SUSTAINABLE DEVELOPMENT GOALS

ESAF
ESAF SMALL FINANCE BANK
*Joy of Banking*

# Solid Strategy for
# A JOYFUL TOMORROW

A Scheduled Commercial Bank

**Integrated Annual Report**
**2023-24**

Across

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**Ravimohan Periyakavil Ramakrishnan**
Part-Time Chairman

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Our strategy is founded on the principles of financial inclusion and sustainability, with the objective of empowering individuals and communities, especially in rural and semi-urban areas.

**Kadambelil Paul Thomas**
Managing Director & CEO

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India's economic resilience and stability are underpinned by the Government's substantial investments in infrastructure and local manufacturing, along with the consistent performance of service industries.

For more investor-related information, please visit:
https://www.esafbank.com/investor-relation/?id=annual-reports

Or simply scan the QR code to view the online version of the Report.

Disclaimer: This document contains statements about expected future events and financials of ESAF Small Finance Bank Ltd ('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.

# Solid Strategy for **A JOYFUL TOMORROW.**

As a Small Finance Bank, ESAF is celebrating seven years of unparalleled excellence and proudly stand as a pillar of strength and integrity. As a social entity, we carry forward a legacy of three decades. Our guiding theme, 'Solid Strategy for a Joyful Tomorrow', is not just a goal—it is a commitment to elevate underserved communities through innovative, inclusive, and transformative banking.

Our approach extends beyond a simple roadmap; it is a catalyst for empowerment. Focused sharply on financial inclusion and sustainability, we are the agents of change, touching lives across rural and semi-urban landscapes. Through our efforts, we ignite the spirit of entrepreneurship and fuel economic advancement, impacting millions.

At the heart of our operations lies our deep commitment to 'People, Planet, and Prosperity'. We leverage cutting-edge technologies to transform banking into an experience that goes beyond ordinary service, offering convenience and robust security. Our strict adherence to ethical governance and comprehensive risk management underpins a foundation of trust and credibility, essential to our enduring reputation.

Yet, our vision reaches beyond mere transactions. ESAF Small Finance Bank is a symbol of hope, aimed at generating a powerful social impact that echoes through generations. With a forward-looking and resilient strategy, we are poised to sculpt a future that embodies not only joy but also abundance. As we move forward, our strategic initiatives guide us towards realising an India that thrives on inclusivity, innovation, and sustainability.

Through our 'Solid Strategy for a Joyful Tomorrow', we are setting the stage for a brighter, more prosperous future for all.

## Key Highlights of 2023-24

**₹ 1,98,678.04 Million**
Total Deposits

**₹ 1,87,723.56 Million**
Gross Advances

**₹ 2,60,868.82 Million**
Total Assets

**22.66%**
CASA Ratio

**2.26%**
Net NPA Ratio

**58.65%**
Cost to Income Ratio

**8.37 Million**
Total Customers

**7,321**
Customer Touch Points

# Building the **PATH TO JOY**

As ESAF Small Finance Bank (referred to as 'Our Bank', 'The Bank' or 'ESAF Small Finance Bank') commemorates 7 years of excellence as a bank, our commitment to our core mission remains firm: to consistently create value for all our stakeholders. Guided by this purpose, we persist in our journey to extend a helping hand to the underserved through inclusive and socially responsible banking practices.

This is

# ESAF SMALL FINANCE BANK

**As one of India's leading Small Finance Banks, we stand out for our significant share of retail deposits, high yield on advances, and rapid growth in total loan book. With a comprehensive suite of banking services, including cutting-edge technology, we carry forward a legacy spanning over three decades. At our core, we are driven by a commitment to financial inclusion and harness the formidable strength of ESAF brand. Our overarching mission is to provide inclusive and socially responsible banking, with a dedicated focus on uplifting the unserved and underserved segments of society, apart from serving the retail segment covering the middle class and upper middle class.**

Since our inception, attentive listening to our customers has been at the heart of our operations, enabling us to craft bespoke financial solutions to meet their unique needs. Today, our array of asset and liability products cater comprehensively to the entire value chain. As the fifth scheduled bank from Kerala and the first since Independence to receive a banking licence from Kerala, we are firm in our commitment to providing safe, secure, and innovative banking solutions to fulfil the aspirations of our customers. Our business model centres around responsible banking, epitomised by a customer-centric approach and innovative technological applications. Embracing the mantra of continuous improvement, we prioritise the seamless integration of technology to elevate our offerings, thereby improving the overall customer experience.

Our brand positioning is well-captured in the tagline 'Joy of Banking' which justifies our presence in urban, semi-urban, rural, and unbanked areas, striving to make banking accessible to every stratum of society.

## 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.

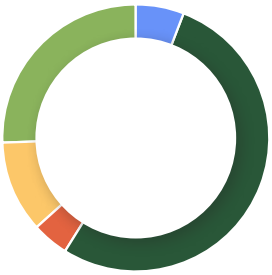
## Brand Promise

To deliver the 'Joy of Banking' through personalised, accessible, safe and responsive services.

## Value Proposition

- A wide range of banking services and credit solutions are available to customers.
- Serving customers through 753 banking outlets in 23 States and 2 Union Territories, 614 ATMs, and 35 BCs and 933 Customer Service Centres.

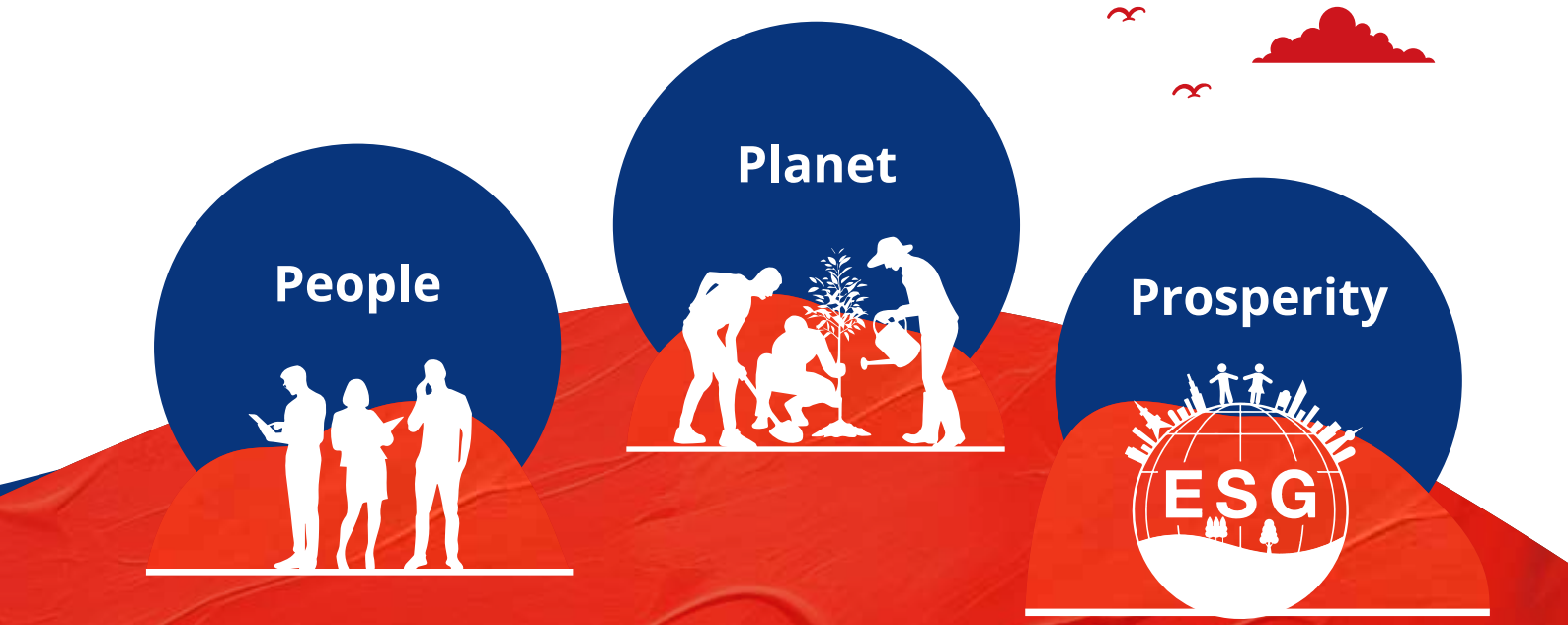
### Shareholding Pattern of ESAF Small Finance Bank Limited as of 31 March 2024



- **6.06%** - Kadambelil Paul Thomas (Promoter)
- **52.94%** - ESAF Financial Holdings Private Limited (Corporate Promoter)
- **4.39%** - Promoter Group
- **11.07%** - Domestic and Foreign Institutions
- **25.54%** - Public Shareholders (Retail and Others)

## Triple Bottom Line Approach

Through our Triple Bottom Line Approach centred on 'People, Planet, and Prosperity', we strive to support livelihoods, spur economic development, and primarily cater to the low- and middle-income segments across India. This approach echoes our guiding motto, 'Fighting the Partiality of Prosperity', as we earnestly endeavour to create a fairer, more inclusive society.



# Our Scorecard as of
# 31 MARCH 2024

## Financial

**₹ 4,255.68 Million**
Profit after Tax (PAT)

**₹ 24,861.14 Million**
Shareholders' Funds

**23.27%**
CRAR

**11.12%**
Net Interest Margin

**1.86%**
ROA

**20.27%**
ROE

## Advance Profile

**₹ 1,96,593.56 Million**
Total Loan Book

**20.38%**
Total Loan Book Growth

**25.99%**
Secured Advances

**20.90%**
Yield on Advances

## Deposit Profile

**₹ 1,98,678.04 Million**
Deposits

**35.47%**
Deposits Growth

**22.66%**
CASA (% of Total Deposits)

**4.73 Million**
BSBD Accounts

**8.37 Million**
Customers Served

**81.07%**
Women Customers

**31%**
Women Employees

**71*/100**
ESG Rating

**1.31 lakh litres**
Water Saved

**48.6 Tonnes**
Paper Saved

**34.37 Tonnes**
Waste Generated

*compared with the industry average of 59

**ENVIRONMENT**

# E S G

**SOCIAL**

**GOVERNANCE**

**10**
Directors on the Board

**60%**
Independent Directors

Narrating

# OUR STORIES OF TRIUMPH

## Inauguration of Zonal Office in Delhi

On 29th May 2023, Our Bank celebrated a momentous occasion with the virtual inauguration of our new zonal office located in West Patel Nagar, New Delhi. Dr. Bhagwat Kishanrao Karad, Honourable Minister of State from the Ministry of Finance, Government of India, inaugurated the ceremony.

## Opening of Regional Office in Nagpur

We expanded our footprint by opening a new Regional Office in Nagpur. This office will play a crucial role in supporting Our Bank's operations across Maharashtra and Central India, enhancing our ability to deliver services to customers in the region.

## High Score in ESG Grading

During a recent ESG grading process conducted by CareEdge Research, ESAF Small Finance Bank achieved a commendable score of 71%, surpassing the industry average of 59%.

Our strong performance can be attributed to our implementation of green protocols and practices in branches, our positive approach to labour management, robust employee engagement initiatives, and our commitment to gender diversity, with one in every three employees being a woman.

In addition, our CSR contribution of 5% exceeds the government mandate of a minimum of 2%, and we take immense pride in our transformative initiatives aimed at uplifting communities through innovative products and services. Moreover, our dedication to social responsibility has garnered industry recognition, with our Bank being hailed as the leader in five categories: green finance, health and safety, product safety and quality, community empowerment, and fostering opportunities for inclusive growth.

## Tie Up with Kotak Life

Our Bank has recently formed a strategic alliance with Kotak Life to offer our customers life insurance solutions. The formalisation of this partnership took place during a ceremony at the Mumbai Head Office of Kotak Mahindra Bank on 4th August 2023. Building upon our longstanding association with Kotak as a Group Insurance Partner, this collaboration marks a significant milestone in our journey.

With this tie-up, our goal is to enrich our customers' banking experience by offering a diverse range of tailor-made life insurance products. We are confident that this collaboration will not only enhance our product portfolio but also deliver added value to our customers.

## Meeting the Union Minister for Finance

Shri. K. Paul Thomas, Managing Director & CEO of our Bank, had the privilege of meeting with Smt. Nirmala Sitharaman, the Union Minister for Finance, during the Credit Outreach Programme in Attingal, Thiruvananthapuram, on 25th November 2023.

## Meeting the Honourable Prime Minister

It was an honour for Shri. K. Paul Thomas to be a special invitee at the Christmas celebration hosted by the Honourable Prime Minister, Shri. Narendra Modi, at his residence in Delhi.

## Joining Hands with Edelweiss Life Insurance

Our Bank has entered into a partnership with Edelweiss Life Insurance to expand our range of offerings. This collaboration reflects our dedication to enhancing financial security and addressing the needs of the unbanked and underserved sectors in the country.

## Participation in the GABV Global Annual Conference

Contributing significantly as a panellist at the GABV Global Annual Conference, Shri. K. Paul Thomas provided insights as a resource person for the Asia-Pacific Perspective on the topic 'Taking Stock of a World in Disarray.'

## Debuting Strong on D-Street

On 10th November 2023, ESAF Small Finance Bank marked a significant milestone by listing its shares on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). This achievement is a testament to our relentless pursuit of excellence and growth, underscoring our commitment to transparency, governance, and stakeholder value. The IPO listing is a momentous occasion as it reflects the trust and confidence that investors place in our business model and strategic vision. It also provides us with the capital necessary to further our mission of financial inclusion and support for underserved communities.

The public offer was over-subscribed by an impressive 77 times, driven by strong demand from institutional investors. Notably, the Qualified Institutional Buyers (QIB) category was booked 173 times, highlighting the robust confidence in our growth prospects.

ESAF Small Finance Bank's Initial Public Offering (IPO) saw significant participation across all investor categories. The retail investors' portion was subscribed 16.97 times, the Non-Institutional Investors (NII) portion was subscribed 84.37 times, and the employee portion was subscribed 4.36 times.

On the NSE, the stock opened at ₹ 71 per share, reflecting an 18.33% premium over the IPO price of ₹ 60, and closed at ₹ 68.80, a 14.67% premium. Similarly, on the BSE, the stock opened at ₹ 71.90 per share, a 19.8% premium over the IPO price, and closed at ₹ 69.05, a 15.08% premium. These favourable listings demonstrate strong market confidence in Our Bank's future performance and stability.

The IPO was open for subscription from 3rd to 7th November 2023, with a price band of ₹ 57–60 per share and a lot size of 250 shares. The overwhelming response from investors across categories signifies a positive endorsement of our business model and growth trajectory.

The successful IPO listing not only enhances our capital base but also strengthens our resolve to expand our services and reach more customers. It provides us with the resources to innovate, invest in technology, and deliver on our promise of inclusive banking. As we move forward, our dedication to our shareholders and customers remains unwavering, and we are excited about the opportunities that lie ahead. This historic event marks the beginning of a new chapter in ESAF Small Finance Bank's journey, one that promises growth, innovation, and continued excellence.

Glancing through

# OUR TIMELINE OF SUCCESS

Received ESG Rating of **71/100 against the industry average of 59.**

### 2016

Received the licence to commence banking operations from the RBI

### 2017

Commenced banking operations, becoming the first bank from Kerala since Independence

### 2018

- Selected by the Government of India for the Atal Pension Yojana
- Launched 100 new retail banking outlets in a year
- Became a member of the Global Alliance for Banking on Values (GABV)
- Received 'Scheduled Bank' status
- Granted approval by the RBI for NRI operations
- Became one of the finalists at the prestigious European Microfinance Award
- Awarded the PFRDA Award

## 2019

- Established 222 new retail banking outlets in a year
- Became the first runner-up of the ASSOCHAM Award 2019
- Received the SKOCH Award of Banking Gold for providing accessible and affordable banking services to financially underserved areas.
- Bagged the Economic Times Best BFSI Brand 2019 Award

## 2020

- Crossed ₹ 100,000 million in business
- Honoured with the Energy & Environment Foundation Global Sustainability Award 2020
- Crossed 500 retail banking outlets

## 2021

- Received the Great Place to Work certification

## 2022

- Bestowed with the Prestigious Rising Brand of Asia Award
- Presented with the Synnex-Small Finance Bank of the Year Award
- Won the Inclusive Finance India Award 2022

## 2023

- Clinched the Excellence in Customer Service and Product Distribution Award
- Listed on BSE & NSE on 10th November 2023
- Received ESG Rating of 71/100 against the industry average of 59.

