

**Deloitte Haskins & Sells**

19<sup>th</sup> Floor, Shapath-V  
S.G. Highway  
Ahmedabad – 380 015  
Gujarat, India  
Tel: +91 79 6682 7300  
Fax: +91 79 6682 7400

**Abarna & Ananthan**

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

**INDEPENDENT AUDITORS' REPORT ON AUDIT OF ANNUAL FINANCIAL RESULTS AND  
REVIEW OF QUARTERLY FINANCIAL RESULTS****TO THE BOARD OF DIRECTORS OF  
ESAF SMALL FINANCE BANK LIMITED****Opinion and Conclusion**

We have (a) audited the Financial Results for the year ended March 31, 2023 and (b) reviewed the Financial Results for the quarter ended March 31, 2023 (refer 'Other Matters' section below), which were subject to limited review by us, both included in the accompanying "Statement of Audited Financial Results for the Quarter and Year Ended March 31, 2023" of **ESAF SMALL FINANCE BANK LIMITED** (the "Bank"), (the "Statement"), being submitted by the Bank pursuant to the requirements of Regulation 52 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").

**(a) Opinion on Annual Financial Results**

In our opinion and to the best of our information and according to the explanations given to us, the Financial Results for the year ended March 31, 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 the Accounting Standards prescribed under Section 133 of the Companies Act 2013 ("Accounting Standards"), 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 of the net profit and other financial information of the Bank for the year then ended.



**(b) Conclusion on Unaudited Financial Results for the quarter ended March 31, 2023**

With respect to the Financial Results for the quarter ended March 31, 2023, based on our review conducted as stated in paragraph (b) of Auditor's Responsibilities section below, nothing has come to our attention that causes us to believe that the Financial Results for the quarter ended March 31, 2023, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Accounting Standards, 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 RBI from time to time and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 52 of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

**Basis for Opinion on the Audited Financial Results for the year ended March 31, 2023**

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 year ended March 31, 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. The Financial Results for the year ended March 31, 2023 has been compiled from the related audited financial statements. This responsibility includes the preparation and presentation of the Financial Results for the quarter and year ended March 31, 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 Standards 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 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****(a) Audit of the Financial Results for the year ended March 31, 2023**

Our objectives are to obtain reasonable assurance about whether the Financial Results for the year ended March 31, 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 also:

- Identify and assess the risks of material misstatement of the Annual 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 Annual Financial Results, including the disclosures, and whether the Annual Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the Annual Financial Results of the Bank to express an opinion on the Annual Financial Results.

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

**(b) Review of the Financial Results for the quarter ended March 31, 2023**

We conducted our review of the Financial Results for the quarter ended March 31, 2023 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 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 SAs specified under Section 143(10) of the Act 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.

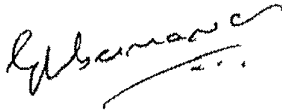


**Other Matter**

The Statement includes comparative financial information for the previous reporting year/period, which was audited/reviewed by Deloitte Haskins & Sells, Chartered Accountants, one of the joint statutory auditors of the Bank, who have expressed an unmodified opinion. Accordingly, Abarna & Ananthan, Chartered Accountants, do not express any opinion on the comparative figures reported for the previous periods.

Our opinion 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: **23109839BGXPXS4161**  
Place: Mannuthy  
Date: May 10, 2023



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



**Mohan Rao G**  
**Partner**

Membership No. 203737  
UDIN: **23203737BGZDDW3289**  
Place: Bengaluru  
Date: May 10, 2023



