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**Abarna & Ananthan**

Chartered Accountants  
521, 3rd Main Rd, 2nd Phase,  
6th Block, Banashankari 3rd Stage,  
Bengaluru,  
Karnataka - 560085.

**INDEPENDENT AUDITORS' REPORT ON AUDIT OF FINANCIAL RESULTS****TO THE BOARD OF DIRECTORS OF  
ESAF SMALL FINANCE BANK LIMITED****Opinion**

We have audited the Financial Results for the quarter ended June 30, 2023 ('Financial Results') included in the accompanying 'Statement of Audited Financial Results for quarter ended June 30, 2023 of **ESAF SMALL FINANCE BANK LIMITED** (the 'Bank'), (the 'Statement'), being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

In our opinion and to the best of our information and according to the explanations given to us, the Financial Results for the quarter ended June 30, 2023:

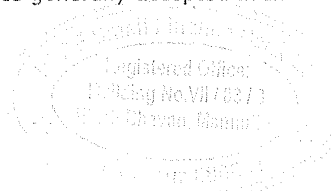
- i. is presented in accordance with the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended; and
- ii. gives a true and fair view in conformity with the recognition and measurement principles laid down in Accounting Standard 25 for "Interim Financial Reporting" ("AS 25") ("Accounting Standard"), in so far as it applies 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 and other accounting principles generally accepted in India of the net profit and other financial information of the Bank for the quarter ended.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under Section 143(10) of the Companies Act, 2013 (the "Act"). Our responsibilities under those Standards are further described in paragraph (a) of Auditor's Responsibilities section below. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (the "ICAI") together with the ethical requirements that are relevant to our audit of the Financial Results for the quarter ended June 30, 2023, under the provisions of the Act and the Rules 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.

**Management's Responsibilities for the Statement**

This Statement which includes the Financial Results is the responsibility of the Bank's Board of Directors and has been approved by them for the issuance. This responsibility includes the preparation and presentation of the Financial Results for the quarter ended June 30, 2023 that give a true and fair view of the net profit and other financial information in accordance with the recognition and measurement principles laid down in the Accounting Standard 25 for "Interim Financial Reporting" ("AS 25") prescribed under Section 133 of the Act read with 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 and other accounting principles generally accepted in India and in



compliance with Regulation 52 of the Listing Regulations. 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 the 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 Results that give a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Results, the Board of Directors are 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.

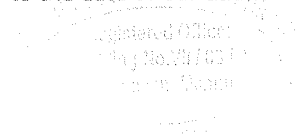
The Board of Directors are also responsible for overseeing the financial reporting process of the Bank.

#### **Auditor's Responsibilities for audit of the Financial Results for the quarter ended 30 June 2023**

Our objectives are to obtain reasonable assurance about whether the Financial Results for the quarter ended June 30, 2023, as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Results.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the Financial Results, 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors.
- Evaluate the appropriateness and reasonableness of disclosures made by the Board of Directors in terms of the requirements specified under Regulation 52 of the Listing Regulations.
- Conclude on the appropriateness of the Board of Directors' 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 ability of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However,



future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Results, including the disclosures, and whether the Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Financial Results of the Bank to express an opinion on the Financial Results.

Materiality is the magnitude of misstatements in the Financial Results that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Results 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 Results.

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.

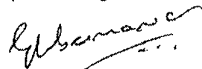
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Other Matter

The comparative financial information of the Bank for the Quarter ended 30 June 2022 included in the Statement have been reviewed by the Deloitte Haskins & Sells, Chartered Accountants, one of the joint statutory auditors of the Bank, who have expressed an unmodified conclusion. Accordingly, Abarna & Ananthan, Chartered Accountants, do not express any conclusion on the comparative figures reported for the aforementioned period.

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

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



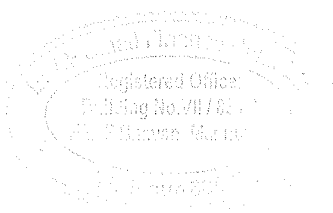
**G. K. Subramaniam**  
Partner  
Membership No. 109839  
UDIN: 23109839BGXQDQ9188  
Place: Mumbai  
Date: August 11, 2023



For **Abarna & Ananthan**  
Chartered Accountants  
(Firm Registration No. 000003S)