## 2024

- Operationalisation of Authorised Dealer Category 1 Licence (Foreign Exchange operations)
- Tied up with Edelweiss Life Insurance to broaden the range of insurance products
- Entered into a corporate agency partnership with Care Health Insurance Company to provide health coverage to the eligible customer base

Building

# A JOYFUL TOMORROW, TOGETHER!

**Dear Shareholders,**

It is with immense pleasure that I present to you the Annual Report of ESAF Small Finance Bank. As we celebrate the milestone of our successful listing, I take the opportunity to extend my heartfelt gratitude to all our esteemed stakeholders—our loyal customers, shareholders, investors, distinguished Board of Directors, supportive bankers, committed employees, dedicated vendors, and partners—each of whom has played a pivotal role in our extraordinary journey. Your support and dedication have been instrumental in our achievements so far, and for that, we are profoundly grateful.

Our strategy is founded on the principles of financial inclusion and sustainability, with the objective of empowering individuals and communities, especially in rural and semi-urban areas. We have made a positive difference in the lives of millions by offering access to banking services, encouraging entrepreneurship, and driving economic development.

At the core of our approach are the pillars of 'People, Planet, and Prosperity'. By harnessing advanced technology and innovative digital platforms, we provide convenient, secure, and personalised banking services tailored to meet the

**Ravimohan Periyakavil Ramakrishnan**
Part-Time Chairman

**At the core of our approach are the pillars of 'People, Planet, and Prosperity'. By harnessing advanced technology and innovative digital platforms, we provide convenient, secure, and personalised banking services tailored to meet the diverse needs of our customers.**

## Our strategy is founded on the principles of financial inclusion and sustainability,

with the objective of empowering, individuals and communities, especially in rural and semi-urban areas.

diverse needs of our customers. Our strategy is deeply rooted in robust corporate governance, comprehensive risk management, and stringent compliance, ensuring ethical and transparent operations that nurture trust among our stakeholders. Sustainability remains a central focus, as we drive initiatives from green banking to community development projects, reflecting our commitment to environmental and social responsibility. Our goal is to create a meaningful and lasting impact on society and the environment, thereby creating a 'Solid Strategy for a Joyful Tomorrow'.

## Macroeconomic Environment

In 2023-24, India's economy showcased extraordinary growth, surpassing earlier projections with an impressive growth rate of 7.6%. The strength and dynamism of India's economy remain indisputable, supported by a combination of stringent policy and regulatory measures and the steady revival of the private sector. Poised on the cusp of further economic advancement, the country is driven forward by substantial investments in emerging sectors, continued Government spending, and significant efficiency gains from enhanced digitalisation and infrastructure upgrades.

The Government's focus on inclusive development is evident in its persistent efforts to extend its reach to every corner of the country, enhance infrastructure, and stimulate investments to unlock untapped potential. By championing sustainable and green growth, leveraging the dynamic energy of its youth, and fortifying the financial sector, these initiatives are set to serve as catalysts for propelling India towards a promising and prosperous future.

Acknowledging the MSME sector's pivotal role as a significant employment generator for low-skilled and semi-skilled workers, the Indian Government has astutely identified key sectors poised to capitalise on the nation's competitive advantages in resources and skills. This strategic focus includes harnessing local market opportunities and advancing up the global manufacturing value chain. Initiatives such as the Production Linked Incentive (PLI) schemes, tax incentives, ease of business reforms, national infrastructure projects, and the national logistics plan are carefully designed to revitalise manufacturing, optimise logistics, and leverage favourable external factors.

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## Banking Industry

The Indian banking sector is experiencing a robust recovery, driven by a wave of transformative Government reforms. With a keen focus on enhancing credit discipline, promoting responsible lending practices, and improving governance standards, these measures have not only boosted the profitability of India's banking system but have also ensured its sustained growth and robust capitalisation.

A resilient financial sector is indispensable for achieving ambitious national objectives. The RBI's proactive stance to curb inflation has led to a significant phenomenon: credit expansion outpacing deposit growth. Retail credit, particularly personal loans, has experienced substantial growth, now constituting one-third of all loans, marking a significant rise from less than one-fifth a decade ago.

The emergence of small finance banks underlines the Government's commitment to promoting financial inclusion nationwide. These banks have played a crucial role in extending access to a wide range of financial products and services for segments of the population that were previously underserved or excluded. Specialising in key areas such as Small Business Loans (SBL), MSME Finance, Vehicle Finance, Microfinance, and Affordable Housing Loans, small finance banks have carved out a niche for themselves as providers of financial solutions tailored to the unique needs of the low-income, self-employed sector. In doing so,

these banks are not only facilitating financial empowerment but also driving socio-economic progress across communities.

The Indian economy presents significant untapped potential, offering a substantial opportunity for small finance banks to flourish. With the overall MSME credit gap standing at ₹ 92 trillion, the gap in small-ticket loans is estimated at ₹ 22 trillion. Credit flow to MSMEs has continued to expand, driven by technology and data-analytics-oriented lending practices. This growth is inclusive, with notable increases seen among semi-urban and rural MSMEs. The availability of enriched and timely credit data, along with the rapid deployment of digital lending infrastructure, has played a significant role in bolstering this confidence.

## Serving Our Customers

At ESAF Small Finance Bank, we are passionately committed to uplifting the low and middle-income segments, actively contributing to livelihoods, and fostering economic development. With a rich legacy in the Indian BFSI space, we are focused on empowering, inclusive, and transformative financial interactions, particularly for the unserved and underserved. Our dedication extends beyond the conventional realms of banking. Alongside a comprehensive suite of traditional banking services, we offer safe deposit lockers, foreign currency exchange, access to the Bharat Bill Payment System, money transfer services, and Aadhaar Seva Kendra services. Additionally, we take pride in enriching the customer experience by extending a diverse range of offerings, including the distribution of third-party life and non-life general insurance policies, as well as government pension products.

As a socially responsible financial institution and one of India's leading small finance banks, we remain committed to making a positive impact on millions of people at the bottom of the economic pyramid. Despite being a relatively young bank, we have achieved significant milestones in a short span of time by extending banking services to previously overlooked rural communities throughout India. Our outreach spans a myriad of sectors, including education, healthcare, women's empowerment, livelihood development, farmer support, and skill enhancement. These efforts have yielded tangible improvements in the lives of our cherished customers, nurturing not just growth but sustainable transformation.

**At the heart of our goal lies a profound belief in the dreams and aspirations of our customers. We envision ourselves not just as mere service providers but as agents of hope and catalysts for their success.**

Our commitment to empowering the underprivileged and promoting financial inclusion has enabled us to serve 8.37 million customers across 23 states and 2 union territories in India through our extensive network of 753 banking outlets. To our exceptional team, I extend my heartfelt gratitude for their consistent dedication and indomitable spirit. Guided by robust governance standards, we have built a reputation for professionalism and excellence, setting a high bar for our industry peers. Even amid the turbulence of challenging times, we have remained focused on meeting the evolving needs of our customers, driving operational efficiency, and fortifying our resilience.

At the heart of our goal lies a profound belief in the dreams and aspirations of our customers. We envision ourselves not just as mere service providers but as agents of hope and catalysts for their success. This vision was clearly articulated by our Founder, and our organisation works tirelessly to fulfil this vision every day. Our objective is to empower our customers by providing innovative products and services crafted to address their unique needs. Furthermore, we are committed to offering consistent guidance and support, standing firmly by their side as dedicated companions in our customers' quest to fulfil their highest aspirations.

## Robust Strategies in Place

To ensure sustained growth, we are increasing our focus on leveraging agency banking to expand our reach and offer services to underserved communities. Recognising the importance of digital transformation, we make substantial investments in technology infrastructure and digital tools to enhance both our operations and the customer experience.

We are embracing new technologies like AI, and machine learning to streamline processes and personalise services. However, we are also vigilant about potential risks, particularly cyber threats. To strengthen our defences, we are channelling significant resources into bolstering our cybersecurity measures. Moreover, we are forging strategic partnerships with fintech companies to access cutting-edge technologies and develop innovative products. This collaborative approach empowers us to stay agile in meeting the evolving needs of our customers while consistently improving the quality of our services.

Investing in our human capital is another key focus. Through training and development, we strive to foster a culture of excellence, increase productivity, and drive growth. Despite the promising aspects on the horizon, we remain cognisant of potential risks such as global economic uncertainty and volatility in commodity prices. In response, we remain vigilant and proactive in our approach to effectively address these challenges.

## People. Planet. Prosperity.

Our Bank's approach to sustainable development, known as the triple bottom line approach, focusses on three key elements: People, Planet, and Prosperity. These interconnected elements are crucial for ensuring the long-term sustainability of the business. Our commitment to People involves considering the impact of our operations on employees, customers, and the communities we serve. We prioritise ethical practices, diversity, and inclusion, aiming to create a positive societal impact.

The Planet aspect of our approach centres on environmental sustainability. We take significant steps to reduce our carbon footprint and promote sustainable practices. We engage in Green Financing, offering products like Go Green Vehicle Loans and Solar Energy Loans, aligning with the United Nations' Sustainable Development Goals. Prosperity is essential for sustainability, guaranteeing the long-term economic viability of both the business and the communities our Bank serves. The Bank focusses on financial inclusion by providing banking services to underserved and underprivileged communities, contributing to their economic growth.

The banking sector is evolving with an increasing focus on Environmental, Social, and Governance (ESG) practices. This trend is shaping banks' operations and influencing investors' decisions, making ESG a critical factor for sustainable banking. We actively prioritise ESG in our banking operations. We have developed an ESG Roadmap for 2023-27 and are diligently working towards achieving our goals. Our focus includes offering sustainable finance options to our customers, such as the Hrudaya Fixed Deposit, Green Wheels, and Clean Energy Loans, to promote sustainability in banking and encourage environmentally friendly choices.

We integrate ESG standards and objectives into our policies and priorities, demonstrating our commitment to ESG consciousness. By exploring new avenues aligned with our environmental, social, and governance values, we aim to tap into the revenue potential of our ESG principles. To further strengthen our commitment, we are preparing to assess and rate our customers based on their ESG performance, ensuring their eligibility for green financing and other ESG-related incentives. Additionally, we are aligning with global standards such as the Business Responsibility and Sustainability Report and Net Zero commitments, adapting our culture and organisational structure to accommodate the evolving ESG landscape.

These initiatives reflect our proactive approach to addressing ESG-related matters and our commitment to promoting sustainability in the Indian banking industry.

## Closing Note

As we look ahead to the future, our primary objectives revolve around maintaining and enhancing our asset quality while pursuing growth in line with industry standards. Quality assurance is a key focus at all levels of our operations, and we remain dedicated to upholding the core values that define our culture and guide our actions.

We recognise the favourable growth rate demonstrated by the economy, coupled with the Government's reform agenda, which supports sustained growth. Therefore, we are committed to supporting our customers' aspirations and contributing to India's economic development.

Before concluding, I would like to express our heartfelt gratitude to all our stakeholders, including the shareholders, customers, employees, Board of Directors, business partners, technology partners, the Government of India, various state governments and regulators. Your continued support, guidance, and patronage are invaluable to us.

Thank you once again for nurturing and guiding our young and dynamic banking institution. We look forward to your continued support in the future.

With regards,

**Ravimohan Periyakavil Ramakrishnan**
Part-Time Chairman

Shaping

# OUR FUTURE WITH SOLID STRATEGIES

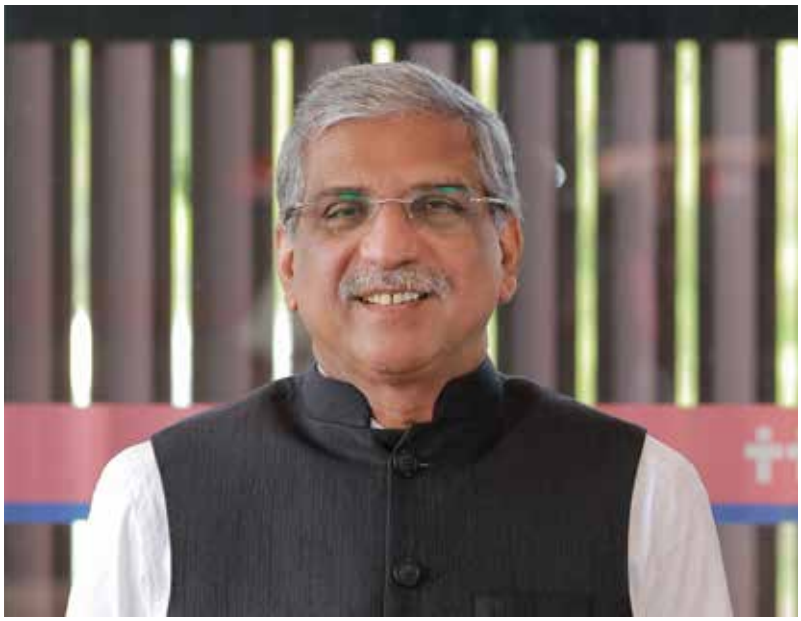
## Dear Shareholders,

I am pleased to present an overview of our accomplishments during 2023-24. This provides us with a valuable opportunity to assess our own performance and contextualise it within the larger picture of our country, our sector, and our crucial role within it.

To begin with, it is important to convey the broader aspect of our goal. While we are a small finance bank catering to the needs of the common man, our aspirations extend beyond that. We are dedicated to empowering our clientele, strengthening their confidence, and adapting to the changing environment by delivering products and services customised to their needs at their doorsteps and in a sustainable manner. By doing so, we are ensuring a brighter future for them and our Bank.

## Operating Environment

India's economic resilience and stability are underpinned by the Government's substantial investments in infrastructure and local manufacturing, along with the consistent performance of service industries. Economic momentum remains steady, driven by robust urban demand and a gradual recovery in rural areas. The significant role of public sector investments cannot be overstated in fostering these progressions.



**Kadambelil Paul Thomas**
Managing Director & CEO

**India's economic resilience and stability are underpinned by the Government's substantial investments in infrastructure and local manufacturing, along with the consistent performance of service industries.**

# With our 'Solid Strategy for a Joyful Tomorrow',

we are shaping a bank that not only addresses present requirements, but also anticipates future needs.

Guided by the ethos of 'Sabka Saath, Sabka Vikas, and Sabka Vishwas' and propelled by the nationwide initiative of 'Sabka Prayas,' the Interim Union Budget 2024-25 concentrates on the upliftment of four major segments: the 'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth), and 'Annadata' (Farmer). The Indian Government increased the infrastructure outlay by 11.11% from ₹ 10 lakh crore to ₹ 11.11 lakh crore, contributing 3.4% of the GDP, aiming to contain the fiscal deficit within the 4.5% threshold by 2025-26. Additionally, there are plans to revamp various schemes such as FAME and the Smart Cities Mission, slated for reintroduction.

The stability in financial markets and banking conditions persists, with bank lending consistently growing around 16% and deposit growth increasing from 12% to 14%, narrowing the gap between them. Looking ahead, we expect that private consumption will be supported by improving rural demand, a robust manufacturing sector, and continued growth in services. Moreover, Government infrastructure initiatives and anticipated private sector investments are projected to drive economic activity further.

Advances in SFBs registered a CAGR of 32% from CY 2020 to CY 2023, compared to a CAGR of 11% for the banking sector as a whole. Although SFBs have increased their market share in the banking industry's advances in recent years, the increase remains relatively marginal. SFBs have focussed on building a liability franchise comparable to universal banks by offering relatively higher interest rates to depositors. They have also steadily increased the share of secured assets in their portfolios. Credit flow to MSMEs has continued to grow, catalysed by technology and data-analytics-oriented lending.

