

**INDEPENDENT AUDITORS' REVIEW REPORT ON REVIEW OF INTERIM
FINANCIAL RESULTS**

**TO THE BOARD OF DIRECTORS OF
ESAF SMALL FINANCE BANK LIMITED**

1. We have reviewed the accompanying Statement of Unaudited Financial Results of **ESAF Small Finance Bank Limited** (the "Bank"), for the quarter and six months ended 30 September, 2022 (the "Statement"), being submitted by the Bank pursuant to the requirement of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
2. This Statement, which is the responsibility of the Bank's Management and approved by the Bank's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 for "Interim Financial Reporting" ("AS 25"), prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder, in so far as they apply to Banks, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) from time to time ("RBI Guidelines") and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India (ICAI). A review of interim financial information consists of making inquiries, primarily of the Bank's personnel responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with the recognition and measurement principles laid down in the aforesaid Accounting Standard, the RBI Guidelines and other accounting principles generally accepted in India, in so far as they apply to Banks, has not disclosed the information required to be disclosed in terms of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

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

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Neville M. Daruwalla
Partner
Membership No. 118784
(UDIN: **22118784BCSYWD4614**)

MUMBAI, 10 November, 2022

ESAF SMALL FINANCE BANK LIMITED
Building No.VII/83/8, ESAF Bhavan, Thrissur - Palakkad National Highway,
Mannuthy, Thrissur, Kerala - 680651
CIN : U65990KL2016PLC045669

Statement of unaudited financial results for the quarter and six months period ended 30 September 2022

Rs. In Lakh

Sl No.	Particulars	Quarter ended 30 September 2022	Quarter ended 30 June 2022	Quarter ended 30 September 2021	Six months period ended 30 September 2022	Six months period ended 30 September 2021	Year ended 31 March 2022
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Interest Earned (a)+(b)+ (c)+(d)	68,819	69,031	43,063	1,37,850	83,687	1,93,993
	a) Interest/discount on advances/bills	60,289	61,796	38,175	1,22,085	74,468	1,72,671
	b) Income on investments	8,058	6,791	4,198	14,849	7,637	18,831
	c) Interest on balances with Reserve Bank of India and other inter-bank funds	472	444	690	916	1,582	2,491
	d) others	-	-	-	-	-	-
2	Other Income	8,027	4,801	6,104	12,828	9,863	20,758
3	Total Income (1)+(2)	76,846	73,832	49,167	1,50,678	93,550	2,14,751
4	Interest expended	25,092	24,155	18,685	49,247	37,034	79,279
5	Operating Expenses (i)+(ii)	29,148	27,148	20,732	56,296	36,192	86,287
	i) Employees Cost	7,062	6,100	5,790	13,162	11,089	23,214
	ii) Other operating expenses	22,086	21,048	14,942	43,134	25,103	63,073
6	Total Expenditure (4)+(5)	54,240	51,303	39,417	1,05,543	73,226	1,65,566
	(excluding provisions & contingencies)						
7	Operating Profit before provisions and contingencies (3)-(6)	22,606	22,529	9,750	45,135	20,324	49,185
8	Provisions(other than tax) and contingencies	14,893	8,362	21,871	23,255	34,571	41,800
9	Exceptional items	-	-	-	-	-	-
10	Profit/(Loss) from ordinary activities before tax (7)-(8)-(9)	7,713	14,167	(12,121)	21,880	(14,247)	7,385
11	Tax expenses	1,955	3,570	(2,958)	5,525	(3,499)	1,912
12	Net profit/(Loss) from ordinary activities after tax (10)-(11)	5,758	10,597	(9,163)	16,355	(10,748)	5,473
13	Extraordinary items (net of tax expense)	-	-	-	-	-	-
14	Net Profit/(Loss) for the Period/ year (12)-(13)	5,758	10,597	(9,163)	16,355	(10,748)	5,473
15	Paid up equity share capital (Face Value of Rs. 10/- each)	44,947	44,947	44,947	44,947	44,947	44,947
16	Reserves excluding revaluation reserves	-	-	-	-	-	95,732
17	Analytical Ratios and other disclosures						
	(i) Percentage of shares held by Government of India	-	-	-	-	-	-
	(ii) Capital Adequacy Ratio - Basel II (Refer Note 5)	21.18%	20.31%	20.84%	21.18%	20.84%	18.64%
	(iii) Earnings Per Share (EPS) [before and after extraordinary items, net of expenses] (Face value of Rs.10/- each) *						
	- Basic (Rs.)	1.28	2.36	(2.04)	3.64	(2.39)	1.22
	- Diluted (Rs.)	1.28	2.35	(2.04)	3.63	(2.39)	1.22
	(iv) NPA Ratio						
	(a) Gross NPA	96,175	73,436	59,731	96,175	59,731	94,959
	(b) Net NPA	49,383	43,942	19,276	49,383	19,276	45,596
	(c)% of Gross NPA to Gross Advances	8.11%	6.16%	6.31%	8.11%	6.31%	7.83%
	(d) % of Net NPA to Net Advances	4.34%	3.78%	2.13%	4.34%	2.13%	3.92%
	(v) Return on Assets *	0.32%	0.59%	(0.70%)	0.90%	(0.85%)	0.39%
	(vi) Networth #	1,57,034	1,51,276	1,24,458	1,57,034	1,24,458	1,40,679
	(vii) Outstanding redeemable preference shares	-	-	-	-	-	-
	(viii) Capital Redemption Reserve/ Debenture Redemption Reserve	-	-	-	-	-	-
	(ix) Debt - Equity Ratio **	1.32	1.53	1.03	1.32	1.03	1.70
	(x) Total debts ** to total assets	14.30%	14.12%	10.50%	14.30%	10.50%	16.68%

