
Provision for Standard Assets	29.25	27.71
Fixed Assets : on differences between book balances and tax balance of fixed asset	10.65	7.55
Other Provisions	9.21	7.69
Carry forward Unabsorbed Depreciation & Tax Losses	163.53	-
Deferred Tax Asset	218.16	46.57

5. Credit Card Reward Points:

The Bank's credit card product as at the year end is in the pilot phase and is offered only to staff members with no reward points (Previous Year : NIL).

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	March 31, 2025	March 31, 2024
Gross Block		
At cost on March 31 of the preceding year	51.71	42.42
Additions during the year	7.47	9.29
Deductions during the year	-	-
Total	59.18	51.71
Depreciation / Amortisation		
As at March 31 of the preceding year	31.34	21.59
Charge for the year	9.60	9.75
Deductions during the year	-	-
Depreciation to Date	40.94	31.34
Net Block	18.24	20.37

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 Personnel (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)
Dr. Paul Thomas	Key Managerial Person (MD and CEO)
George K. John	Executive Director (W.e.f May 15, 2024)
Mereena Paul	Relative of KMP
Emy Acha Paul	Relative of KMP
Alok Paul Thomas	Relative of KMP
Abhishek Joe Paul	Relative of KMP
Ashish Krish Paul	Relative of KMP
Beena George	Relative of KMP
ESAF Foundation ("ESAF Foundation")[erstwhile Evangelical Social Action Forum]	Enterprises over which KMP has significant influence
Prachodhan Development Services ("Prachodhan")	Enterprises over which KMP has significant influence through relative

#Related parties are identified and disclosed as per Accounting Standard 18 - Related Party Disclosures specified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

*EFHL holds 52.88% (Previous Year: 52.94%) 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 the RBI guidelines, EFHL has been considered as Significant Investor.

Transactions during the year with the Related Party

(₹ in crore)

Nature of Transaction	Related Party	March 31, 2025	March 31, 2024
Liabilities			
Term Deposit Placed			
	ESAF Foundation	-	-
	Emy Acha Paul	-	0.03



(₹ in crore)			
Nature of Transaction	Related Party	March 31, 2025	March 31, 2024
	Beena George	0.17	0.17
	Lahanti Homes	-	0.17
	Dr. Paul Thomas	0.58	0.06
	Alok Paul Thomas	0.25	0.03
	Prachodhan	-	0.02
	EFHL	55.57	42.88
	George K. John	0.02	NA
Term Deposit Matured	EFHL	40.77	41.28
	Dr. Paul Thomas	0.53	-
	Cedar Retail	-	-
	Beena George	0.16	0.18
	ESAF Foundation	-	0.15
	Prachodhan	-	0.02
	Emy Acha Paul	-	-
Transactions in Demand Deposit (net)	Cedar Retail	(3.97)	0.77
	ESAF Foundation	2.40	(0.02)
	EFHL	(9.54)	9.73
	Lahanti Homes	-	-
	Prachodhan	0.16	0.25
	ESAF Producer Company	(0.04)	0.04
Transactions in Savings Deposit (net)	Dr. Paul Thomas	1.99	0.75
	Mereena Paul	(0.74)	0.57
	Emy Acha Paul	(0.06)	*
	Alok Paul Thomas	0.01	(0.01)
	ESAF Foundation	7.13	8.71
	Prachodhan	(0.55)	0.27
	Abhishek Joe Paul	(0.01)	-
	Ashish Krish Paul	-	-
	Beena George	(0.01)	(0.04)
	George K. John	0.06	NA
Interest Accrued and due on Deposits			
	EFHL	1.04	0.77
	ESAF Foundation	1.94	1.16
	Dr. Paul Thomas	0.24	0.07
	Mereena Paul	0.04	0.05
	Emy Acha Paul	0.01	0.01
	Alok Paul Thomas	0.01	*
	Abhishek Joe Paul	*	-
	Ashish Krish Paul	-	-
	Beena George	0.01	0.01
	Lahanti Homes	0.02	0.01
	Prachodhan	0.03	0.04
	George K. John	0.01	
Interest Expenses on Sub Debt	EFHL	2.25	2.25
Contingent Liability			
Bank Guarantee Given/ Renewed/(Closed)		-	(0.14)
Assets			
Expenses			
Rent Paid	Lahanti Homes	2.41	2.41
	ESAF Foundation	-	0.02