**Mohan Rao G.**  
Partner  
Membership No. 203737  
UDIN: 23203737BGZDEM7393  
Place: Mannuthy  
Date: August 11, 2023



## Statement of audited financial results for the quarter ended 30 June 2023

Rs. In Lakh

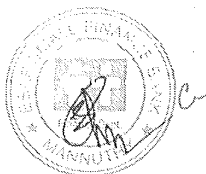
Sl No.	Particulars	Quarter ended 30 June 2023	Quarter ended 31 March 2023	Quarter ended 30 June 2022	Year ended 31 March 2023
		Audited	Unaudited (Refer Note 9)	Unaudited	Audited
1	Interest Earned (a)+(b)+(c)+(d)	89,875	77,386	69,031	2,85,366
	a) Interest/discount on advances/bills	82,083	69,432	61,796	2,53,205
	b) Income on investments	7,780	7,943	6,791	31,204
	c) Interest on balances with Reserve Bank of India and other inter-bank funds	12	11	444	957
	d) others	-	-	-	-
2	Other Income	9,303	9,396	4,801	28,791
3	<b>Total Income (1)+(2)</b>	<b>99,178</b>	<b>86,782</b>	<b>73,832</b>	<b>3,14,157</b>
4	Interest expended	31,329	27,491	24,155	1,01,732
5	Operating Expenses (i)+(ii)	37,782	37,441	27,148	1,23,054
	i) Employees Cost	7,987	7,624	6,100	27,800
	ii) Other operating expenses	29,795	29,817	21,048	95,254
6	<b>Total Expenditure (4)+(5)</b> (excluding provisions & contingencies)	<b>69,111</b>	<b>64,932</b>	<b>51,303</b>	<b>2,24,786</b>
7	<b>Operating Profit before provisions and contingencies (3)-(6)</b>	<b>30,067</b>	<b>21,850</b>	<b>22,529</b>	<b>89,371</b>
8	Provisions (other than tax) and contingencies	12,693	8,228	8,362	48,767
9	Exceptional items	-	-	-	-
10	<b>Profit from ordinary activities before tax (7)-(8)-(9)</b>	<b>17,374</b>	<b>13,622</b>	<b>14,167</b>	<b>40,604</b>
11	Tax expenses	4,378	3,484	3,570	10,371
12	<b>Net profit from ordinary activities after tax (10)-(11)</b>	<b>12,996</b>	<b>10,138</b>	<b>10,597</b>	<b>30,233</b>
13	Extraordinary items (net of tax expense)	-	-	-	-
14	<b>Net Profit for the Period/ year (12)-(13)</b>	<b>12,996</b>	<b>10,138</b>	<b>10,597</b>	<b>30,233</b>
15	Paid up equity share capital (Face Value of Rs. 10/- each)	44,947	44,947	44,947	44,947
16	Reserves excluding revaluation reserves	-	-	-	1,25,965
17	<b>Analytical Ratios and other disclosures</b>				
	(i) Percentage of shares held by Government of India	-	-	-	-
	(ii) Capital Adequacy Ratio - Basel II (Refer Note 4)	20.56%	19.83%	20.31%	19.83%
	(iii) Earnings Per Share (EPS) [before and after extraordinary items, net of expenses] (Face value of Rs.10/- each) *				
	- Basic (Rs.)	2.89	2.26	2.36	6.73
	- Diluted (Rs.)	2.89	2.25	2.35	6.71
	(iv) NPA Ratio				
	(a) Gross NPA	23,761	35,169	73,436	35,169
	(b) Net NPA	11,561	15,789	43,942	15,789
	(c)% of Gross NPA to Gross Advances	1.65%	2.49%	6.16%	2.49%
	(d) % of Net NPA to Net Advances	0.81%	1.13%	3.78%	1.13%
	(v) Return on Assets *	0.62%	0.55%	0.59%	1.63%
	(vi) Networth #	1,83,909	1,70,912	1,51,276	1,70,912
	(vii) Outstanding redeemable preference shares	-	-	-	-
	(viii) Capital Redemption Reserve/ Debenture Redemption Reserve	-	-	-	-
	(ix) Debt - Equity Ratio **	1.31	1.47	1.53	1.47
	(x) Total debts ** to total assets	13.17%	16.59%	14.12%	16.59%

\* Quarterly numbers are not annualised

#Networth represents sum of Capital and Reserves &amp; Surplus

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

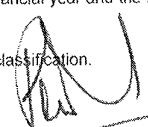
As per Regulation 54 of SEBI (Listing Obligations &amp; Disclosure Requirements) Regulations 2015, the debt listed entities are required to disclose certain ratios. However the ratios which are relevant to the Bank are disclosed above.




**Notes :**

- 1.The statement of audited financial results for the quarter ended 30 June 2023 ("Statement" or "financial results") have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 11 August 2023 in accordance with the requirement of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the "Regulations") as amended. The Joint Statutory Auditors have audited the financial results and have issued an unmodified opinion thereon.
- The comparative financial information of the Bank for the Quarter ended 30 June 2022 included in the Statement have been reviewed by one of the Joint auditor M/s. Deloitte Haskins & Sells, who expressed an unmodified conclusion.
- 2.The above financial results of the Bank has been prepared in accordance with the Banking Regulation Act, 1949, generally accepted accounting principles in India, including accounting standards as prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Accounting Standard) Rules, as amended ("Accounting Standard") as applicable to the Banks, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015, as amended and guidelines issued by Reserve Bank of India.
- 3.The Bank has applied its significant accounting policies in the preparation of these financial results consistent with those followed in the annual financial statements for the year ended 31 March 2023. Any circular/ direction issued by RBI is implemented prospectively when it becomes applicable, unless specifically required under those circulars/ directions.
- 4.The Capital Adequacy Ratio ("CRAR") has been computed as per the Operating guidelines vide RBI notification RBI/2016-17/81 DBR.NBD.NO.26/16.13.216/2016-17 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.
- 5.(i) During the quarter ended June 30, 2023, the bank has not acquired / transferred any "loans not in default" through assignment of loans.  
(ii) During the quarter ended June 30, 2023, the bank has not acquired/ transferred any stressed loans (Non-performing Asset and Special Mention Account).
- 6.The Bank was carrying an additional contingency provision of Rs.13.24 crore as on 31 March 2023 and further made a provision of Rs.3.09 Crore during the quarter end and consequently provision as at 30 June 2023 stands at Rs.16.33 Crore.
- 7.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.
- 8.The Bank has filed the Draft Red Herring Prospectus (DRHP) for Initial Public offer(IPO) with Securities and Exchange Board of India on 7 July 2023. The Bank has incurred certain expenses towards its proposed issue of equity shares which would be adjusted with the securities premium account in accordance with Section 52 of the Companies Act, 2013 upon completion of the IPO.
- 9.The figures for the quarter ended 31 March 2023 are the balancing figures between the audited figures in respect of the full financial year and the figures for the nine months ended 31 December 2022, which were subject to review by the joint statutory auditors.
- 10.Figures for the previous period/ year have been reclassified/ regrouped wherever necessary, to conform to the current period classification.

Place : Mannuthy  
Date : 11 August 2023



Kadambelil Paul Thomas  
Managing Director & CEO  
DIN: 00199925