* Quarterly and six months numbers are not annualised.

#Networth represents sum of Capital and Reserves & Surplus

**Debt represents borrowings with residual maturity of more than one year. Total debt represents total borrowings.



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Notes :

1. Statement of Assets and Liabilities

Particulars	Rs.In Lakh	
	As at 30 September 2022	As at 31 March 2022
	Unaudited	Audited
CAPITAL AND LIABILITIES		
Capital	44,947	44,947
Employee Stock options Outstanding,	633	481
Reserves and Surplus	1,12,087	95,732
Deposits	13,52,000	12,81,507
Borrowings	2,60,889	2,95,283
Other Liabilities and Provisions	54,258	52,806
Total	18,24,814	17,70,756
ASSETS		
Cash and Balances with Reserve Bank of India	80,800	1,30,067
Balances with Banks and Money at Call and Short Notice	5,857	21,124
Investments	5,38,072	4,07,030
Advances	11,38,830	11,63,700
Fixed Assets	17,308	15,947
Other Assets	43,947	32,888
Total	18,24,814	17,70,756
Contingent Liabilities	1.90	2.05
Bills for collection	-	-



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2. Cash Flow Statement for the Six Months period ended 30 September 2022

Particulars	Rs. In Lakh		
	Six Months Period ended 30 September 2022	Six Months Period ended 30 September 2021	Year ended 31 March 2022
	Unaudited	Unaudited	Audited
Cash Flow from Operating Activities			
Net Profit Before Tax	21,880	(14,247)	7,385
Adjustments for:			
Depreciation on Bank's Property	2,031	1,570	3,277
Amortisation of Premium on HTM Investments	313	409	803
Profit on sale of investments (net)	(1,046)	(3,805)	(4,351)
(Profit)/Loss on sale of Fixed Assets	1	-	(1)
Provision for Non Performing Advances	23,823	15,714	32,067
Provision for Standard Advances (net)	(1,892)	18,700	9,362
Expense on Employee Stock Option	153	165	481
Provision for Depreciation on Investments	3,029	65	2,331
Provision/(Reversal) for Other Contingencies	250	153	341
	48,542	18,724	51,695
(Increase)/ Decrease in Investments (other than HTM Investments)	(94,705)	(72,818)	(1,19,794)
(Increase)/ Decrease in Advances	1,048	(1,05,611)	(3,79,009)
(Increase)/ Decrease in Fixed Deposit with Bank (Original Maturity greater than 3 months)	-	-	(29)
(Increase)/ Decrease in Other Assets	(11,013)	(2,119)	(4,974)
Increase/ (Decrease) in Deposits	70,493	1,68,890	3,81,565
Increase/ (Decrease) in Other liabilities and provisions	3,094	4,998	13,786
Direct taxes paid (net)	(5,571)	(87)	(1,690)
Net Cash Flow from/(used in) Operating Activities (A)	11,888	11,977	(58,450)
Cash Flow from/(Used in) Investing Activities			
Purchase of Fixed Assets	(3,394)	(1,588)	(5,401)
Proceeds from Sale of Fixed Assets	1	-	28
(Increase)/ Decrease in Held to Maturity Investments	(38,633)	(29,881)	(92,812)
Net Cash Used in Investing Activities (B)	(42,026)	(31,469)	(98,185)
Cash Flow from/(Used in) Financing Activities			
Increase/(Decrease) in Borrowings	(34,395)	(23,100)	1,25,883
Cash Flow from/(used in) Financing Activities (C)	(34,395)	(23,100)	1,25,883
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(64,533)	(42,592)	(30,752)
Cash and Cash Equivalents at the beginning of year	1,51,128	1,81,880	1,81,880
Cash and Cash Equivalents at the end of year / period	86,595	1,39,288	1,51,128