(₹ in crore)			
Nature of Transaction	Related Party	March 31, 2025	March 31, 2024
Interest paid on Deposits			
	Cedar Retail	-	-
	EFHL	1.04	0.77
	ESAF Foundation	1.94	1.16
	Dr. Paul Thomas	0.24	0.07
	Mereena Paul	0.04	0.05
	Emy Acha Paul	0.01	0.01
	Alok Paul Thomas	0.01	*
	Abhishek Joe Paul	*	-
	Ashish Krish Paul	-	-
	Beena George	0.01	0.01
	Lahanti Homes	0.02	0.01
	Prachodhan	0.03	0.04
	George K. John	0.01	
Interest Paid on Sub Debt	EFHL	2.25	2.25
Remuneration	Dr. Paul Thomas	2.48	3.30
	George K. John	0.84	NA
Reimbursement of Expenses	Dr. Paul Thomas	0.28	0.38
	George K. John	0.07	NA
Contribution towards Corporate Responsibility Expense	ESAF Foundation	9.58	6.05
	Prachodhan	9.00	6.20
Royalty Expense	ESAF Foundation	-	11.84

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	
	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
Liabilities				
Term Deposits	20.15	5.11	5.08	4.38
Demand Deposit (Including Savings Deposits)	1.66	11.20	33.27	24.96
Equity Shares	272.55	272.55	31.30	31.30
Borrowings	20.00	20.00	-	-
Other Liabilities	-	-	0.00	11.84
Contingent Liability				
Bank Guarantee	-	-	1.10	1.10
Assets				
Advances	-	-	-	-
Others	-	-	-	-

Maximum balance outstanding during the year

Items/Related Party	Significant Investor		KMP and Enterprises over which KMP/Relative of KMP have control / significant influence	
	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
Liabilities				
Term Deposits	26.30	46.00	5.12	4.58
Demand Deposit (Including Savings Deposits)	18.89	46.56	42.88	29.24
Equity Shares	280.76	280.76	31.30	31.30
Borrowings	20.00	20.00	-	-
Assets				
Advances	-	-	-	-

The Bank has compiled the data for the purpose of this disclosure, which has been relied upon by the auditors.

8. Employee Stock Option Scheme ("ESOS")

i) ESAF Small Finance Bank Employee Stock Option Plan 2019

The Bank, pursuant to the resolutions passed by the Board on December 23, 2019 and Shareholders on January 03, 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 March 31, 2024 no options under performance grant have been granted by the Bank under the ESAF ESOP Plan 2019. The Nomination and Remuneration Committee of the Bank on June 28, 2021 and May 06, 2024 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:

Details of Tranche I - granted on June 28, 2021

Particulars	March 31, 2025		March 31, 2024	
	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
Outstanding at the beginning of the year	10,09,667	10,44,483		
Surrendered during the year	-	-		
Granted during the year	-	-		
Exercised during the year	6,47,594	-		
Forfeited/ lapsed during the year	3,62,073	34,816		
Outstanding at the end of the year	-	10,09,667		
Options exercisable	-	10,09,667		

Out of the forfeited / lapsed options, 3,52,882 options had lapsed at end of the exercise period of the scheme, since some employees had not exercised their options. An amount of Rs 1.95 crores was transferred to the General Reserve - Refer Note No. 2.2 B.

Details of Tranche II - granted on May 06, 2024

Particulars	March 31, 2025		March 31, 2024	
	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
Outstanding at the beginning of the year	-	-		
Surrendered during the year	-	-		
Granted during the year	11,25,590	-		
Exercised during the year	-	-		
Forfeited/ lapsed during the year	1,36,775	-		
Outstanding at the end of the year	9,88,815	-		
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 'Fair Value' 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, Fair Value is amortised on a straight-line basis over the vesting period.

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 August 30, 2021 (the "RBI Guidelines on Compensation"), the Bank had informed to RBI an employee identified as Material Risk Taker. During the years ended March 31, 2025 and March 31, 2024 no ESOP has been granted to the aforesaid eligible personnel, hence there is no impact on the results for the year ended March 31, 2025 and March 31, 2024 on account of fair valuation of options in accordance with RBI guidelines on compensation to the material risk taker.

9. Employee Benefits

i. The Bank has recognised the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds:

Particulars	March 31, 2025		March 31, 2024	
	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
Provident Fund	23.49	11.84		

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)

Particulars	March 31, 2025		March 31, 2024	
	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
Present Value of DBO at start of year	18.64	13.49		
Transfer In/(Out)	16.06	-		
Current Service Cost	7.64	4.17		
Interest Cost	2.15	0.96		
Benefits Paid	(2.15)	(0.80)		
Past Service Cost	-	-		
Actuarial (Gain)/Loss	3.05	0.82		
Present Value of DBO at end of year	45.39	18.64		

Reconciliation of Fair Value of Plan Assets

Particulars	March 31, 2025		March 31, 2024	
	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
Fair Value of Plan Assets at start of year	17.84	12.92		
Transfer In/(Out)	16.06	-		
Contributions by Employer	10.06	4.67		
Benefits Paid	-2.15	-0.80		
Expected Return on Plan Assets	1.75	1.01		
Actuarial Gain/(Loss)	-	0.04		
Fair Value of Plan Assets at end of year	43.56	17.84		
Actual Return on Plan Assets	1.75	1.05		
Expected Employer Contributions for the Coming Year	0.80	0.90		