**Our business model is socially inclusive and directed at transforming the lives of India's hardworking and aspiring underbanked population cluster.**

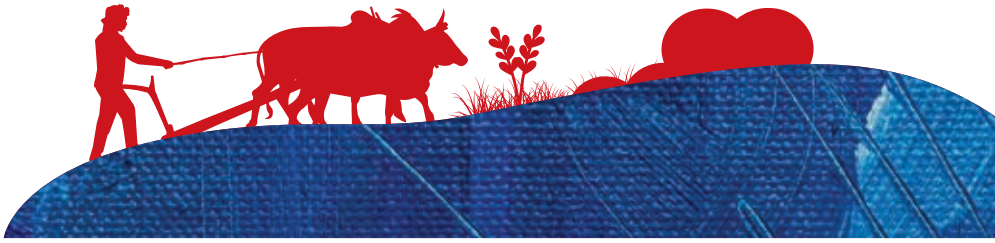
The outlook for SFBs is highly positive. As more Indians enter the formal economy, the demand for credit is expected to grow. Small Finance Banks are well-positioned to meet this demand by leveraging their unique proximity, coverage and understanding of their core customer segment and focusing on financial inclusion. In the Microfinance segment, Small Finance Banks are likely to emerge as dominant players over the next few years.

## Our Focus

Our Bank has displayed positive trends consistent with the broader banking sector. Our success can be attributed to the resilience of the rural economy and our microfinance customers. The government's focus on promoting financial inclusion has also been instrumental in our rapid growth. Throughout the year, our primary focus was on enhancing asset quality, liquidity, and capital adequacy. This was accomplished by diversifying our portfolio and geographical presence, as well as tailoring our product offerings to meet the needs of customers in various states. Moreover, we expanded our distribution network and strengthened our human capital to further support our growth.

Our business model is socially inclusive and directed at transforming the lives of India's hardworking and aspiring underbanked population cluster. If this cluster were a country, it would rank as the second-largest in the world. Our ambitions of engagement in financial inclusion across such a vast population demonstrates the seriousness of our business and the magnitude of our intent. We are not only extending financial inclusion but doing so rapidly, extensively, and sustainably.

Furthermore, we connect with our customers through various channels, including Business Correspondents, Digital Channels, and Direct Channels. We have also introduced innovative touchpoints such as Customer Service Centres (CSCs), Business Correspondents Operated Banking Outlets (BCOBO) and Banking Agents. Looking ahead, we have ambitious plans to open 50 branches and introduce 454 additional CSCs in 2024-25.



## Solid Strategy for a Joyful Tomorrow

Our corporate theme for the year centres on the transformative power of financial inclusion to uplift and enrich lives. By offering accessible and innovative banking solutions, our aim is to empower individuals and businesses, enabling them to thrive and contribute to a prosperous society.

Our strategy is founded on trust, transparency, and technology. We harness advanced digital tools to enhance the customer experience and extend our reach to underserved markets. Through strategic partnerships and collaborations, we are expanding our influence, ensuring that no one is left behind on the journey to progress. Our commitment to creating lasting positive change drives us to prioritise sustainability and social responsibility in our decision-making, benefitting not only our customers and shareholders but also the environment and society as a whole. Together, we aspire to build a future where everyone has the opportunity to lead a joyful and fulfilling life.

## Key Highlights of the Fiscal

Our extensive presence spreads across 23 states and 2 union territories, with gross advances to customers outside of Kerala reaching ₹ 1,19,364.26 Million in 2023-24, constituting 63.59% of total gross advances. The top five states for gross advances outside of Kerala, namely Tamil Nadu, Maharashtra, Madhya Pradesh, Karnataka, and Chhattisgarh, collectively accounted for ₹ 94,701.86 Million in 2023-24, representing 50.45% of gross advances. Total Gross Advance increased from ₹ 1,41,181.27 Million in 2022-23 to ₹ 1,87,723.56 Million in 2023-24, marking a 32.97% year-on-year growth.

Our commitment to accessibility is evident in the 753 strategically positioned banking outlets and 614 ATMs in these regions. Additionally, we operate 930 customer service centres through 35 institutional business correspondents and 5,024 banking agents and 772 business facilitators. Disbursements in 2023-24 amounted to ₹ 1,70,137.40 Million, compared to ₹ 1,49,409.10 Million in 2022-23, reflecting a 13.87% year-on-year growth. Deposits experienced significant growth, rising from ₹ 1,46,656.24 Million in 2022-23 to ₹ 1,98,678.04 Million in 2023- 24, indicating a 35.47% year-on-year increase.

We have strategically prioritised the expansion of our retail deposits, which rose from ₹ 1,33,186.20 Million in 2022-23 to ₹ 1,83,681.00 Million in 2023-24, showcasing a 37.91% increase. Current and Saving accounts (CASA) reached ₹ 45,019.20 Million in 2023-24, compared to ₹ 31,374.40 Million in 2022-23.

Net interest income for 2023-24 amounted to ₹ 23,696.93 Million, up from ₹ 18,363.40 Million in 2022-23, indicating a 29.05% year-on-year increase. The net interest margin for 2023-24 stood at 11.12%, compared to 10.44% in 2022-23. Gross non-performing assets (GNPA) for 2023-24 were 4.76%, up from 2.49% in 2022-23, while net non-performing assets (NPA) were 2.26%, up from 1.13% in 2022-23. Profit after tax for 2023-24 reached ₹ 4,255.68 Million, a rise from ₹ 3,023.33 Million in 2022-23, marking a 40.76% year-on-year increase.

## Digital Initiatives

We recognise the pivotal role of technology in modern banking. Hence, we consistently invest in digital solutions to make banking more convenient and efficient for our customers.

We have launched several digital initiatives to enhance customer experience and operational efficiency. The new Agency Banking application, tailored for Corporate BCs and Agents, facilitates seamless onboarding, real-time transaction tracking, instant wallet credits, and agent self-onboarding, providing a user-friendly and efficient experience. We also provide Merchant QR codes to support their business operations. Additionally, we have integrated the Bharat Bill Payment System (BBPS) into our Agency Banking service, connecting customers to over 22,000 billers for loan repayments, recharges, bill payments, and more, via ESAF Small Finance Bank BC Agent outlets. This not only adds convenience for our customers but also creates additional income opportunities for our agents. These initiatives reflect our commitment to leveraging

technology for superior service delivery and operational excellence.

Our focus on innovation and customer-centricity distinguishes us in the banking industry. We are dedicated to adapting to the evolving needs of our customers and ensuring that their banking encounters with us remain consistently exceptional. With our 'Solid Strategy for a Joyful Tomorrow,' we are shaping a bank that not only addresses present requirements but also anticipates future needs.

## Sustainability Commitments

We understand the critical importance of sustainability in today's world and have implemented numerous initiatives to promote sustainable practices within our organisation. Our Sustainability Report, themed 'Green. Grow. Glow', showcases our achievements in various sustainability initiatives. Committed to sustainability, we have embraced digital alternatives to minimise paper usage at our branches. This includes digitising internal notes for bank officials and processing microbusiness loans through e-signatures. As of March 31, 2024, our Bank had processed 13,93,920 micro business loans, resulting in the saving of 27.8 tonnes of paper, the preservation of 473 trees, and the conservation of 75,000 litres of water.

Our Bank also recognises the significance of supporting farming and agricultural practices for India's agrarian economy. Leveraging digitisation, we facilitate farmers' access to essential information and resources more efficiently, thereby improving their productivity and farming practices. We provide various types of loans to farmers, offer them handholding support, and offer financial guidance. Furthermore, we acknowledge the importance of Farmer Producer Organisations (FPOs) in empowering small farmers and improving their livelihoods. Our FPO Finance solution ensures that these organisations have adequate capital for their operations and growth.

ESAF Small Finance Bank is committed to driving sustainable growth and has adopted an ESG Roadmap for the years 2023-27. Through this strategic framework, our Bank endeavours to create a significant impact on the lives of 10 million direct customers by aligning with various Sustainable Development Goals (SDGs) of the United Nations. We also seek to stimulate sustainable local economic growth by supporting 1 million Joint Liability Groups (JLGs) and fostering food security through 1 million Farmer Interest Groups (FIGs). Furthermore, we are dedicated to ensuring energy security through the installation of 200,000 renewable energy systems (1 GW capacity) and implementing energy conservation measures while transitioning to renewable energy sources in our operations, aligning with the Government's Net Zero commitment. Based on CareEdge grading, ESAF Small Finance Bank scored 71/ 100 in ESG. We emerged as the industry's best in the following categories: Green Finance, Health and Safety, Product Safety and Quality, Communities, and Opportunities for Product/Inclusion.

## Way Forward

As we move ahead, our Bank is well-positioned to seize on the expanding opportunities within the banking industry. While we understand that the upcoming financial year may bring its share of challenges and geopolitical tensions, we are confident in our ability to navigate them. By harnessing our existing resources, sustaining our strengths, and fostering innovation, we are poised to further fortify our accomplishments and achieve sustainable growth in the future. Our journey of fostering innovation and upholding social responsibility is challenging, yet the support and trust of our esteemed customers, dedicated employees, regulators, and stakeholders have been instrumental in our success. Together, we continue to set new benchmarks and maintain our position as India's 'go-to' small finance bank.

## Conclusion

I am delighted to announce that we have been honoured with the 'Innovative Initiative in the Social Sector' award at the BFSI CXO awards by Elets - Banking & Finance Post. This accolade serves as validation of our dedication to promoting inclusive finance in India, acknowledging the hard work and commitment of our team. It inspires us to push boundaries and develop innovative solutions to bridge the credit gap and provide financial access to underserved communities.

This award not only recognises our past efforts but also propels us towards future endeavours. It motivates us to continue driving positive change in our growing economy. I extend my sincere gratitude to our Board of Directors, whose guidance and support have been invaluable. I also want to express my gratitude to our dedicated team, whose indomitable commitment has been instrumental in our success over the past seven years.

I express my profound appreciation to our customers, shareholders, channel partners, regulators, advisors, vendors, Government of India, state governments, and all other stakeholders for their trust and support. Your belief in us motivates us to pursue excellence every day. Together, we take pride in being part of a transformative movement towards financial inclusion.

Thanking You.
Warm Regards,

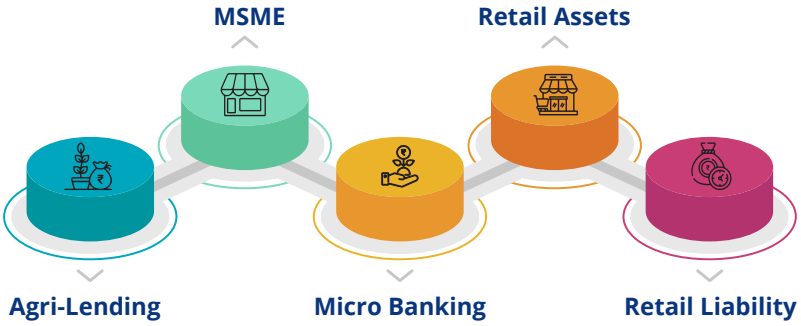
**Kadambelil Paul Thomas**
Managing Director & CEO

Delivering Joy with

# OUR PRODUCTS & SERVICES

**ESAF Small Finance Bank has evolved by delivering the brand promise 'Joy of banking' and offering a comprehensive array of asset and liability products. Our agile and flexible approach strategically positions us well for future growth. We have consistently expanded our network, strengthened our deposit base, diversified geographically, and served an ever-growing customer base, showcasing our readiness for the next phase of growth.**

## Our Comprehensive Banking Products and Services include:



## Agri-Lending Products

**₹ 10,452 Million**
Total Loan Book

**2,65,343**
Customer Base

- **ESAF Dairy Development Loan:** Tailored to empower farmers, this loan supports every facet of dairy farming.
- **ESAF Kisan Credit Card (E-KCC):** Offering essential credit assistance, this card meets farmers' cultivation and other needs, ensuring financial support aligned with their repayment capacity.
- **ESAF Haritha Loan:** This loan caters to all agricultural activities, including farm credit, agriculture infrastructure and ancillary activities, as defined by the RBI.
- **Kisan Jyothi:** Provides a robust financial solution with OD Limits and Term Loans designed to meet diverse agricultural financing needs.
- **ESAF Farmer Producer Organisation (FPO) Finance:** Offering extensive credit support, this loan covers a range of business activities of FPOs like construction, machinery, equipment, specially designed transportation vehicles, and working capital needs, including administrative and other recurring costs connected with the project as a composite loan.
- **ESAF Kisan Pragati:** Kisan Pragati is a version of working capital for crop cultivation and farm development loans, mainly targeting modern progressive farmers. Their requirement for credit per acreage is higher to suffice the comprehensive needs of crop cultivation.
- **ESAF Kisan Saral:** Convenient Overdraft Loan and Term Loan solutions.
- **ESAF Farmer Interest Group Loan:** Serves the agriculture, allied agriculture and consumption purposes of small & marginal farmers.
- **ESAF SHG-BLP:** Provides financial assistance to SHGs for income generation activities, meeting social needs, construction or repair house, toilet, taking up sustainable livelihood by individual members within the SHGs or to finance any viable common activity started by SHGs.
- **ESAF Kisan Vriddhi:** Provides small loans for farm asset repairs, maintenance and serves the family needs of the farmers for effective management of agri and allied activities and procurement of items like solar pumps for farmers, green energy products, among others.

- **TReDS (Trade Receivables Electronic Discounting System):** This innovative electronic platform expands our reach and diversifies our portfolio by facilitating the financing / discounting of trade receivables for Micro, Small, and Medium Enterprises (MSMEs).
- **QR Loan:** Designed for business owners seeking higher loan amounts, the QR Loan allows them to operate a Current Account / Savings Bank Account and manage their daily transactions seamlessly through this account.
- **Udyog Saral Loan:** Aimed at all potential and existing Current Account holders / SB account holders, including, individuals, sole proprietorships and partnerships engaged in business activities for a minimum of last 12 months at the time of applying.
- **MSME GST Power:** This loan provides working capital specifically for legitimate business needs like building up current assets and managing creditors and debtors, among others.
- **MSME Business LAP:** Serves as a term loan only for specified and bona fide business needs like building up current assets, fixed assets, purchasing equipment, computers, air conditioners, furniture, plants and machinery, and covering repairs and renovations of business units / factories, among others. It also supports general business purposes, ensuring smooth and continuous operations.
- **MSME Udyog Loans:** Designed to provide both working capital and term loans, these loans address essential business requirements. They help build fixed assets and current assets and efficiently manage creditors and debtors, among others.
- **Micro Enterprise Loan (MEL):** This secured loan is extended to graduated customers from the microfinance segment, helping them meet their capital requirements to scale up existing business activities. The assets acquired with the loan amount are hypothecated, providing a strong foundation for growth.
- **Vyapar Vikas Yojana (VVY):** Tailored for customers in the Micro and Small Trade segments, this loan supports those who have operated a shop or business at the same location for at least three months. It is intended to fulfil their working capital needs or to finance the purchase of stocks, empowering them to thrive.

## MSME

**₹ 2,265 Million**
Total Loan Book

**1,009**
Customer Base

## Micro Banking

**₹ 1,37,663 Million**
Total Loan Book

**3.26 million**
Total Borrowers

Micro banking loans are offered to segments of society with limited or no access to financial services. By partnering with business correspondents and agency banking services, we ensure that customers nationwide can access essential financial support, aligning with the Sustainable Development Goals.

- **Microfinance Loans:** Microfinance Loans are provided to individuals whose annual household income is up to ₹ 3 lakh for the purpose of income generation activity, to set up / expand their own or family members', micro or small business, or to meet any other needs such as green energy, water and sanitation, education, consumption purposes, etc., towards improving the quality of life.
- **Other Micro Loans:** Other Micro Loans are provided to individuals whose annual household income is between ₹ 3 lakhs and ₹ 5 lakhs, for the purpose of income generation activity, to set up / expand their own or family members', micro or small business, or to meet any other needs such as green energy, water and sanitation, education, consumption purposes, etc., toward improving the quality of life.

