

**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 half year ended September 30, 2021 (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.



Deloitte Haskins & Sells

5. We draw attention to Note 8 to the Statement, which describes that the potential impact of the continuing COVID-19 pandemic on the Bank's results are dependent on future developments which are uncertain.

Our conclusion on the Statement is not modified in respect of this matter.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.117365W)



A handwritten signature in black ink, appearing to read "N. Daruwalla".

Neville M. Daruwalla
Partner
Membership No. 118784
(UDIN:21118784AAAAIB4689)

MUMBAI, November 6, 2021

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 half year ended 30 September 2021

Rs. In Lakh					
Particulars	Quarter ended 30 September 2021	Quarter ended 30 June 2021	Half year ended 30 September 2021	Half year ended 30 September 2020	Year ended 31 March 2021
	Unaudited	Unaudited (Refer Note 12)	Unaudited	Unaudited	Audited
I. INCOME					
Interest Earned	43,063	40,624	83,687	84,290	1,64,117
Other Income	6,066	3,738	9,804	4,508	12,379
Total	49,129	44,362	93,491	88,798	1,76,496
II. EXPENDITURE					
Interest expended	18,685	18,349	37,034	35,700	71,958
Operating Expenses	20,732	15,460	36,192	26,598	63,186
Provisions and Contingencies	18,875	12,138	31,013	13,458	30,813
Total	58,292	45,947	1,04,239	75,756	1,65,957
III. PROFIT					
Net (Loss)/ Profit for the Period/Year (I - II)	(9,163)	(1,585)	(10,748)	13,042	10,539
Analytical Ratios					
(i) Capital Adequacy Ratio	20.84%	25.02%	20.84%	24.29%	24.23%
(ii) Earnings Per Share (EPS) (Face value of Rs.10/- each) *					
- Basic (Rs.)	(2.04)	(0.35)	(2.39)	3.05	2.46
- Diluted (Rs.)	(2.04)	(0.35)	(2.39)	3.05	2.46
NPA Ratio					
a) Gross NPA	59,731	84,233	59,731	9,761	56,400
Net NPA	19,276	45,065	19,276	1,352	31,658
b) % of Gross NPA	6.31%	10.39%	6.31%	1.32%	6.70%
% of Net NPA	2.13%	5.84%	2.13%	0.19%	3.88%
c) Return on Assets *	(0.70%)	(0.13%)	(0.85%)	1.24%	0.95%
d) Networth	1,24,458	1,33,621	1,24,458	1,21,451	1,35,206
e) Outstanding redeemable preference shares	-	-	-	-	-
f) Capital Redemption Reserve	-	-	-	-	-
g) Debt - Equity Ratio	1.03	0.91	1.03	0.82	0.92
h) Total debts to total assets	10.50%	10.50%	10.50%	12.43%	13.73%

* Quarterly / Half yearly 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.

Notes :

1. Statement of Assets and Liabilities

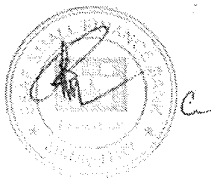
Rs. In Lakh		
Particulars	As at 30 September 2021	As at 31 March 2021
	Unaudited	Audited
CAPITAL AND LIABILITIES		
Capital	44,947	44,947
Employee Stock options Outstanding	165	-
Reserves and Surplus	79,511	90,259
Deposits	10,68,833	8,99,943
Borrowings	1,46,300	1,69,400
Other Liabilities and Provisions	53,167	29,316
Total	13,92,923	12,33,865
ASSETS		
Cash and Balances with Reserve Bank of India	52,860	42,807
Balances with Banks and Money at Call and Short Notice	86,460	1,39,105
Investments	2,99,237	1,93,207
Advances	9,06,656	8,16,759
Fixed Assets	13,869	13,851
Other Assets	33,841	28,136
Total	13,92,923	12,33,865
Contingent Liabilities	145	150
Bills for collection	-	-



Handwritten signature/initials.

2) Cash Flow Statement for the half year ended 30 September 2021 is given below:

Particulars	Rs. in Lakh	
	Half year ended 30 September 2021	Year ended 31 March 2021
	Unaudited	Audited
Cash Flow from Operating Activities		
Net (Loss)/Profit before tax	(14,247)	14,137
Adjustments for:		
Depreciation on Bank's Property	1,570	2,857
Amortisation of Premium on HTM Investments	409	685
Profit on sale of investments (net)	(3,805)	(2,304)
(Profit)/Loss on sale of Fixed Assets	-	233
Provision for Non Performing Advances	15,714	18,873
Provision for Standard Advances	18,700	9,255
Expense on Employee Stock Option	165	-
Provision for Depreciation on Investments	65	(114)
Provision/(Reversal) for Other Contingencies	153	(571)
	18,724	43,051
(Increase)/ Decrease in Investments (other than HTM Investments)	(72,818)	40,754
(Increase)/ Decrease in Advances	(1,05,611)	(1,80,849)
(Increase)/ Decrease in Fixed Deposit with Bank (Original Maturity greater than 3 months)	-	22,643
(Increase)/ Decrease in Other Assets	(2,119)	(4,240)
Increase/ (Decrease) in Deposits	1,68,890	1,97,104
Increase/ (Decrease) in Other liabilities and provisions	4,997	5,213
Direct taxes paid (net)	(87)	(10,931)
Net Cash Flow from/(used In) Operating Activities (A)	11,976	1,12,745
Cash Flow from/(Used In) Investing Activities		
Purchase of Fixed Assets	(1,588)	(4,950)
Proceeds from Sale of Fixed Assets	-	19
(Increase)/ Decrease in Held to Maturity Investments	(29,861)	(58,864)
Net Cash Used In Investing Activities (B)	(31,469)	(63,795)
Cash Flow from/(Used In) Financing Activities		
Proceeds from Issue of Share Capital (including Share Premium)	-	16,259
Increase/(Decrease) in Borrowings	(23,100)	49,068
Cash Flow from/(Used In) Financing Activities (C)	(23,100)	65,327
Net Increase In Cash and Cash Equivalents (A+B+C)	(42,593)	1,14,277
Cash and Cash Equivalents at the beginning of period/year	1,81,881	67,604
Cash and Cash Equivalents at the end of period/year	1,39,288	1,81,881