## Statement of audited financial results for the quarter and year ended 31 March 2023

Rs. In Lakh

Sl No.	Particulars	Quarter ended 31 March 2023	Quarter ended 31 December 2022	Quarter ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
		Unaudited (Refer Note 11)	Unaudited	Unaudited (Refer Note 11)	Audited	Audited
1	Interest Earned (a)+(b)+(c)+(d)	77,386	70,129	59,764	2,85,366	1,93,993
	a) Interest/discount on advances/bills	69,432	61,688	53,216	2,53,205	1,72,671
	b) Income on investments	7,943	8,412	6,663	31,204	18,831
	c) Interest on balances with Reserve Bank of India and other inter-bank funds	11	29	485	957	2,491
	d) others	-	-	-	-	-
2	Other Income	9,396	8,090	4,879	28,791	20,758
3	<b>Total Income (1)+(2)</b>	<b>86,782</b>	<b>78,219</b>	<b>64,643</b>	<b>3,14,157</b>	<b>2,14,751</b>
4	Interest expended	27,491	24,963	21,979	1,01,732	79,279
5	Operating Expenses (i)+(ii)	37,441	29,317	26,855	1,23,054	86,287
	i) Employees Cost	7,624	7,014	6,119	27,800	23,214
	ii) Other operating expenses	29,817	22,303	20,736	95,254	63,073
6	<b>Total Expenditure (4)+(5)</b> (excluding provisions & contingencies)	<b>64,932</b>	<b>54,310</b>	<b>48,834</b>	<b>2,24,786</b>	<b>1,65,566</b>
7	<b>Operating Profit before provisions and contingencies (3)-(6)</b>	<b>21,850</b>	<b>23,909</b>	<b>15,809</b>	<b>89,371</b>	<b>49,185</b>
8	Provisions (other than tax) and contingencies	8,228	18,906	1,681	48,767	41,800
9	Exceptional items	-	-	-	-	-
10	<b>Profit from ordinary activities before tax (7)-(8)-(9)</b>	<b>13,622</b>	<b>5,103</b>	<b>14,128</b>	<b>40,604</b>	<b>7,385</b>
11	Tax expenses	3,484	1,362	3,568	10,371	1,912
12	<b>Net profit from ordinary activities after tax (10)-(11)</b>	<b>10,138</b>	<b>3,741</b>	<b>10,560</b>	<b>30,233</b>	<b>5,473</b>
13	Extraordinary items (net of tax expense)	-	-	-	-	-
14	<b>Net Profit for the Period/ year (12)-(13)</b>	<b>10,138</b>	<b>3,741</b>	<b>10,560</b>	<b>30,233</b>	<b>5,473</b>
15	Paid up equity share capital (Face Value of Rs. 10/- each)	44,947	44,947	44,947	44,947	44,947
16	Reserves excluding revaluation reserves	-	-	-	1,25,965	95,732
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)	19.83%	20.27%	18.64%	19.83%	18.64%
	(iii) Earnings Per Share (EPS) [before and after extraordinary items, net of expenses] (Face value of Rs.10/- each) *					
	- Basic (Rs.)	2.26	0.83	2.35	6.73	1.22
	- Diluted (Rs.)	2.25	0.83	2.35	6.71	1.22
	(iv) NPA Ratio					
	(a) Gross NPA	35,169	90,828	94,959	35,169	94,959
	(b) Net NPA	15,789	45,105	45,595	15,789	45,595
	(c)% of Gross NPA to Gross Advances	2.49%	7.24%	7.83%	2.49%	7.83%
	(d) % of Net NPA to Net Advances	1.13%	3.73%	3.92%	1.13%	3.92%
	(v) Return on Assets *	0.55%	0.21%	0.64%	1.63%	0.39%
	(vi) Networth #	1,70,912	1,60,774	1,40,679	1,70,912	1,40,679
	(vii) Outstanding redeemable preference shares	-	-	-	-	-
	(viii) Capital Redemption Reserve/ Debenture Redemption Reserve	-	-	-	-	-
	(ix) Debt - Equity Ratio **	1.47	1.22	1.70	1.47	1.70
	(x) Total debts ** to total assets	16.59%	15.53%	16.68%	16.59%	16.68%

\* 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 &amp; Disclosure Requirements) regulations 2015, the debt listed entities are required to disclose certain ratios. However the ratios which are relevant to the Banking Sector are disclosed above.





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

Notes :

1. Statement of Assets and Liabilities

Particulars	Rs.in Lakh	
	As at 31 March 2023	As at 31 March 2022
	Audited	Audited
<b>CAPITAL AND LIABILITIES</b>		
Capital	44,947	44,947
Employee Stock options Outstanding	588	481
Reserves and Surplus	1,25,965	95,732
Deposits	14,66,563	12,81,507
Borrowings	3,35,420	2,95,283
Other Liabilities and Provisions	48,883	52,806
<b>Total</b>	<b>20,22,366</b>	<b>17,70,756</b>
<b>ASSETS</b>		
Cash and Balances with Reserve Bank of India	73,955	1,30,067
Balances with Banks and Money at Call and Short Notice	2,760	21,124
Investments	4,88,853	4,07,030
Advances	13,92,433	11,63,700
Fixed Assets	18,793	15,947
Other Assets	45,582	32,868
<b>Total</b>	<b>20,22,366</b>	<b>17,70,756</b>
Contingent Liabilities	189.84	205.19
Bills for collection		