- **Dream Housing Loans:** Crafted for various housing needs, including construction, purchase, takeover, or plot plus construction, our Dream Housing Loans aim to turn your dream aspirations into a reality.
- **Affordable Housing Loans:** Designed specifically for lower- and middle-income groups in the unorganised sector, our Affordable Housing Loans offer accessible home financing solutions. They cater to those with limited income documentation, guaranteeing that home ownership remains within reach for all.
- **Loan Against Property:** This secured loan is sanctioned against the collateral of an owned house or any other commercial premises. It is available to salaried, self-employed, and NRI customers.
- **Dream Education Loans:** Empowering students to pursue higher studies abroad, our Dream Education Loans cover a spectrum of courses. These include undergraduate, postgraduate, doctoral, diploma, and certificate programmes. We believe in supporting people's aspirations and helping them build a successful career path.
- **Lease Rental Discounting:** Provided to landlords for business or personal purposes, this financing option utilises monthly rent receivables

## Retail Assets

**₹ 46,213 Million**
Total Loan Book

**1,55,405**
Customer Base

from self-owned premises. It offers a convenient solution for leveraging rental income to meet various financial needs.

- **School Loans:** Tailored for educational institutions, our School Loans support various initiatives such as renovating or constructing new classrooms, purchasing new vehicles or fixed assets, setting up smart classrooms, coaching classes, and developing computer labs. These loans are designed to enhance the infrastructure of schools and facilitate better learning environments.
- **Two-Wheeler Loans:** We offer loans for the purchase of new two-wheeler vehicles in both categories like general and electric.
- **Car Loans:** Loans are available for the purchase of new passenger cars. We also provide loans for purchase of used cars and refinancing of self-owned vehicles.
- **Light Commercial Vehicle Loans:** We offer loans for the purchase of new and used commercial vehicles by the borrower for transporting goods or passengers for their own business.
- **Personal Loans:** We provide loans to salaried employees of reputed organisations based on salary.
- **Clean Energy Loans:** Based on collateral, we offer Clean Energy Loans installing solar plants, and purchasing solar-based power generators, biomass-based power generators, and non-conventional energy based public utilities.
- **Salary Overdraft:** This facility is available for those who maintain salary accounts with our Bank.
- **Easy Gold Loans:** This loan provides a quick solution for customers' urgent financial needs by offering them a loan against gold jewellery. Whether they require funds for their children's education, expanding their business, making a down payment for property or an automobile, dealing with a medical emergency, or meeting agricultural needs, the Easy Gold Loan from our Bank can help them access the funds they need.
- **Agri Gold Loans:** This loan helps meet expenses for short-term agricultural and allied activities based on the scale of finance and land tax receipt.

## Retail Liabilities

**₹ 1,98,678 Million**
Liabilities Book

**7.16 Million**
Customer Base

### Savings Accounts (Domestic)

- **Eleganza:** This premier variant of the ESAF Savings Account caters to both resident and non-resident customers within the elite customer group. Representing the pinnacle of our service offerings, it provides exclusive benefits and privileges, meticulously designed to meet the sophisticated needs of our discerning clientele.
- **Pradham:** Pradham stands out for its exceptional product features and tailored to address the diverse needs of our valued clientele. This product underscores our commitment to innovation and customer-centricity ensuring a delightful banking experiences to our customers.
- **Royale:** Royale embodies excellence and sophistication, offering a myriad of exclusive features and benefits crafted to elevate our customers' banking experience.
- **Mahila Sree:** Mahila Sree is a distinguished offering specially curated to address the unique financial

needs of women. It presents a comprehensive suite of features and benefits created to enhance the financial independence, security, and prosperity of our esteemed female customers.

- **Senior Citizen:** This account is specially crafted to meet the distinct needs of senior citizens, providing hassle-free banking services with added returns and facilities. This account is designed to save hard earned money and reap higher benefits. It reflects our commitment to offering an inclusive range of features and benefits, designed to enhance financial security, convenience, and peace of mind for our valued senior clientele.
- **Pragati:** This is a versatile product curated to cater to the diverse needs of customers from all walks of life. It epitomises accessibility and inclusivity, delivering convenience and flexibility with minimal balance requirements.
- **Lalit Plus and Lalit:** These products belong to the domain of Basic Savings Bank Deposit Accounts (BSBD), mirroring our dedication to offering accessible banking solutions to a wide audience. They provide essential banking facilities such as deposit and withdrawal services, complemented by the convenience of a Classic Rupay debit card.
- **Student:** This is a purposefully crafted tool to nurture the habit of saving in children. The product embodies our commitment to fostering financial literacy and empowerment from an early age.
- **Balajyothi:** This offering is designed to encourage financial planning and security for children. It offers parents the opportunity to invest in their children's future through a Recurring Deposit (RD), instilling a culture of savings and financial responsibility from the very outset of their lives. This guarantees a brighter financial future for the little ones.
- **Krishak Bandhu:** Curated to address the banking needs of farmers, this product represents our dedication to serving the agricultural community and supporting their financial endeavours. Thus fostering economic growth in rural areas.
- **Zero Balance:** The Zero Balance Account is tailored for customers who have an asset portfolio with Our Bank. It offers the convenience of banking without the need to maintain a Minimum Average Balance (MAB). Additionally, customers receive a Rupay Classic debit card, ensuring seamless access to their funds and the benefits of banking services without any financial constraints.

## Savings Accounts (NR)

- **SB NRE/NRO Pragati:** NRE/NRO Pragati, is designed to streamline the management of income of Non-Resident Indian with utmost ease and convenience. The customers are entitled with a Rupay Classic or Platinum Debit Card as per their choice, along with our strong adherence to provide our customers with a hassle-free experience and exclusive features. The customers can easily manage their financials with minimal balance requirements and ensuring that all their financial needs are met with utmost efficiency and satisfaction.
- **SB NRE Royale:** This product offers privileged customers an elevated banking experience with access to a host of exclusive features. These features include higher cash withdrawal limits, designed to enhance convenience and flexibility in managing their earnings.
- **SB NRE/NRO Eleganza:** This is designed to cater to the discerning needs of an elite set of customers, redefining banking excellence. It offers personalised priority banking experience with exclusive features crafted to their lifestyle and preferences, and entitled to a RuPay Platinum debit card packed with various offers.
- **Platinum Debit Card:** Our Platinum debit card provides a wide range of exclusive merchant offers with discounts at select merchants. The card facilitates free usage of domestic and international lounges (conditions applied) it also includes insurance coverages, including personal accidental death insurance, purchase protection, travel insurance, and protection against skimming, cloning, counterfeit, lost card, and online fraud, among others.

## Current Account

- **Diamond:** Being our highest Current Account variant, Diamond offers an exclusive banking experience. It is tailored to meet the needs of our discerning business-minded customers and entities, enabling them to thrive.
- **Premium:** Premium offers an exclusive banking experience crafted to address the requirements of our business savvy customers.
- **Classic:** This variant offers an exclusive banking experience designed to cater to the needs of our medium-sized business customers.
- **Basic:** This variant offers an exclusive banking experience tailored to meet the needs of new start-ups and small & medium sized business customers.

## Term Deposits

- **TD (Normal):** Our Bank's Term Deposit offerings provide secure investment options with attractive interest rates. From regular FDs to tax-saver FDs, we have tailored our offerings to meet the requirements of our customers. Customers can choose the Term Deposit option that best aligns with their financial needs, providing flexibility and convenience in investing their money. Additionally, our Bank offers competitive interest rates to help their savings grow.
- **TD (Hrudaya):** Hrudaya Deposit offers customers the opportunity to invest in a term deposit dedicated to supporting social causes and initiatives. By choosing Hrudaya Deposit, investors can contribute to projects aimed at solving social concerns and engaging with the lower strata of society. The projects can be extended to other social classes as well.

## SDG Materiality:

End poverty in all its forms, everywhere.

- MSME Loans
- Income Generation Loans

End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.

- MSME Loans
- Income Generation Loans

Ensure healthy lives and promote well-being for all at all ages.

- Jeevadhara Loan
- Nirmal Loan

Ensure inclusive and equitable education and promote lifelong learning opportunities for all.

- Vidya Jyothi Loan
- Global Career Devolopment Loan
- School Loan

Achieve gender equality and empower all women and girls.

- Mahila Sree
- MSME Loans
- Income Generation Loans

Ensure availability and sustainable management of water and sanitation for all.

- Jeevadhara Loan
- Nirmal Loan

Ensure access to affordable, reliable, sustainable and modern energy for all.

- Micro Energy Loans

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

- MSME Loans
- Savings Account

Build resilient infrastructure and promote inclusive and sustainable industrialisation and faster innovation.

- Current Account
- Fixed Deposits
- ESAF FPO Finance

Reduce inequality within and among countries.

- MSME Loans
- Vidya Jyothi Loan
- Income Generation Loan

Make cities and human settlement inclusive, safe, resilient and sustainable.

- Go Green Vehicle Loans
- Agri Loans
- Clean Energy Loans

Ensure sustainable consumption and productive pattern.

- MSME Loans
- Reccuring Deposit
- Savings Account

Take urgent action to mitigate climate change and its impact.

- Go Green Vehicle Loans
- Agri Loans
- Clean Energy Loans

Conserve and sustainably use oceans, seas and marine resources for sustainable development.

Protect restore and promote sustainable use of terrestrial ecosystem, sustainably manage forest, compact desertification and halt and reverse land degradation and halt biodiversity loss.

- Kisan Jyoti
- Agri Loan
- Home Loan

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

- MSME Loans
- Income Generation Loans

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

- Savings Account
- MSME Loans

Our products, such as FIG, VVY, Agri Loans, and Kisan Jyothi, are intrinsically linked to several Sustainable Development Goals (SDGs). These include SDG 1: No Poverty, SDG 2: Zero Hunger, SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation, and Infrastructure, SDG 10: Reduced Inequality, SDG 11: Sustainable Cities and Communities, SDG 13: Climate Action, and SDG 15: Life on Land. Through these small-scale loans, we aim to enhance the lifestyle of underdeveloped communities across the country, supporting their journey towards sustainable development and improved living standards.

# Crafting **VALUE & STRATEGIES** for a Joyful Tomorrow

At ESAF Small Finance Bank, our journey is rooted in a commitment to creating lasting value and fostering a future filled with joy and prosperity. Our strategies ensure that every step we take contributes to the well-being of our customers, communities, and the planet. Driven by a vision of inclusive growth, we prioritise financial accessibility and empowerment, enabling individuals and businesses to thrive.

# Harnessing Our Strengths for
# A BETTER FUTURE

**In a year fraught with dynamic challenges and ever-shifting financial / economic landscapes, ESAF Small Finance Bank has showcased exceptional resilience and strategic acumen. Our commitment to financial inclusion, coupled with agile strategies, has not only fortified our position in the market but also propelled us towards new prospects of growth and impact.**

As we delve into the core of our success, it is clear that our foundation rests upon the principles of servant leadership, integrity, innovation, and inclusivity. Servant leadership stands as our foremost core value, ingrained in the very fabric of our service, offering us a distinct edge.

These guiding principles, woven into the very DNA of ESAF Small Finance Bank, have steered us through turbulent times. They have also paved the path for sustainable growth and enduring relationships with our valued stakeholders.

## Strengths

### 1

We offer a range of delivery channels to serve our customers efficiently. Our Business Correspondent (BC) network stands out, providing a dual advantage by not only enhancing our understanding of customer needs but also maintaining regular contact with customers. In line with technological advancements in the banking industry, we offer digital platforms, including internet and mobile banking, guaranteeing seamless access to banking anytime, anywhere. Moreover, our BC channel extends its services beyond micro loans to encompass liability and other asset products. Additionally, we boast other channels such as branch banking and agency banking ensuring accessibility and convenience for all. Furthermore, our ATM network is continuously expanding, reaffirming our dedication to better serving our customers with utmost ease.

### 2

In rural and semi-urban areas, where banking credit penetration is low, we have established a robust banking presence. Our focus remains on directing our advances towards these areas. We are also concentrating on enhancing our liability profile by targeting these rural and semi-urban areas.

### 3

As of 31st March 2024, our customer base stood at 8.37 Million. Our gross advances have experienced rapid growth, especially in the micro loans segment. As we strive to prioritise this segment, we are equally dedicated to increasing retail diversification. Our strategy involves maintaining a strong focus on our individual customers, building our retail loan portfolio, and capitalising on the relationships we have built with our existing microloan customers. We recognise their growing borrowing capacity and their demand for higher loan amounts. Additionally, we remain committed to offering personalised loan products tailored to the needs of our salaried account holders.

### 4

With a robust funding profile comprising stable deposits, diverse borrowings, and strategic financial instruments, we have established a reliable and flexible funding base. Paired with a healthy Capital Adequacy Ratio, we are well-equipped to navigate risks, foster growth, and maintain financial stability.

### 5

Our Bank's focus on leveraging technology to enhance the customer experience is a key driver of our success. By implementing digital measures and a digitalised central CPU, we have streamlined operations, leading to improved cost–effective customer service. Initiatives such as cashless disbursement and reduced TAT demonstrate our commitment to improving efficiency and convenience for our customers. Additionally, the adoption of e-signatures further enhances our Bank's digital experience, making transactions smoother and more accessible.

**6**

Our customer-centric approach is evident in our range of products designed to meet customers' life-cycle needs. Our customer service measures aim to enhance the overall experience, ensuring prompt and effective resolution of queries and concerns.

**7**

We offer a range of best-in-class banking products and services, making us a preferred choice among customers.

**9**

Our Bank has an experienced management team and a high-quality board, which are instrumental in driving our success. The Board comprises distinguished individuals from various fields, ensuring robust governance and effective decision-making. Their collective experience and deep-rooted industry knowledge enable us to navigate challenges and capitalise on opportunities, cementing our position as a trusted financial institution.

**10**

Our Bank has demonstrated our strong ability to operate as a full-service bank with a well-formulated strategy aligned with our commitment to financial inclusion and serving customers at the bottom of the pyramid. A key focus of our strategy is on the retail segment, where we adopt a 'Right for Customers' approach. This involves constantly assessing customers' requirements and risk appetite, and leveraging our branch network, BC banking, and digital channels. Our aim is to expand our presence in various ecosystems, increase our customer base in savings, investment, and credit products, and cross-sell a comprehensive suite of products to our customers.

**8**

Our risk management architecture is robust, ensuring effective oversight and mitigation of risks. Comprehensive and timely identification, measurement, mitigation, control, monitoring, and reporting of risks are integral to our risk management framework. We utilise appropriate Management Information Systems to gather and analyse data, enabling informed decision-making and proactive risk management. Furthermore, we have implemented comprehensive internal controls to safeguard against potential risks and ensure compliance with regulatory requirements.

**11**

As of 31st March 2024, our Bank had 35 Business Correspondents (BCs) and 930 Customer Service Centres (CSCs) across the country. BCs work on a non-exclusive basis, sourcing and servicing customers for microfinance loans, other Micro Loans, Mortgage Loans, Mobility Loans, MSME Loans, Agricultural Loans, and select deposit products. They also play a role in sourcing and servicing banking agents. Since April 2020, The Bank has significantly expanded its operations, adding Meghalaya, Uttar Pradesh, Haryana, Tripura, and Chandigarh to its footprint and appointing Business Correspondents in these regions. In 2021-22, operations were also expanded to Uttarakhand, with Tripura being another new geography explored during the year. Additionally, Our Bank opened two Asset Hubs in Coimbatore and Bhopal to support its Retail Asset Business.Furthermore, Business Facilitators help generate product-specific leads from potential customers and collect relevant documentation.