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3. The statement of unaudited financial results for the quarter and six months period ended ended 30 September 2022 ("Statement" or "financial results") have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 10 November 2022 in accordance with the requirement of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the "Regulations") as amended. The results have been subject to limited review by statutory auditors of the Bank and unqualified review report has been issued thereon.

4. The above financial results of the Bank has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 for "Interim Financial Reporting" ("AS 25"), prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder, in so far as they apply to Banks, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) from time to time ("RBI Guidelines") and other accounting principles generally accepted in India.

5. The Capital adequacy ratio ("CRAR") has been computed as per the Operating guidelines vide RBI notification RBI/2016-17/81 DBR,NBD.NO.26/16,13.218/2016-17 dated 6 October 2016 ("the Operating guidelines") prescribed for Small Finance Bank. The Bank has followed Basel II standardised approach for credit risk in accordance with the operating guidelines issued by the RBI for Small Finance Banks. Further no separate capital charge for market risk and operational risk has been computed in view of the exception contained in RBI Notification DBR, NBD, NO. 4502/16.13.218/2017-18 dated 8 November 2017.

6. Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated 6 August 2020 (Resolution Framework 1.0) and 5 May 2021 (Resolution framework 2.0) are given below.

Rs. In Lakh					
Type of Borrower	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of the previous half year ended 31 March 2022 (A)	of (A) aggregate debt that slipped into NPA during the half year ended 30 September 2022	of (A) amount written off during the half - year	of (A) amount paid by the borrowers during the half year #	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of this half year ended 30 September 2022
Personal Loans	10,814	2,371	-	2,692	5,751
Corporate Persons *	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	44,377	8,691	-	16,043	19,643
Total	55,191	11,062	-	18,735	25,394

* As defined in section 3(7) of insolvency and Bankruptcy Code, 2016

Amount paid by borrower during the half year is net of addition in the borrower amount due to fresh disbursement made, if any.

7. During the quarter and six months period ended 30 September 2022, the Bank has not transferred / acquired any loans under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021.

8. In the six months period ended 30 September 2022, the impact of disruptions resulting from COVID -19 has eased substantially, however the Bank continues to monitor the developments/ongoing impact resulting from COVID-19 Pandemic and any action to contain its spread or mitigate its impact. The Bank continues to carry an additional contingency provision of Rs.98.76 Crore (Rs. 109.41 Crore as at 30 June 2022 and as at 31 March 2022: Rs.66.06 Crore).

9. Other income includes processing fee, profit/ loss on sale of investments (including provision for depreciation), recovery from loans written off, income from dealing in PSLC, etc.

10. The Bank is in the process of completing the initial public offering (IPO), as per the regulatory requirement and has incurred certain expenses towards its proposed issue of equity shares which would be charged-off to securities premium account in accordance with Section 52 of the Companies Act, 2013 upon completion of the IPO.

11. Figures for the previous period/year have been classified/regrouped wherever necessary, to conform to the current period classification.

**PAUL
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KADAMBELIL**

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Kadambelil Paul Thomas
Managing Director & CEO
DIN: 00199925

Place : Dhaka

Date : 10 November 2022



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