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

2. Cash Flow Statement for the year ended 31 March 2023

Particulars	Rs. In Lakh	
	Year ended 31 March 2023	Year ended 31 March 2022
	Audited	Audited
<b>Cash Flow from Operating Activities</b>		
Net Profit Before Tax	40,604	7,385
Adjustments for:		
Depreciation on Bank's Property	4,179	3,277
Amortisation of Premium on HTM Investments	627	803
Profit on sale of investments (net)	(1,564)	(4,351)
(Profit)/Loss on sale of Fixed Assets	34	(1)
Provision for Non Performing Advances	61,579	32,067
Provision for Standard Advances	(12,811)	9,362
Expense on Employee Stock Option	107	481
Provision for Depreciation on Investments	9,139	2,331
Provision for Other Contingencies	545	341
	1,02,439	51,695
(Increase)/ Decrease in Investments (other than HTM Investments)	(39,761)	(1,19,794)
(Increase)/ Decrease in Advances	(2,90,312)	(3,79,009)
(Increase)/ Decrease in Fixed Deposit with Bank (Original Maturity greater than 3 months)	-	(29)
(Increase)/ Decrease in Other Assets	(16,934)	(4,974)
Increase/ (Decrease) in Deposits	1,85,055	3,81,565
Increase/ (Decrease) in Other liabilities and provisions	8,343	13,786
Direct taxes paid (net)	(6,130)	(1,690)
<b>Net Cash Flow from/(used in) Operating Activities (A)</b>	<b>(57,300)</b>	<b>(58,450)</b>
<b>Cash Flow from/(Used in) Investing Activities</b>		
Purchase of Fixed Assets	(7,024)	(5,401)
Proceeds from Sale of Fixed Assets	(34)	28
(Increase)/ Decrease in Held to Maturity Investments	(50,264)	(92,812)
<b>Net Cash Used in Investing Activities (B)</b>	<b>(57,322)</b>	<b>(98,185)</b>
<b>Cash Flow from/(Used in) Financing Activities</b>		
Increase/(Decrease) in Borrowings	40,136	1,25,883
<b>Cash Flow from Financing Activities (C)</b>	<b>40,136</b>	<b>1,25,883</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(74,486)</b>	<b>(30,752)</b>
Cash and Cash Equivalents at the beginning of year	1,51,128	1,81,880
<b>Cash and Cash Equivalents at the end of year</b>	<b>76,642</b>	<b>1,51,128</b>



*[Handwritten signature]*



3. The statement of audited financial results for the quarter and year ended 31 March 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 10 May 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 previous year/ quarter included in the Statement have been audited by one of the Joint auditor M/s. Deloitte Haskins & Sells(DHS) which expressed an unmodified opinion.

4. 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.

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:

Type of Borrower	Rs. In Lakh				
	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of the previous half year ended 30 September 2022 (A)	of (A) aggregate debt that slipped into NPA during the half year ended 31 March 2023	of (A) amount written off during the half - year	of (A) amount paid by the borrowers during the half year #	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of this half year ended 31 March 2023
Personal Loans	5,751	940	-	2,416	2,395
Corporate Persons *	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	19,643	2,360	-	11,633	5,650
Total	25,394	3,300	-	14,049	8,045

\* 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. Details of loans transferred / acquired during the year ended 31 March 2023 under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021 is given below:

i) Details of Stressed loan transfers are given below:

Sl no.	Particulars	Rs. In Lakh	
		To Asset Reconstruction company (ARC)	To other transferees
1	No. of Accounts	4,17,648	-
2	Aggregate principal outstanding of loans transferred *	1,07,495	-
3	Weighted average residual tenure of loans transferred (in Years) #	0.83	-
4	Net Book Value of Loans transferred (at the time of transfer)	13,512	-
5	Aggregate Consideration	20,548	-
6	Additional Consideration realised in respect of accounts transferred in earlier years	-	-

\* includes advances which had been technically written off and fully provided there off

# Not applicable to technically write off pool

The Bank has received Security Receipts (SRs) as part of the consideration for transfer of stress loans to ARC. The recovery ratings of the SRs would be obtained within 6 months as per relevant RBI guidelines. Investments in SRs are valued at Nil/ fully provided for in the books of account on a prudent basis.

The Bank has recognised the other income to the extent of cash received, with respect to the technical written off portfolio amounting to Rs. 3,809 Lakh

The Bank has not transferred any stressed assets during year ended 31 March 2022.

ii) The bank has not transferred any Special Mention Account (SMA) and loan not in default, except reported in (i) above (Previous Year: Nil).

iii) The Bank has not acquired any loans not in default from other entities through assignment (Previous Year: Nil)

iv) The Bank has not acquired any stressed loan (Previous Year: Nil)

8. During the year ended 31 March 2023 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 was carrying an additional contingency provision of Rs. 6,607 Lakh as on 31 March 2022 and further made a provision of Rs. 1,342 Lakh during the year, which has been utilised to the extent of Rs. 6,626 Lakh in the current year and consequently provision as at 31 March 2023 is Rs. 1,324 Lakh.

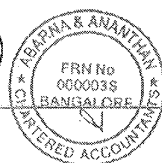
9. Other income includes processing fee, profit/ loss on sale of investments (including provision for depreciation), recovery from loans written off, income from dealing in PSLC, etc.

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. The figures for the quarter ended 31 March 2023/ 2022 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 2022/2021, which were subjected to review by the statutory auditors.

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

Place : Mannuthy  
Date : 10 May 2023



Kadambell Paul Thomas  
Managing Director & CEO  
DIN: 00195925