## Strengths

1. Multi-Modal Delivery Channels
2. Strong Rural and Semi-Urban Banking Franchise
3. Rapid Asset Growth with Continuous Focus on Core Segment and Retail Growth
4. Technology Driven Model with an Advanced Digital Technology Platform-Centric Approach
5. Robust Funding Profile and Healthy Capital Adequacy
6. Customer-Centric Approach
7. Competitive Product Lineup
8. Prudent Risk Management
9. Experienced Management Team and Professional Board
10. Large, Loyal, and Consistently Growing Customer Base
11. Deep Understanding of Business Correspondent Model

Investing in Growth for

# EXPANDING HORIZONS

**In the dynamic landscape of financial services, ESAF Small Finance Bank has consistently embraced innovation and resilience to drive sustainable growth. Our journey is marked by a commitment to financial inclusion, empowerment, and community development. As we navigate through challenges and opportunities, our strategic initiatives continue to pave the path for our progress.**

## Increase Deposits

To boost deposits, the strategy includes targeting both new and existing customers for the Current Account and Savings Account (CASA), Fixed Deposits, and Recurring Deposits. This will be achieved by enhancing customer service and offering competitive pricing. Additionally, Business Correspondents (BCs) will source deposits from micro loan customers and dedicated Relationship Officers will be appointed to target High-Net-Worth Individuals (HNIs). The focus will also be on regions with high NRI remittances by launching targeted campaigns during festivals, conducting marketing activities at airports and malls, and entering tie-ups with our third parties, such as remittance arrangers. To improve the liability base, Our Bank serves micro banking customers with sachetised liability products that cater to their specific needs. Additionally, our Bank utilises digital platforms to boost the number of transacting accounts, ultimately leading to an increase in CASA deposits.

## Increase Advances

- To increase advances, we are implementing several strategies across our various loan segments. We are focused on increasing our advances by building our Retail Asset book. This includes offering products such as Mortgage Loans, Mobility Loans, Gold Loans, MSME Loans, and Agri Loans.
- We aim to cater to the diverse needs of our customers, ranging from individuals seeking loans for housing or vehicle purchases to small businesses looking for financing options.
- Additionally, we are targeting microentrepreneurs as a key segment for our Agri and MSME verticals, recognising the importance of supporting small businesses and agricultural activities in driving economic growth and financial inclusion.
- In the Micro Loan Business, the focus is on cross-selling and up-selling to our existing customer base.
- For Retail Loans, there is an increased emphasis on targeting agriculturists / small farmers, salaried employees, and students in small towns and rural India.
- In the MSME Loans segment, we aim to assist Micro Loan customers in growing their businesses by providing additional funding.
- In Agriculture Loans, we are appointing agricultural Relationship Officers in more states and are actively seeking to establish relationships with more Farmer Producer Organisations (FPOs). These initiatives are designed to drive growth in advances across Our Bank's loan portfolio.

## Deeper Penetration

- To achieve deeper penetration, we plan to open additional branches and ATMs, while also engaging existing and new Business Correspondents (BCs) to expand our presence in existing states.
- Our goal is to achieve deeper penetration by expanding into aspirational districts / blocks identified by NITI Aayog. These areas represent regions with immense potential for growth and development, and we are committed to providing our services to underserved communities in these regions.
- Furthermore, we are dedicated to creating wealth at the bottom of the pyramid in a sustainable manner. We believe in serving these customers by offering financial products and services that cater to their specific needs. By doing so, we aim to support wealth creation and financial inclusion, thereby contributing to the economic growth of these communities.
- We will continue to open branches in urban and semi-urban areas, considering factors such as aggregate deposits, deposit growth, the number of urban households, households with banking access, share of PSU deposits, and total NRI remittances. This strategy aims to enhance accessibility and convenience for customers while increasing our market reach.

## Increase Fee Income

- To increase fee income, we at ESAF Small Finance Bank are focusing on several strategies. Firstly, we are distributing third-party financial products and services such as insurance and mutual funds. This approach not only diversifies our revenue streams but also provides our customers with a comprehensive suite of financial products.
- Secondly, we are actively promoting government schemes like Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY). By educating our customers about the benefits of these schemes and facilitating their enrollment, we can earn fee income while also contributing to financial inclusion.
- Lastly, we have identified FOREX as a special segment of focus. By offering foreign exchange services to our customers, including travellers and businesses engaged in international trade, we can generate fee income and meet the foreign currency needs of our customers.

## Leverage Technology and Customer Data Analytics

- To leverage technology and customer data analytics, we plan to enhance our technology platforms, including Internet Banking, Mobile Banking, ATMs, customer service applications, and payment interfaces.
- These improvements will enable us to perform more reliable data analytics, leading to more efficient risk management processes and targeted customer profiling.
- This strategy aims to enhance the overall customer experience, improve operational efficiency, and drive business growth through data-driven insights.
- The digital provisioning of our products serves as an important acquisition engine to drive scale.

Designing the Future with

# OUR BUSINESS MODEL

**We provide equal banking opportunities to all customers, regardless of social, economic, or cultural differences. We positively impact underserved and unserved communities with customer-centric financial products and services. Our comprehensive suite of banking products meets the life cycle needs of our customers. We are highly committed to the Sustainable Development Goals across our organisation.**

## 1

At ESAF Small Finance Bank, we collaborate with a variety of key partners to enhance our service offerings and operational efficiency. These partnerships include BC partners, who assist us in expanding our reach and customer base. We also work with third-party business partners such as Insurance companies, Asset Management Companies (AMCs), the Pension Fund Regulatory and Development Authority (PFRDA), stock brokers, and the Unique Identification Authority of India (UIDAI). Additionally, we engage with system integrators and fintech partners, leveraging their expertise to integrate advanced technological solutions and improve the overall banking experience for our customers.

## 2

Our key activities include lending, deposit mobilisation, and the distribution of third-party products. We also provide various ancillary services to meet the diverse needs of our customers. A significant part of our strategy is to improve our liability base and increase our retail base, with a special focus on Current Account and Savings Account (CASA) deposits and retail deposits from High-Net-Worth Individuals (HNI) and Non-Resident Indian (NRI) customers. Additionally, we place special emphasis on sourcing micro-liabilities to ensure a well-rounded and robust financial foundation.

## 3

Our value proposition centres on our identity as a Social Bank, committed to providing equal banking opportunities to all customers, regardless of social, economic, or cultural differences. We aim to positively impact the lives of underserved and unserved segments of society by offering client-centric financial products and services. Our comprehensive suite of banking products is designed to meet the life cycle needs of our customers. Additionally, we are highly committed to Sustainable Development Goals throughout our organisation, ensuring that our growth and success contribute to a better and more equitable world.

## 4

Our key resources include a strong branch network of 753 banking outlets spread across 23 states and 2 union territories. We also have a network of over 930 Customer Service Centers (CSCs) managed by our BC partners, enabling us to extend our reach and services. Our deep knowledge of the BC model and our ability to leverage it for growth are significant assets. Additionally, we have experienced business heads and talented resources driving our success. Our expansion of digital products and capabilities, supported by a robust technology platform, further strengthens our ability to serve our customers effectively and efficiently.

1 Key Partners

2 Key Activities

3 Value Proposition

4 Key Resources

5 Customer Relationship

6 Customer Segments and Target Market

## 5

We prioritise Responsive Banking by adapting to the evolving demands and requirements of our customers. We are committed to Accessibility, providing banking and financial services to all customer segments, including the unserved and underserved populations, through various channels. Our customer-centric approach ensures that we design all our processes, products, and services with customers' needs at the forefront. We deliver High-Quality Service to all customer segments without discrimination.

We leverage technology to enhance accessibility and efficiency in our service delivery. To serve our customers effectively, we offer multiple touchpoints, including banking outlets, doorstep banking, customer service centers, agents / customer service points, and digital platforms such as Internet Banking, Mobile Banking, Emails, Call Centres, SMS, and WhatsApp Banking.

## 6

We primarily target individuals and businesses in rural and semi-urban areas. We continue to serve the unserved and underserved sectors, with a special focus on MSME, agriculture, retail, housing, and gold loans. Our customer segments are diverse, encompassing various income levels, including deprived, aspiring, and middle-class households, apart from senior citizens.

We cater to micro customers and other unserved or underserved segments such as small and marginal farmers, small traders, and migrant labours. Additionally, we serve middle-class households, NRIs, and HNIs.

For the MSME sector, we focus on micro-entrepreneurs in the agriculture and MSME segments, particularly the 'missing middle' with loan needs ranging from ₹1 lakhs to ₹10 lakhs, which are often underpenetrated and not catered to by mainstream banks. Furthermore, we serve various financial institutions, enhancing our reach and impact.

## 7

We utilise a variety of channels to reach and serve our customers effectively. Our primary channel is branch banking, which handles client onboarding, customer service, and relationship management. This channel is essential for brand promotion and trust-building, leveraging its physical presence to actively engage with customers and cross-sell our products. We are also focused on expanding our geographic presence and penetrating deeper into existing geographies outside of Kerala and Tamil Nadu.

In addition to branch banking, we employ the business correspondents channel for customer acquisition, lending, and sourcing micro banking liability business through our BC partners. Our digital banking channel offers a superior experience with digitally driven business processes and end-to-end simplified, seamless customer journeys. This omnichannel approach ensures a differentiated customer experience.

We also use the direct channel, comprising business facilitators, direct sales agents, direct sales teams, and product sales associates, to acquire customers and drive sales. Furthermore, our agency channel ensures last-mile financial inclusion through Micro ATMs, providing financial upliftment to underserved and unbanked communities.

## 8

Our revenue streams are diversified to ensure financial stability and growth. We generate income primarily through yields on loans and advances. Additionally, we earn fee-based revenue from the distribution of third-party products, including insurance, pension plans, mutual funds, foreign exchange services, and various government schemes. We also offer ancillary services such as safe deposit lockers, foreign exchange transactions, etc., which contribute to our revenue.

7 Channels

9 Linkage to Sustainable Development Goals (SDGs)

8 Revenue Streams

9

Through our Triple Bottom Line Approach focusing on People, Planet and Prosperity, we aim to support livelihood and economic development and predominantly serve the low-income and middle-income segments in India.

## Micro Banking

Our Micro Banking segment provides a comprehensive bundle of financial inclusion products and business development services to those who are socially and economically challenged. We pride ourselves on offering all banking services right at the doorstep through group-based models, ensuring convenience and accessibility for our clients. In our Micro Banking efforts, we give priority to women, recognising their pivotal role in community development and economic empowerment.

Our Micro Banking initiatives are closely aligned with the United Nations Sustainable Development Goals (SDGs). We contribute to SDG 2 (Zero Hunger), SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 6 (Clean Water and Sanitation), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities), SDG 16 (Peace, Justice, and Strong Institutions), and SDG 17 (Partnerships for the Goals).

## Retail Assets

We have expanded our retail loan portfolio, which is designed to cater to the diverse banking needs of a wide range of individuals and businesses. The retail loan portfolio covers a variety of products, including Housing Loans, Loan Against Property, Gold Loans, Mobility Loans, Personal Loans, Clean Energy Loans, Lease Rental Discounting, And Education Loans.

Our retail loan portfolio contributes to SDG 4 (Quality Education), SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), SDG 11 (Sustainable Cities and Communities), and SDG 12 (Responsible Consumption and Production).

## Retail Liabilities

Our liability products include Current Accounts, Savings Accounts, Fixed Deposits, and Recurring Deposits, providing flexible and secure options for managing finances. Our Bank's services extend to various segments, including HNIs, corporate entities, sole proprietorships, children, farmers, trusts, associations, societies, clubs, NRIs, Micro Loan customers, and senior citizens. We offer personalised banking services, such as doorstep banking and other differentiated products, to enhance customer experience and meet individual requirements.

Our liability products contribute to SDG 1 (No Poverty), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), and SDG 11 (Sustainable Cities and Communities).

## Agri-Banking

Our agricultural lending portfolio is designed to support individual farmers and joint borrowers involved in various agriculture and allied activities. The agricultural lending products provided by us include Term Loans, Dairy Development Loans, Farmer Producer Organisation (FPO) Finance, Kisan Credit Card (KCC), and Agri Gold Loans. These products aim to provide farmers with the necessary financial support to enhance their agricultural practices and improve their livelihoods.

Our agricultural lending portfolio contributes to SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities), SDG 12 (Responsible Consumption and Production), and SDG 15 (Life on Land).

## MSME & Corporate Loans

Our MSME and Corporate Loans target a range of customers, including MSMEs, NBFCs, MFIs, HFCs, and existing Micro Loan customers seeking to expand their businesses. Our Bank offers working capital loans and term loans tailored to the needs of small and micro enterprises, supporting their growth and development.

In addition to traditional loan products, we are expanding our supply chain finance offerings by collaborating with fintech and tech platforms. These partnerships aim to increase customer acquisition and leverage web-based platforms that facilitate the financing and discounting of trade receivables for MSMEs.

Our MSME and corporate lending activities contribute to SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities). Through these initiatives, our Bank aims to reduce poverty, eliminate hunger, promote gender equality, foster economic growth, and reduce inequalities, supporting sustainable development and inclusive prosperity.

Investing in Relationships with

# OUR STAKEHOLDER ENGAGEMENTS

**Our ability to deliver and maintain high levels of customer satisfaction hinges on our continuous engagement with our customers, our employees, vendor-partners, associates, and government bodies. We maintain an ongoing process of engagement with all our key stakeholders, including our communities.**

| Stakeholders | Needs and Expectations of Our Stakeholders | Modes of Engagement | KPIs |
|---|---|---|---|
| **Shareholders / Investors** | Ethical business practices and good corporate governance<br>Regular dividends<br>Sustainable performance and value creation<br>ESG integration into strategy and operations<br>Transparent reporting and disclosure | Annual and quarterly Investor meets / calls<br>Investor presentations<br>Annual General Meeting<br>Investor grievance channels<br>Annual Report<br>Sustainability Report | Credit rating<br>Total Loan Book<br>Net profit |
| **Business Partners /Suppliers** | Fair and ethical procurement and engagement practices | Regular meetings, seminars, and workshops | Timely payments<br>Share of procurements from MSMEs |
| **Employees** | Training and development<br>Fair and timely remuneration<br>Reward, recognition, and appreciation of performance<br>Diverse, open, non-discriminatory, and safe working environment<br>Work-life balance | Town hall meetings<br>One-on-one meetings<br>Training and development workshops<br>Engagement initiatives<br>Learning through online modules<br>Digital apps for employees and collection officers<br>Performance appraisals | Number of training hours<br>Awards received<br>Diversity in workforce<br>Number of appraisals and reviews conducted |

Our stakeholders are instrumental in providing us with valuable feedback, insights, and perspectives that help us make informed decisions and improve our performance. By engaging with them, we can better understand their expectations, concerns, and priorities, and align our efforts to meet their evolving needs.

We believe that effective stakeholder engagement is essential for building trust, fostering relationships, and creating shared value. We are committed to maintaining an open dialogue with our stakeholders, listening to their feedback, and integrating the same into our decision-making processes. By doing so, we aim to create sustainable outcomes for our stakeholders, our business, and society at large.

| Stakeholders | Needs and Expectations of Our Stakeholders | Modes of Engagement | KPIs |
|---|---|---|---|
| Local Communities | Social upliftment<br>Enhancing financial literacy<br>Community welfare initiatives | Financial inclusion and literacy initiatives<br>Focus on health, education, livelihood and poverty alleviation<br>Employee volunteering | Number of beneficiaries<br>Number of families supported<br>Amount spent towards CSR<br>Current welfare initiatives in operation |
| Customers | Bespoke financial products and services<br>Competitive interest rates<br>Access to physical and digital channels<br>Seamless customer service<br>Secure transactions<br>Fair and responsive grievance redressal mechanism | Ongoing and regular engagement through emails, calls, SMS, WhatsApp, branches and relationship managers<br>Social media communication<br>Marketing campaigns<br>Customer satisfaction surveys | Number of products offered<br>Number of loans disbursed<br>Number of families supported<br>Number of branches<br>Number of customers<br>Number of customers added in the year |
| Regulatory Authorities | Compliance with laws and regulations<br>Ethical business<br>Active participation in industry and regulatory working groups | Mandatory regulatory filings<br>Periodical submission of business performance<br>One-on-one or group meetings<br>Written communications | Liquidity ratio<br>Number of customer grievances addressed<br>Contribution to exchequers |

# Integrating Resources.
# MAXIMISING OUTCOMES.

In pursuit of sustainable growth and meaningful societal impact, we acknowledge the indispensable role played by our six capitals. These capitals encompass not only financial resources but also human, social, intellectual, manufactured, and natural capital. Each of these facets contributes uniquely and significantly to our Bank's operations, guiding our strategies, and shaping our impact on stakeholders and the environment.