Expense recognised in the Profit and Loss Account

	(₹ in crore)	
Particulars	March 31, 2025	March 31, 2024
Current Service Cost	7.64	4.17
Interest Cost	2.15	0.96
Past Service Cost	-	-
Expected Return on Plan Assets	(1.75)	(1.01)
Actuarial (Gain)/Loss	3.05	0.78
Employer Expense/(Income)	11.09	4.90

Net Liability/(Asset) recognised in the Balance Sheet

	(₹ in crore)	
Particulars	March 31, 2025	March 31, 2024
Present Value of DBO	45.39	18.64
Fair Value of Plan Assets	43.56	17.84
Net Liability/(Asset)	1.83	0.80
Less: Unrecognised Past Service Cost	-	-
Liability/(Asset) recognised in the Balance Sheet	1.83	0.80

Category of Plan Assets

Particulars	March 31, 2025	March 31, 2024
Insurer Managed Fund	99.80%	99.70%
Bank Balance	0.20%	0.30%

Actuarial Assumptions Used

Particulars	March 31, 2025	March 31, 2024
Salary Growth Rate	7.5% p.a	7.5% p.a
Discount Rate	6.4% p.a	7% p.a
Withdrawal/Attrition Rate	20% p.a	20% p.a
Expected Return on Plan Assets	7.00%	7.10%
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 March 31, 2025	As at March 31, 2024	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Defined Benefit Obligation	45.39	18.64	13.49	11.05	8.42
Fair Value of Plan Assets	43.56	17.84	12.92	10.56	5.83
Surplus / (Deficit)	(1.83)	(0.80)	(0.57)	(0.49)	(2.59)
Experience Adjustment on Plan Liabilities : (Gain)/ Loss	2.40	0.73	0.07	(0.19)	0.68
Experience Adjustment on Plan Assets : Gain/(Loss)	(0.03)	0.27	0.08	0.02	(0.03)

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

iii. Leave Encashment

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation during service, retirement or termination of employment for the unutilised accrued compensated absence for a maximum of 90 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.

The Actuarial Liability of compensated absences of accumulated privilege leaves of the employees of the Bank is given below:

	(₹ in crore)	
Assumptions	March 31, 2025	March 31, 2024
Privilege Leave	90 days	90 days
Sick Leave	30 days	30 days
Discount Rate (Privilege/ Sick Leave)	6.40%	7.00%
Salary Escalation Rate (Privilege/ Sick Leave)	7.50%	7.50%
Attrition Rate (Privilege/ Sick Leave)	20%	20%
Actuarial Liability - Privilege Leave	12.42	6.6
Charged in Profit and Loss Account - Privilege Leave	5.82	1.85
Actuarial Liability - Sick Leave	7.69	4.59
Charged in Profit and Loss Account - Sick Leave	3.10	1.39

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	March 31, 2025	March 31, 2024
a) Gross amount required to be spent including deficit of previous year	26.01#	18.32#
b) Amount spent during the year		
i) Construction / acquisition of any asset	4.16##	3.03##
ii) Any other projects	12.07###	8.36###
Total	16.23	11.39
c) Short fall at the year end	9.78	6.93
d) Previous year short fall	-	-
e) Reason for short fall	On going projects	On going projects

Gross amount required to be spent by the Bank during the year includes ₹ 6.93 crore being the unspent amount for the Financial Year ended March 31, 2024. (Previous Year - ₹ 6.07 crore relating to March 2023). As per the Bank's CSR Policy, up to 5% of the average net profit of the last 3 preceding years is allocated for CSR activities. During the year, the Bank has set aside 5% as CSR funds. (Previous year : 5%).

##Amount spent/ incurred during the year includes ₹ 1.28 crore out of the unspent amount during the year ended March 31, 2024 (Previous Year : ₹ 0.64 crore out of the unspent amount during the year ended March 31, 2023).

###Amount spent/ incurred during the year includes ₹ 5.65 crore out of the unspent amount during the year ended March 31, 2024 and during previous year includes for ₹ 5.43 crore related to Financial Year ended March 31, 2023 out of the unspent amount during the said year.



Pursuant to Section 135 (5) & 135 (6) of Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 (Amended), the Bank has transferred ₹7.39 crore (Previous Year : ₹ 5.13 crore) to the “Unspent CSR Account” as on March 31, 2025 towards the ongoing projects approved by the CSR Committee to be spent over the next 3 years. The advance with the Implementing Agencies is ₹ 2.38 crore as at March 2025 (March 2024 : ₹ 1.81 crore)

Nature of CSR Activities:

Children’s education, sustainable village development, waste management, liveable city projects, community school infrastucture, Krushakmitra for farmer and farmer collectives, Garshom projects for migrant labourers, skills training for rural artisans and rural youth, flood rehabilitation, Covid 19 response programme, sustainable development initiatives, Arogyamitra- health enterprenuership development.