Handwritten signature/initials.

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

3. The statement of unaudited financial results for the quarter and half year ended 30 September 2021 ("Statement" or "financial results") have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 6 November 2021.

4. The above financial results of the Bank have been prepared in all material aspects, in accordance with the generally accepted accounting principles in India ("Indian GAAP"), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time and Accounting Standards as prescribed under section 133 of the Companies Act, 2013.

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 have 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 are given below.

(Rs. In Lakh except number of accounts)

Type of Borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan	(C) Or (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution *
Personal Loans	63	17	-	-	3
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	571	1,695	-	-	182
Total	634	1,712	-	-	185

* Provision held as on 31 March 2021.

(Rs. In Lakh except number of accounts)

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 March 31, 2021 (A)	of (A) aggregate debt that slipped into NPA during the half year	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 2021
Personal Loans	12	3	-	2	7
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	1,638	630	-	42	985
Total	1,650	633	-	44	992

7. Details of resolution plan implemented under the RBI Resolution Framework - 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses dated 5 May 2021 are given below

(Rs. In Lakh except number of accounts)

Description	Individual borrowers		Small Business
	Personal Loans	Business Loans	
A) Number of requests received for invoking resolution process under Part A	2,30,978	4,75,083	-
B) Number of Accounts where resolution plan has been implemented under this window	2,23,977	4,66,631	-
C) Exposure to accounts mentioned at (B) before implementation of plan	43,846	1,20,695	-
D) of (C), aggregate amount of debt that was converted into other securities	-	-	-
E) Additional funding sanctioned, if any, including between invocation of the plan and implementation	-	-	-
F) Increase in provisions on account of the implementation of resolution plan *	5,517	18,839	-

* Provision maintained as on 30 September 2021

8. The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant volatility in the financial markets and slowdown in the economic activities. Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional restrictions continued to be implemented in areas due to the "second wave" of COVID-19, which included a significant surge of COVID-19 cases. The second wave has started to subside from June 2021 onwards and there has been a lifting of lock downs resulting in a gradual increase in economic activity.

The extent to which the COVID -19 pandemic will ultimately impact the Bank's result and the carrying value of the assets will depend on future developments which are highly uncertain. Given the uncertainty over the potential macro-economic condition, the impact of COVID-19 pandemic on the financial performance may be different from that estimated as at the date of approval of these financial results. Such changes will be prospectively recognized. The Bank continues to closely monitor any anticipated material changes to future economic conditions.



[Handwritten Signature]

ESAF SMALL FINANCE BANK LIMITED
Building No.VII/63/8, ESAF Bhavan, Thrissur - Palakkad National Highway,
Mannuthy, Thrissur, Kerala - 680651
CIN : U65990KL2016PLC045669

9. During the Half year ended 30 September 2021, the Bank has granted 11,25,590 as loyalty grants under Employee Stock Purchase Scheme (ESPS) 2019. As per the RBI circular RBI/2021-22/9 OR.GOV.REC.44/29.67.001/2021-22 "Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff – Clarification" dated 30 August 2021 (the "RBI Guidelines on Compensation"), the Bank has identified material risk taker(s) and submitted to RBI. During the period no ESOP has been granted to the aforesaid eligible personnel, hence there is no impact on the results for the quarter and half year ended 30 September 2021 on account of fair valuation of options in accordance with RBI guidelines on compensation.

10. Based on RBI Master Direction on Financial Statements – Presentation and Disclosures issued on 30 August 2021, recoveries from written off accounts hitherto included as part of other income have been classified as a credit to provisions and contingencies and provision for depreciation on investments hitherto classified as part of provisions and contingencies has been reclassified as part of other income. Previous period figures have been reclassified as appropriate to make them comparable with current period figures. There is no impact of this change on the net profit/loss of the current or earlier periods.


11. The Bank has filed the Draft Red Herring Prospectus (DRHP) for Initial Public offer with Securities and Exchange Board of India on 24 July 2021 and received their final observations vide letter dated 20 October 2021.

12. The figures of the Quarter ended 30 June 2021 have been derived as balancing figures between the amounts as per the unaudited financial results for the half year ended 30 September 2021 and the unaudited financial results for the Quarter ended 30 September 2021.

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

Place : Mannuthy
Date : 6 November 2021




Kadambelli Paul Thomas
Managing Director & CEO
DIN: 00199925