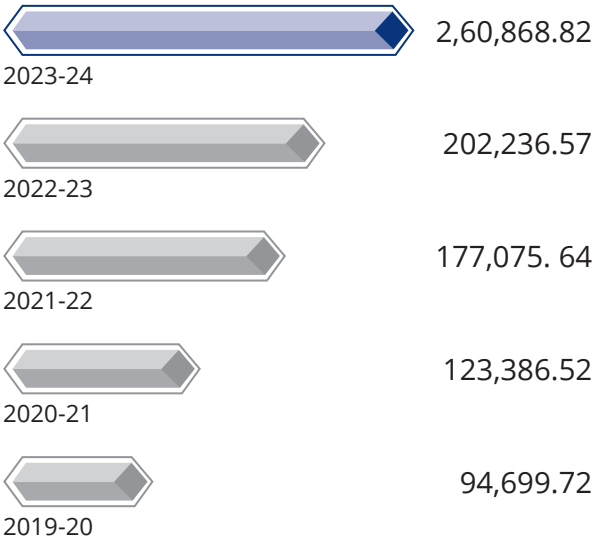
Financial Capital

Leveraging

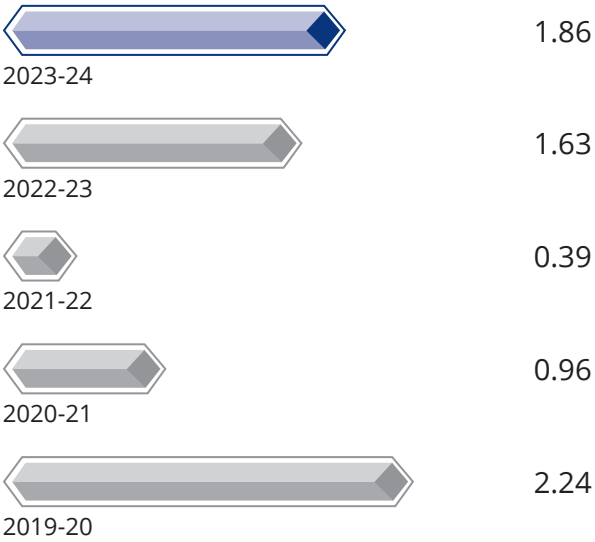
# OUR RESOURCES EFFICIENTLY

**Our financial performance reflects our commitment to prudent and disciplined financial management. We consistently seek to optimise our capital through co-lending and direct assignments, persistently delivering exceptional returns to our stakeholders. As a credit provider, we ensure adequate capitalisation to meet the dynamic demands of our customers. ESAF Small Finance Bank's priority lies in maintaining a healthy balance between equity and debt funds. Additionally, guided by our expert finance team, these efforts boost our solid balance sheet.**

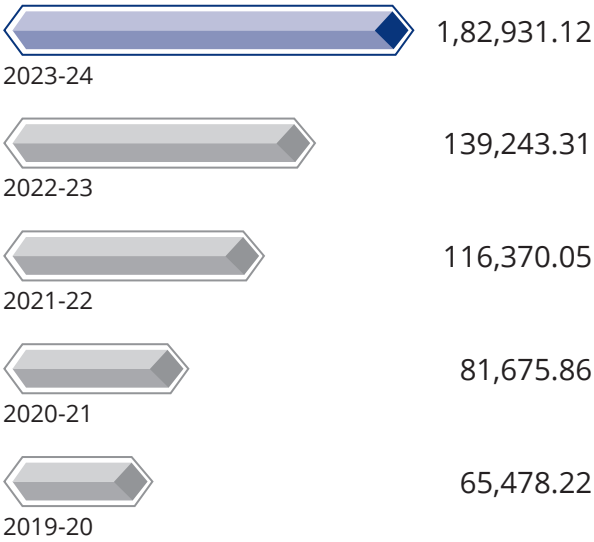
## Total Assets (₹ in million)



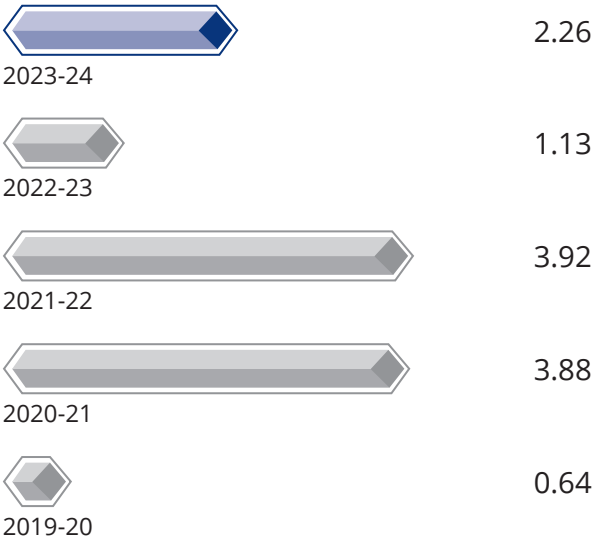

## Return on Assets (in %)



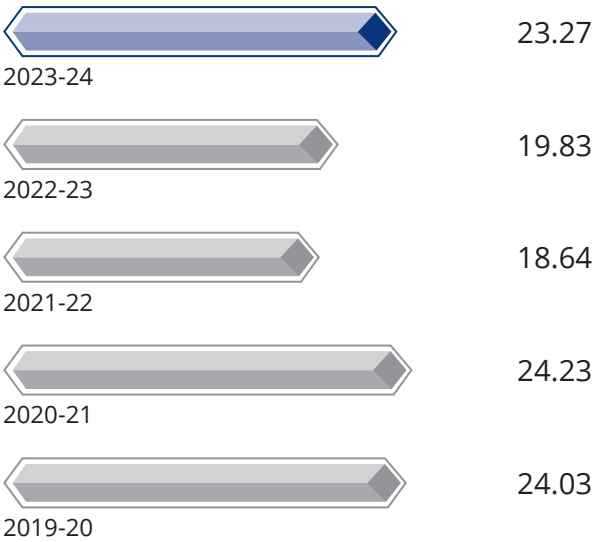

## Net Advances (₹ in million)



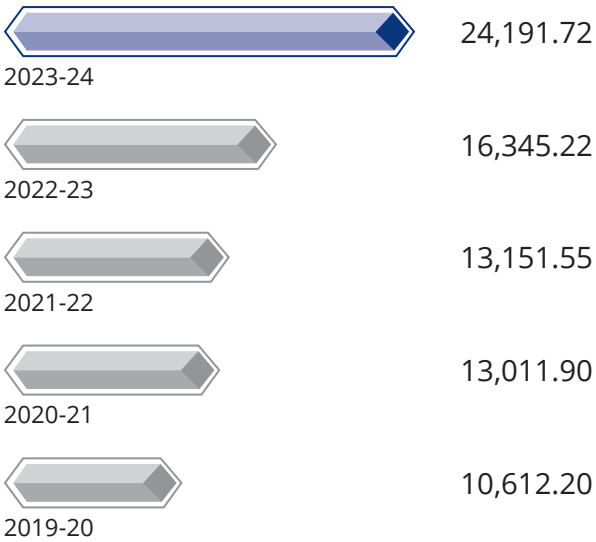

## Net NPA (in %)



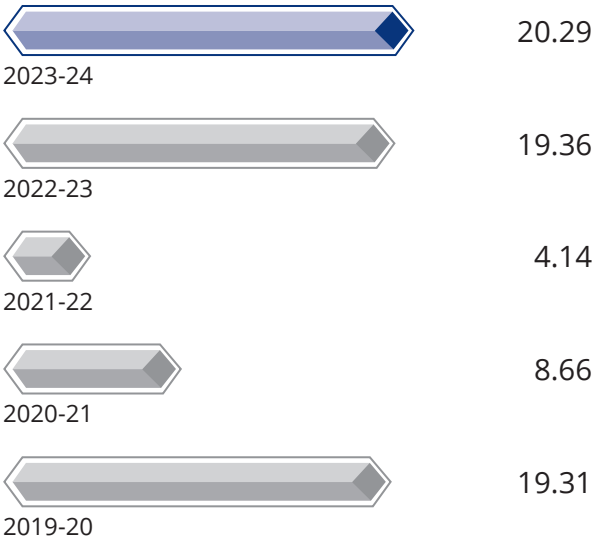
## Capital Adequacy (in %)




## Net Worth (₹ in million)




## Return on Equity (in %)




## Economic Value Distributed (EVD)

Our commitment is to achieve sustainable financial growth while responsibly managing our capital. We actively contribute to economic activity across the nation through astute capital optimisation strategies. By integrating our existing business with our acquired businesses, we have successfully built synergies. Additionally, we drive productivity initiatives while working to protect our margins from the impacts of fuel and material costs.

We take pride in our achievements, as evidenced by our remarkable growth achieved by maintaining a competitive edge. In 2023-24, our Total Loan Book experienced substantial growth, reaching ₹ 1,96,593.56 Million, marking a remarkable 20.38% increase compared to 2022-23. This achievement highlights our effectiveness in attracting and managing investments. Furthermore, our consistent five-year Compound Annual Growth Rate (CAGR) of 30.31% underscores our long-term dedication to sustainable and responsible financial practices.

### Economic Performance (₹ in Million)

| Safety Incident/Number | 2023-24 | 2022-23 |
|---|---|---|
| Direct economic value generated: Net Total Income | 28,115.18 | 21,242.54 |
| **Economic value distributed** | | |
| Operating costs | 18,658.81 | 14,319.51 |
| Employee wages and benefits | 3,629.74 | 2,779.98 |
| Payments to providers of capital (Dividends) | - | - |
| Provision for Current Tax Expense | 1,448.45 | 1,037.12 |
| Corporate Social Responsibility (CSR) | 122.5 | 82.6 |
| **Economic value retained** | **4,255.68** | **3,023.33** |

## Synergise-Scale-Sustain

### Financial Capital Interlinked with Other Capitals

**Manufacturing Capital**

Our financial capital is instrumental in broadening our national footprint through the establishment of additional touch points and extending our services to more pincodes. This expansion enables our outreach to a wider demographic, encompassing individuals and communities.

**Intellectual Capital**

Our intangible assets, including innovations, technology driven infrastructure, and digitisation continue to thrive due to consistent funding for these initiatives.

**Natural Capital**

By investing in conscious and responsible management of our daily operations, we aim to minimise our environmental impact. This commitment not only contributes to sustainability but also promotes long-term cost efficiency for our business.

**Human Capital**

By strategically allocating financial capital, we ensure equitable and unbiased compensation for our employees, thereby fostering their retention and boosting productivity.

**Social and Relationship Capital**

We acknowledge the significance of nurturing strong relationships with our customers, communities, investors, partners, suppliers, and other stakeholders within our ecosystem. This entails dedicating both time and financial resources to foster consistent and meaningful interactions.

## From Petals to Prosperity

Kobijul Houque's tale is one of extraordinary perseverance and firm grit. Hailing from Assam, he set out on a journey to Kerala at the tender age of 15, driven by an ardent desire for a better life despite daunting hurdles. Upon arrival in Kerala, constrained by limited education and resources, Kobijul confronted formidable challenges during his early days. Nevertheless, he exhibited remarkable ingenuity, resorting to creative means to sustain himself, including travelling without a ticket to reach his destination.

His initial employment in Kerala started as a helper in a local flower shop, where he spent three years labouring in the shadows, unable to explore the world outside. However, he used this time wisely, learning the intricacies of the flower business and nurturing a dream of owning his shop, one day.

Upon reaching the age of majority, Kobijul rented a small room to establish his own flower shop. Through hard work, sincerity, and dedication to his customers, his business gradually thrived. Recognising his potential, we offered him a current account for his daily transactions, further facilitating his business growth.

As his business flourished, Kobijul married and together with his wife, they began their life in the rented home that also housed his shop. Yet, his dreams did not end there. He aspired to expand his business by purchasing a vehicle. With relentless determination, he worked day and night, eventually achieving his goal of owning the shop where he once worked as a helper.

With his flower business attracting thousands of customers, including corporate clients and event management companies, Kobijul saved some money to purchase a home in Kerala. Additionally, by availing of a housing loan from ESAF Small Finance Bank, he realised another dream.

His success story continued as he expanded his business, eventually acquiring a car worth ₹ 20 lakhs. This purchase symbolised his hard work, determination, and triumph over adversity. The vehicle loan from us further enhanced his business capabilities.

Kobijul's journey from a humble helper to a successful business owner and homeowner is a testament to the power of resilience and pursuit of one's dreams. ESAF Small Finance Bank is proud and honoured to be a part of Kobijul's success story.

Manufacturing Excellence

# Advancing OUR OPERATIONAL EXCELLENCE

**Presently, our extensive branch network spans 753 Branches, 23 States and 2 UTs, extending our Bank's reach to every nook and cranny of the nation. Embracing the dynamic shifts of the modern era, we intertwine technological advancements with a strong commitment to physical accessibility, persistently enriching our branch network. Seamlessly integrating technology into our operations, from initial customer onboarding to swift loan disbursements, reflects our dedication to customer satisfaction.**

As of 31st March 2024, ESAF Small Finance Bank operates 753 branches spread across 23 states and 2 Union territories. Our robust network holds a particular stronghold in semi-urban and rural areas, underscoring our commitment to serving diverse communities. Mandated to allocate 25% of our operations to unbanked rural areas, we have surpassed expectations, with 46% of our services dedicated to these underserved rural areas. This highlights our commitment to reaching marginalised populations, aligning with our overarching mission of driving financial inclusion.

Our journey has nurtured a customer base of 8.37 million individuals, a validation of the trust and confidence India has bestowed upon us. With a firm commitment, we pledge to continue supporting their financial aspirations, empowering them towards a future brimming with opportunities.

**25** States and UTs

**753** Banking Outlets

**614** ATMs

**8.37 Million** Customers

**5,967** Employees

**35** Business Correspondents

**930** Customer Service Centres

**5,024** Banking Agents

**772** Business Facilitators

**44,505** Merchant QR Code

## Synergise-Scale-Sustain

### Manufacturing Capital Interlinked with Other Capitals

**Financial Capital**

Our phygital assets enable us to establish and maintain profitable operations nationwide, both through traditional and digital channels.

**Intellectual Capital**

The presence of Manufacturing Capital in our organisation plays a crucial role in preserving our brand reputation, and technology infrastructure, initiating innovations and digitisation in our operations.

**Natural Capital**

We are actively working towards maximising the efficient utilisation of natural resources and minimising waste through digital banking initiatives, aiming to reduce our environmental impact.

**Human Capital**

As our Manufacturing Capital generates revenue, it is appropriately allocated to compensate for our valuable human resources.

**Social and Relationship Capital**

The existence of Manufacturing Capital has facilitated the development of strong relationships with local stakeholders and underprivileged communities.

## From Setback to Success

Bindhu's journey epitomises strength and determination. Despite facing a major setback with the loss of her foot in an accident, she refused to let despair overshadow her spirit. At just 24 years, she embarked on an entrepreneurial venture, opening a petty shop near a school in Kalluvayal, demonstrating her innate drive and tenacity. Her life took a transformative turn when she learned about us and our Income Generation Loan (IGL) programme. Recognising the opportunity it presented, she seized it wholeheartedly, using the IGL loan to launch a fancy stationery and coffee shop. In doing so, she exemplified her ability to adapt and innovate, even in the face of adversity.

As her business blossomed, Bindhu aspired to elevate her shop by giving it a makeover. She reached out to ESAF Small Finance Bank for a Micro Enterprise Loan (MEL), highlighting her commitment to enhancing and expanding her business. Our Bank's Agency Banking initiative, providing a Micro ATM, proved to be a game-changer for Bindhu. Additionally, by earning commissions from Micro ATM transactions, she was able to fulfil her daily needs and contribute to her village's economic development.

Bindhu's shop thrived, prompting her to hire two additional labourers. This move not only empowered her but also created job opportunities within her community. Her success story is a shining example of how determination, coupled with the right support and avenues, can lead to personal and professional growth. Today, Bindhu is a flourishing entrepreneur, and her journey is shaped by Our Bank's support. Living happily with her daughters, she embodies resilience and perseverance.