Refer Note B.7 of Schedule 18 for the related parties involved in activities relating to Corporate Social Responsibility.

11. Subordinated Debt and Perpetual Debt

- The Bank has an outstanding subordinated debt of ₹ 340 crore (As at March 31, 2024 : ₹425 crore). This has been considered as part of Tier 2 Capital for capital adequacy computation after subjecting to discounting in accordance with the RBI guidelines.

During the year ended March 31, 2025, the Bank raised a Subordinated Debt of ₹ Nil crore by way of private placement (Previous Year: ₹ 280 crore).

The Bank has an outstanding Perpetual Debt Instrument of ₹ 48 crore (As at March 31, 2024: ₹ 48 crore).
- Interest Expended- Others includes interest of ₹ 44.59 crore (Previous year : ₹ 22.83 crore) on Subordinated Debt and includes interest of ₹ 6.24 crore (Previous Year: ₹ 6.26 crore) on Perpetual Debt Instrument.

12. Details of Payments of Audit Fees (Exclusive of Goods and Service Tax)

Particulars	₹ in crore)	
	March 31, 2025	March 31, 2024
Statutory Audit Fees	0.45	0.45
Other Attestation Work	0.15	0.15
Other Certification	0.20	0.20
Out of Pocket Expenses (Including IPO-related services)	*	0.05
Total	0.80	0.85

Asterisk denotes figures below ₹50,000/-

13. Description of Contingent Liabilities:

The Bank has Contingent Liability of ₹ 0.46 crore (Previous Year : ₹ 0.11 crore) for claims against customer disputes and tax disputes, ₹ 0.66 crore (Previous year ₹ 0.56 crore) for proprietary transactions and other court matters ₹ 195.76 crore (previous Year: ₹ Nil) against outstanding forward exchange contracts and ₹ 1.72 crore (Previous Year: 1.51 crore) towards guarantees given on behalf of constituents in India.

- The Bank has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. As on March 31, 2025 and March 31, 2024, 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.
- 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 March 31, 2025 and March 31, 2024. The above is based on information available with the Bank and relied upon by the auditors.
- As a part of the normal banking business, the Bank grants loans 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 Customers” guidelines.

Other than the nature of the transactions described above:

- No funds have been advanced or loaned or invested by the Bank to or in any other person(s) or entity(ies) (“intermediaries”) with the understanding that the intermediary shall lend or invest in party identified by or on behalf of the Bank (ultimate beneficiary).
- The Bank has not received any funds from any party(s) (funding party) with the understanding that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities by or on behalf of the Bank (“ultimate beneficiaries”) or provide any guarantee or security or the like on behalf of the ultimate beneficiary.

17. Dividend

Board of Directors has not proposed any dividend for 2024-25.

The Board of Directors at its meeting held on May 08, 2024 , had proposed a dividend of ₹ 0.70 per share for the year ended March 31, 2024 which was approved by the shareholders at the Annual General Meeting held on August 14, 2024.

18. IPO Expenses

During the previous year ended March 31, 2024, the Bank had incurred expenses towards the Initial Public Offer amounting to ₹ 39.28 crore which had been charged-off to securities premium account in accordance with Section 52 of the Companies Act, 2013.

- The Board of Directors at their meeting held on June 14, 2024, had taken a strategic decision to reduce concentration risk associated with dependence on Business Correspondents and had decided to modify the existing arrangement with M/s. ESAF Swasraya Multi State Agro Co-operative Society Limited (“ESMACO”), the largest Business Correspondent and one of the promoter group entities of the Bank from July 01, 2024. In terms of the modified arrangement, the Bank had absorbed 5,109 trained employees of ESMACO and had agreed to compensate ESMACO ₹ 58.00 crore (inclusive of GST) being the value addition for sourcing and training the staff which otherwise the Bank would have had to incur based on an independent external valuation. These employees would be eligible to all the benefits similar to the Bank staff from July 01, 2024.

20. 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 Board of Directors

Ravimohan Periyakavil Ramakrishnan
Chairman
DIN:08534931

Thomas Jacob Kalappila
Director
DIN: 00812892

Gireesh C. P.
Chief Financial Officer

Place: Mannuthy
Date: May 16, 2025

Dr. Kadambelil Paul Thomas
Managing Director & CEO
DIN: 00199925

George K. John
Executive Director
DIN:00694646

Ranjith Raj P.
Company Secretary

Notes

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