Intellectual Capital

Integrating

# OUR KNOWLEDGE ASSETS

**As a pioneer in the competitive MFI space, we seamlessly integrate technology into our operations, ensuring efficient and reliable service delivery for our customers. Our robust digital infrastructure distinguishes us, reaffirming our status as a frontrunner in the segment.**

## Digital and Alternative Banking Channels Department

The Digital and Alternative Banking Channels Department (DABC) is dedicated to enhancing our Bank's retail business and digital presence by innovating digital offerings. This strategic focus is geared towards driving customer acquisition, engagement, and retention. Within the department, two primary divisions operate: Digital Banking and Agency Banking.

The Digital Banking Division oversees all digital banking products and services, including Debit Cards, Internet Banking, Mobile Banking, and UPI QR. Additionally, the division focuses on continuous product development and innovation. A specialised team actively promotes these products through tailored customer-centric campaigns and exclusive offers, ensuring increased customer awareness.

The Agency Banking Division is committed to extending banking services to unbanked and rural areas by onboarding Banking Agents through corporate BC tie-ups. This strategic partnership ensures that banking services are conveniently accessible at customers' doorsteps. The division prioritises improving and implementing a suite of agency banking products and services like Micro ATMs, AePS, Domestic Money Transfers, BBPS, Account Opening and various banking products. Supported by a dedicated sales team, this initiative drives the expansion of agency banking nationwide through corporate BCs, fostering financial inclusion and accessibility across the country.

## Technology Products & Services of ESAF Small Finance Bank

The rise of digital banking has been phenomenal, with a growing number of customers embracing digital channels with each passing day. The introduction and rapid growth of UPI have revolutionised contactless and real-time payments, reshaping the banking landscape. At ESAF Small Finance Bank, we have been at the forefront of technological innovation, continually enhancing our digital banking offerings.

Driven by our commitment to enhancing customer experiences, we have introduced various iterations of traditional products and new technology services to address the evolving needs of our clientele. Our array of technological services, including debit cards, internet banking, mobile banking integrated with UPI, QR-based payment acceptance, and WhatsApp banking, have been instrumental in smoothly transitioning customers from conventional branch banking to round-the-clock digital banking convenience.

The Digital Channels team, operating within the DABC Department, is dedicated to expanding Our Bank's digital footprint and enhancing the reach of our digital banking products.

## ESAF Small Finance Bank Mobile Banking App

We offer a simplified online banking experience through our Mobile Banking application, designed for effortless navigation with its user-friendly and clutter-free interface. Key features of our Mobile Banking app include:

- Biometric Login
- Online Deposits
- Failed and Success Login via SMS for Security
- Cheque Book Request / Stop Cheque Request/ Cheque Status Inquiry
- Multi Factor Authentication on Fund Transfers
- Positive Pay in Cheque Service
- Single App for All Retail Customers
- Debit Card e-Lock
- Debit Card Management and e-Lock Facility
- PIN Generation Services

**3,72,420**
Total Customers Registered

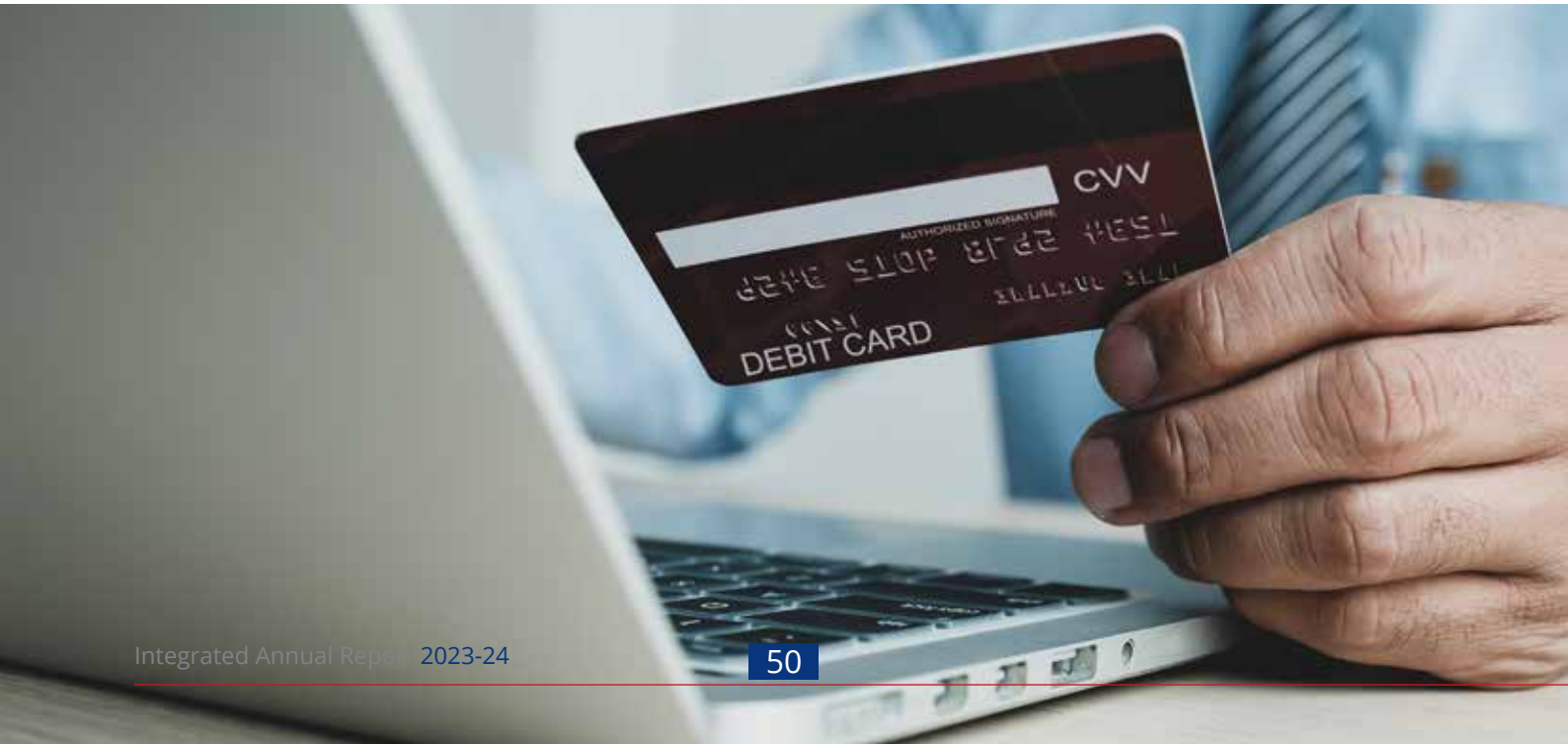
**44,911**
Active Users

**30%**
Growth in Users of Mobile Banking

**₹ 155 crore**
Transaction Value

**39**
Versions Updated

**20,128**
Rural Customers Using the App



## ESAF Small Finance Bank Internet Banking

We provide Internet Banking facilities tailored for both retail and corporate customers. It grants them 24x7 access to their accounts and seamless transaction capabilities at their convenience.

**1,43,709**
Total Retail Customers Registered

**30%**
Growth in Users of Internet Banking

### Types of Internet Banking

- **Retail Internet Banking:** Retail customers, including proprietors, can avail Retail Internet Banking services.
- **Corporate Internet Banking:** Partnership firms, and companies, among others are offered Corporate Internet Banking services.

### Key Features of Internet Banking

- Open Term Deposits, and RD
- Debit Card PIN Generation
- Debit Card Management & e-Lock
- Form 15G/15H
- E-Statements

## Debit Cards

Our Bank's RuPay Debit Cards offer global usability, facilitating online shopping, bill payments, and ATM cash withdrawals worldwide. Accepted at all merchant outlets that accept RuPay, Diners Club and Discover debit cards, these cards come equipped with EMV Chip and PIN technology, ensuring transactions are secure. For online transactions, OTP-based authentication adds an extra layer of security. Our Platinum Debit cardholders receive supplementary insurance benefits and exclusive purchase offers, making every transaction a rewarding experience.

## Green PIN

We offer the Green PIN facility at ATMs, mobile banking, and Internet Banking platforms. This initiative eliminates the need for physical PIN mailers, allowing customers to generate their debit card PIN online, 24x7, at their ease.

## Point of Sale (POS)

We have partnered with various PoS service providers to offer PoS machines to our customers through a referral model. These PoS terminals provide convenience, speed, security, and multiple payment options to merchants, reducing cash handling and boosting customer satisfaction, consequently driving up sales.

## Payment Gateway

We have teamed up with Payment Gateway service providers to extend Internet Payment Gateway (IPG) services to customers through a referral model. This allows customers to offer their services online and collect payments smoothly, thereby amplifying sales opportunities.

## ESAF Merchant QR Services

ESAF Small Finance Bank has expanded its Merchant QR services to customers by introducing the UPI Scan and Pay feature, allowing seamless payment collection for merchants. With real-time notification via the merchant application and the QR Sound Box, merchants experience unparalleled convenience. Currently, we serve over 45,000 satisfied merchants through our QR services.

## Micro ATM

We are dedicated to prioritising our rural customers through convenient doorstep banking services. In the past year alone, our deployment of Micro ATMs has grown by an impressive 148%, with a total of 5,024 Micro ATMs now operational through Corporate BCs nationwide. These Micro ATMs offer an extensive doorstep range of banking services such as card-based transactions, Aadhaar-based transactions (AEPS), Domestic Money Transfer (DMT), and Bharat Bill Pay Services (BBPS) to our customers.

## BBPS

We integrated BBPS into our platforms to redefine the way our customers manage their bills. With BBPS, bill payments are not just seamless but also completely free of charge, ensuring swift and hassle-free transactions every time. From electricity and water bills, to gas, customers can easily settle all their utility bills through a single platform. Our aim is simple: to simplify the bill payment experience, offering customers a secure and efficient solution to manage their finances with ease.

## WhatsApp Banking

We have introduced WhatsApp Banking, offering services like balance inquiries, mini-statements, cheque status, requests for chequebooks, and debit card services, among others. Additionally, WhatsApp Banking provides an overview of banking products, interest rates, branch locators, and other pertinent information to customers.

## Synergise-Scale-Sustain

### Intellectual Capital Interlinked with Other Capitals

**Financial Capital**

Through our relentless pursuit of new and innovative solutions, we not only expand our reach to a wider spectrum of audiences but also boost our profitability and contribute to the well-being of our communities.

**Manufacturing Capital**

The advancement of novel financial products and solutions directly impacts our reach across pincodes. Our goal is to enhance the customer experience by prioritising their needs through these transformative initiatives.

**Natural Capital**

We firmly believe that embedding sustainability into our solutions and operations as a fundamental practice will yield long-term environmental benefits. Furthermore, it serves as a powerful demonstration to the stakeholders with whom we engage.

**Human Capital**

As innovation is an ongoing process, it facilitates the day-to-day responsibilities of our employees. This necessitates the importance of consistent training to equip them with the adaptability needed to embrace these changes effortlessly.

**Social and Relationship Capital**

As we progress towards offering a more inclusive and socially responsible array of solutions, we anticipate that our efforts will garner recognition from our key stakeholders. This acknowledgement will not only build trust in our organisation but also solidify our reputation over the long haul.

## Leading with Values

At the GABV Annual General Meeting 2023 in New York on 8th May 2023, Shri. K. Paul Thomas, MD and CEO of ESAF Small Finance Bank, highlighted Our Bank's dedication to responsible banking practices. His address underscored the importance of dealing with social and environmental challenges, aligning with the ethos of the Global Alliance for Banking on Values (GABV).

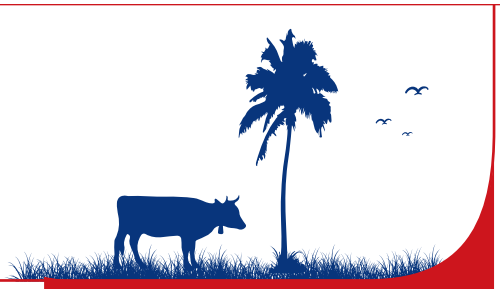
During his address, Shri. K. Paul Thomas highlighted the essence of customer-centricity, drawing inspiration from the exemplary practices observed in the community banks of New York. He underscored Our Bank's commitment to fostering a sustainable future, recognising that every action taken has far-reaching implications.

Participating in the GABV Annual General Meeting reaffirmed ESAF Small Finance Bank's commitment to responsible banking. Shri. K. Paul Thomas's presence at the meeting demonstrated the Bank's value-driven approach and our determination to make a meaningful difference to the world.

Human Capital

# Empowering TALENT & SKILLS

**We regard our employees as our greatest asset prioritising their empowerment, development, and well-being through effective Human Resource Management practices. By fostering a culture of continuous learning, inclusivity, and engagement, we strive to unlock the full potential of our workforce, driving growth and excellence. Our dedication to nurturing talent, promoting diversity, and ensuring a fair and rewarding work environment lays the groundwork for delivering outstanding financial services and building enduring relationships with stakeholders.**



**The Human Resource Department of Our Bank has undergone a rigorous assessment and has been certified to meet the standards of ISO 9001:2015. This certification highlights our commitment to delivering quality service to our employees, ensuring their support, motivation and ongoing improvement of performance.**

At ESAF Small Finance Bank, our HR Department's objective is to draw in, retain, and nurture the right talent to meet the dynamic market demands. Our commitment includes:

- Creating a work environment that attracts, holds, and hones the abilities of promising and high-performing employees.
- Fostering a culture where our team embodies competence, dedication, contribution, customer centricity, collaboration, contentment, and a hunger for perpetual learning.
- Facilitating continuous employee performance through vigilant monitoring, evaluation, and refinement of goals.

## Learning & Development Programmes

Our Learning and Development (L&D) calendar is crafted with a comprehensive framework of training sessions aimed at enriching the professional expertise of our workforce. We place a special focus on our women staff, constituting 31.46% of our team, ensuring they receive tailored training sessions to hone their skills and empower their growth. These sessions are strategically designed to elevate the proficiency of our staff across functional, behavioural, and technical areas.

**481**
Training Programmes

**33,918**
Participant Engagements

**7,221**
Hours of Instruction

**1,99,532**
Workforce Hours of Learning

## Diverse Training Landscape

- External Capacity Building (102 Training Programmes): Fostering innovation through external expertise, we have broadened our horizons, with 570 participants immersing themselves in cross-industry wisdom over 1,540 hours. This dedication has translated into 4,695 workforce hours of specialised training, enriching our collective knowledge.
- Internal Capacity Building (219 Training Programmes): Leveraging our internal talent pool, a treasure trove of untapped knowledge, we have solidified our foundation. A staggering 29,441participants have benefitted from 1,323 hours of peer-to-peer learning, resulting in 73,077 person hours of enhanced insights.
- CBS Software Training (62 Training Programmes): Embracing the digital era, we have empowered 797 custodians of our core banking system through 992 hours of focused software training. This dedication to excellence has enhanced operational efficiency, amounting to 12,752 workforce hours.
- Induction Training (98 Training Programmes): Welcoming 3,110 new members into our family, we have prioritised their seamless transition into our culture of excellence. Through 3,336 hours of extensive orientation, we have facilitated smooth transition amounting to 109,008 person-hours of foundational learning.

## Aspire

Our 'Aspire - Providing Wings to Career Dreams of ESAFians' initiative is crafted to uplift employees who harbour ambitions for growth, exhibit exemplary performance, and are primed to shoulder greater responsibilities. This programme serves as a catalyst for propelling the career trajectories of our dedicated employees within Our Bank.

Through self-nomination, employees who are shortlisted for the program will undergo continuous learning and personalised assessments, tailored to equip them for their future roles. In line with our commitment to diversity and inclusion, female employees applying for the programme will receive prioritised consideration, along with additional opportunities for self-development and advancement.

## Women Employees

At ESAF Small Finance Bank, we pride ourselves on being champions of equal opportunity, where every individual is given a chance to shine solely based on their merits. Additionally, over 31% of our workforce comprises talented and empowered women.

## Wall of Joy

The 'Wall of Joy', a brainchild of our HR Department, stands as a magnificent testament to celebrating moments of pure joy—be it local festivities, branch anniversaries, employee work anniversaries, or noteworthy achievements. This initiative not only echoes the essence of Our Bank's tagline 'Joy of Banking' but also fosters a culture steeped in positivity and festivity with our workspace.

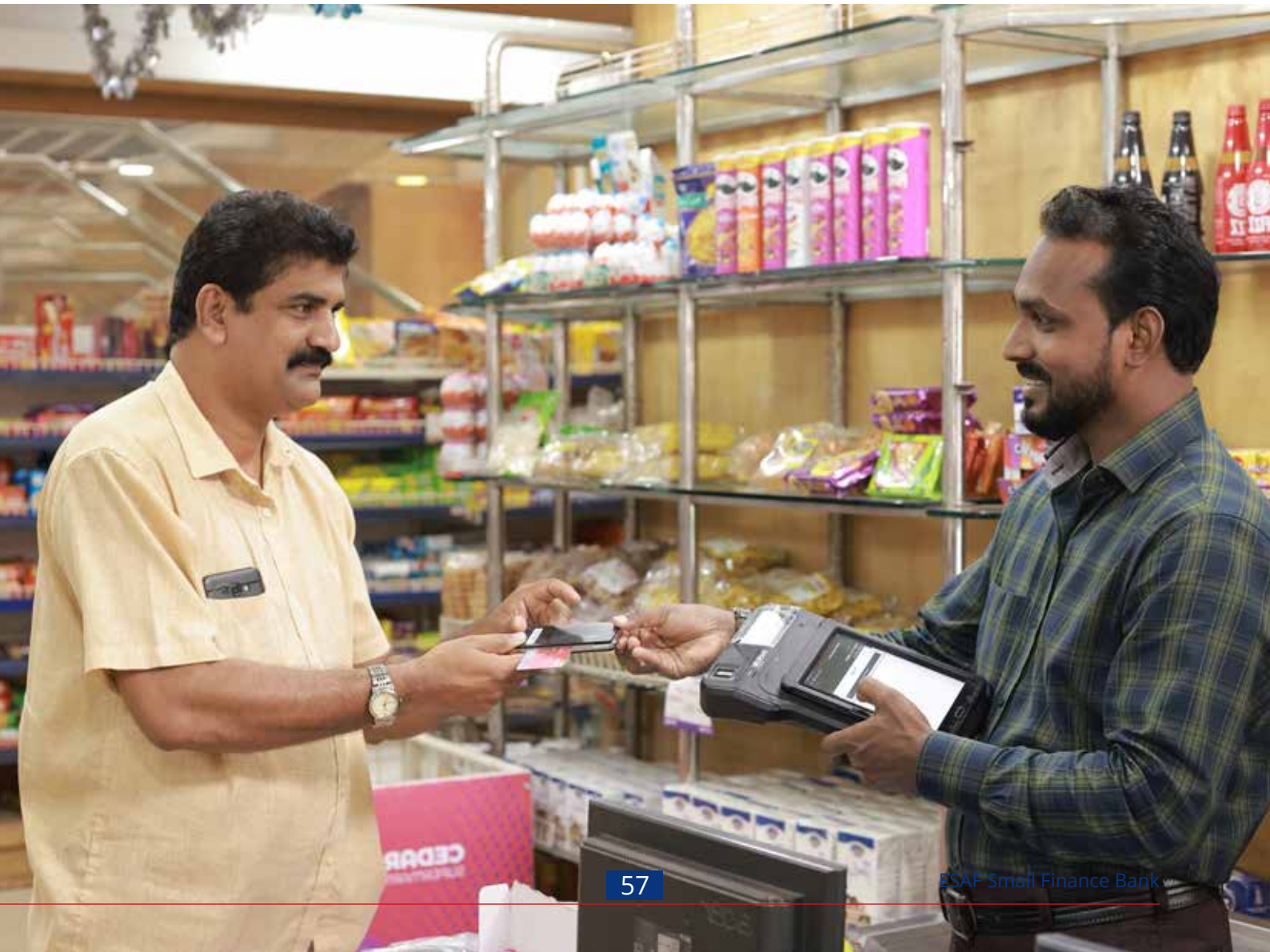
## Wellness Programmes

- Anahata - Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. ESAF Small Finance Bank is always engaged in taking care of the well-being of our employees. SARG - Employee Engagement team hosts a series of wellness programmes, for example, 'Desktop Yoga' under the banner of Anahata - Relax & Revive. The Employee Engagement team also invites subject matter experts to conduct awareness sessions for employees.
- Saukya - We often organise wellness programmes for our employees and their family members. We have launched 'Saukya' a tailor-made programme for employees and their family members where they have the opportunity to undergo health and cancer screening.

## SARG

We understand the significance of keeping our employees engaged, motivated and connected. That's why we have developed the SARG programme, a dedicated initiative designed to nurture a vibrant work environment. Through a variety of engaging activities and events, we aim to foster a culture of collaboration, innovation and continuous growth among our team members.

Our SARG initiative encompasses a spectrum of activities and competitions that commemorate special occasions like International Women's Day, World Environment Day, and World Health Day. These celebrations serve as invaluable opportunities for our employees to unite, share experiences, and learn from each other. Additionally, events like walkathons, yoga sessions, and wellness programmes promote physical and mental well-being, fostering camaraderie and a sense of belonging within our team. Meanwhile, spirited competitions such as quizzes and talent shows encourage creativity and innovation among employees and their families, providing a stage to showcase talents and acquire new skills. Through SARG, ESAF Small Finance Bank remains committed to nurturing an engaging, inclusive, and supportive work environment that enables employees to learn, grow, and thrive both professionally and personally.

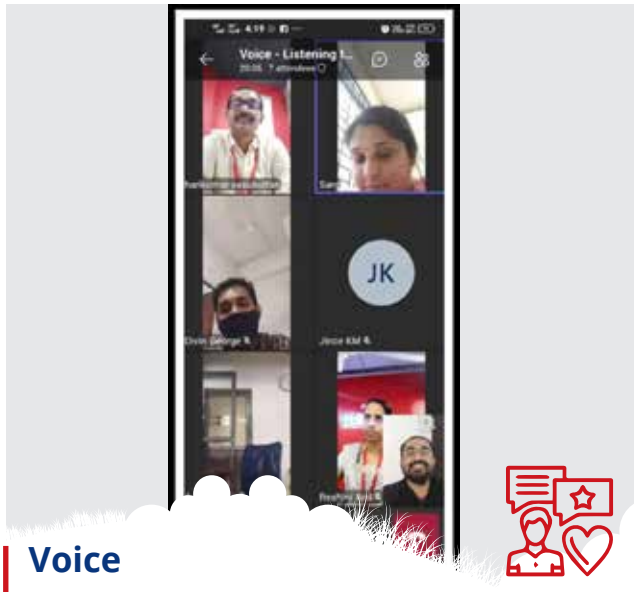


## Surveys

At ESAF Small Finance Bank, various surveys like the Mood Survey, Employee Experience Survey, and Stay Interview are conducted to understand the employees' pulse. These surveys help in gauging employee happiness and provide forums for voicing opinions and addressing concerns. For instance, our findings reveal that an overwhelming 89% of employees express happiness at work, underscoring the positive work environment. To further ensure that every voice is heard, we have introduced the 'Venting Box,' providing a safe space for employees to share concerns or grievances anonymously. This initiative reflects our dedication to fostering an open and transparent culture where employee feedback is not only valued but also acted upon.

## Collaboration at Workplace

The Idea Bank at ESAF Small Finance Bank is more than just a platform; it's an innovation hub where employees are encouraged to unleash their creative potential. Here, ideas are not just welcomed; they are celebrated as catalysts for progress across our three pillars: People, Planet, and Prosperity. This initiative is a proof to our belief in the power of collective intelligence. By inviting ideas and suggestions, we harness the collective wisdom and ingenuity that drives positive change for Our Bank, customers, employees, and other stakeholders.




## Voice

'Voice' at ESAF Small Finance Bank is a virtual platform that enables employees to interact with the Human Resources team to share their happiness, suggestions, or concerns. The platform also allows for offline feedback collection through a response link shared by the HR team. Based on the discussion points noted in the programme, course corrections are initiated to address any issues or suggestions raised by employees.

## Motherhood Gifts

ESAF Small Finance Bank cherishes and honours the beautiful journey of motherhood experienced by our employees. As a token of our heartfelt appreciation, we present them with carefully curated hampers with baby products. Celebrating motherhood goes beyond mere gestures; it is a profound acknowledgement of the love, sacrifice and nurturing spirit that define the essence of motherhood. It is our way of expressing gratitude for the invaluable role that mothers play in shaping our lives.

## Human Rights, Diversity and Inclusion

Embracing diversity is not just a checkbox for us; it's a core belief that enriches our culture and fuels our success. Our Bank is dedicated to fostering a diverse and inclusive workforce through fair and equitable employment practices. Our goal is to ensure that every employee feels genuinely valued, respected, and included, reflecting the diversity of our clients and communities. Moreover, we believe that a diverse workforce, with a range of backgrounds, ideas, and perspectives, is essential for driving innovation and creating business value.

At ESAF Small Finance Bank, our Diversity and Inclusion Policy stands as a beacon, guiding us towards a workplace where every individual's uniqueness is not only acknowledged but celebrated. Our commitment to equality shines through in our firm commitment to providing equal opportunities for all, irrespective of age, gender, ethnicity, or any other protected status. We are committed to providing equal opportunities for all team members, customers, and stakeholders, regardless of their background or status protected by law. We promote a safe and productive environment free from harassment, discrimination, or hostile conduct.

### To achieve these goals, we:

- Encourage employees to actively participate in diversity programmes.
- Integrate diversity and inclusion initiatives into every HR process and system, identifying and addressing barriers in processes, policies, and programmes.
- Ensure compliance with laws and regulations related to wages, working hours, working conditions, and health and safety for all stakeholders.

## Synergise-Scale-Sustain

### Human Capital Interlinked with Other Capitals

**Financial Capital**

Our people help us drive growth and efficiency across our several business segments and departments. This, in turn, aids our overall financial performance.

**Manufacturing Capital**

Manufacturing Capital, in the form of human resources, has facilitated the development of skills and expertise among our employees, enabling us to establish a local presence and effectively serve underserved populations.

**Intellectual Capital**

There is a significant contribution from our workforce in implementing, maintaining, and enhancing intangible assets such as our brand image, technology infrastructure, payment systems, and customer service platforms.

**Natural Capital**

Raising awareness among our employees about incorporating eco-friendly practices into their daily routines helps us reduce our operational impact on the environment.

**Social and Relationship Capital**

Enhancing the capabilities of our personnel helps us maintain positive relationships with customers, communities, investors, and other stakeholders within our ecosystem.

## Championing Cybersecurity

Archana Venugopal, the Chief Information Security Officer (CISO) at ESAF Small Finance Bank, has been acknowledged as one of the top 100 women in cyber security by Cyber Express. This recognition highlights her exceptional contributions and expertise in the field of cybersecurity, positioning her among the most influential and accomplished professionals in the industry. Her role as a leader in safeguarding digital assets and ensuring robust security measures at ESAF Small Finance Bank probably played a significant role in earning her this prestigious recognition.

Natural Capital

# Promoting SUSTAINABLE PRACTICES

**Nature has become an integral part of our daily activities and is currently one of the most sensitive topics to discuss in the business realm. This is mainly due to the greater focus of organisations worldwide on sustainability and the protection of natural resources. This focus enables us as a corporate entity to work towards sustainability goals and efficiently monitor our environmental footprints.**

We observe UN days such as Water Day, Earth Day, Environment Day, Plastic Bag Free Day, to raise awareness among the employees and society. These initiatives showcase our commitment to environmental conservation. Some of the projects are:

- Water2Earth campaign
- Environment week
- Plastic bag free day

## Water2Earth

We ran a Water2Earth campaign from 22nd March 2024 to 22nd April 2024. The campaign aimed at raising awareness about environmental issues and encouraging responsible stewardship of the planet among ESAFians. The theme for Water Day was 'Water for Peace,' highlighting the importance of water in ensuring stability and prosperity in communities worldwide. For Earth Day, the theme was 'Planet vs Plastic,' emphasising the need for bold action, broad innovation, and equitable implementation to address plastic pollution and protect the planet. We believe that it takes collective effort ('a lot of blue') to achieve sustainability ('be green').

## Environment Week

We are dedicated to serving underserved communities and actively participate in environmental conservation efforts. For Environment Day 2023, we focused on addressing plastic pollution with the campaign #BeatPlasticPollution. ESAF Small Finance Bank observed Environment Week from 5th June 2023 to 9th June 2023, with an official launch by Shri. K. Paul Thomas, MD and CEO of The Bank.

### #BeatPlasticPollution Campaign

The purpose of this campaign was to collect plastic waste and dispose it appropriately as part of making the environment clean. Within the campaign period, we were able to collect nearly 85 kg of plastic and e-waste. The collected waste was disposed of through Thrissur Municipal Corporation's Haritha Karma Sena and a vendor of Our Bank. The campaign was an effort to encourage the staff to stop using harmful plastic and switch to a greener alternative, thus leaving a greener impact.

## Solar Installations at Schools

As a part of our CSR initiatives, Solar Panels were installed in seven schools in Thrissur district of Kerala which constituted to 35KW.

## Employee Engagement Activities

During the week, the SARG team of HR called for a 21 Days Challenge to #BeatPlasticPollution, providing an employee engagement opportunity for each employee to embrace various ways that can help to combat plastic pollution around the community.

## Branch Level Initiatives – Green Expo

Branches exhibited e-vehicles, solar panels and other eco-friendly products and the credit facility for purchasing the same was also made available. This showcased our commitment towards financing eco-friendly products and will help positively impact in building the environmental capital.

- Eco-friendly products were exhibited at the Thrissur Mannuthy branch, Thrissur region as part of ESAF Environment Week 2023.
- An e-two-wheeler was exhibited at the Ongallur branch, as part of ESAF Environment Week 2023.
- Sapling plantation was organised by the Balod branch where the District Collector of Balod district planted saplings along with the officials of the branch.
- Saplings were distributed by the Kollegala branch in the nearby school.
- The Lucknow branch honoured Shri. Sreeram Swaroop (Rtd Judge). He formed a group of 15 individuals and adopted, registered, and now maintains a park in Nigam Nagar, which is widely used by the public for morning walks.
- The Bodinayakanur branch presented the Green Joy Award to Malaithuzhi Farmer Producers Company Ltd. for their initiatives to improve agriculture in that area.

## Green Salute Award

We recognise a Sustainability Champion who demonstrates exceptional commitment and achievement in advancing our sustainability and ESG (Environmental, Social, and Governance) performance. This recognition celebrates individuals who play a pivotal role in driving positive change within the organisation and beyond.

## Green Department Award

The departments in the Corporate Office are awarded Green Department Awards based on their performance in Green Department Audit and their initiatives to instil sustainability values in their departmental functions and practices.

## Plastic Bag Free Day

We observed Plastic Bag Free Day on 3rd July 2023 by putting up a stall in the Head Office with eco-friendly products to raise awareness among employees and give them a chance to switch to jute bags and other eco-friendly materials.

## ESAF Go Green EV Disbursement

Our 'ESAF Go Green' initiative, launched in 2021, offers a range of loan schemes exclusively for electric vehicles. This initiative underscores our commitment to sustainable living, following the triple bottom line approach of 'People, Planet, and Prosperity'.

With 297 electric two-wheeler loans worth ₹ 3.16 crore 31 four-wheeler EV loans worth ₹ 3.53 crore and 64 clean energy loans worth ₹ 1.59 crore already disbursed, we aim to provide customers with a smooth and hassle-free experience. The goal is to incentivise sustainable living, reduce the carbon footprint, and make a positive impact on the environment.

75% EV Disbursed (In crore)

25% Clean Energy

## Green Partnerships

We have taken a significant step towards promoting green initiatives by signing a Memorandum of Understanding (MoU) with the Agency for New and Renewable Energy Research and Technology (ANERT). This partnership, established on 11th August 2023, aims to create a cleaner and greener planet by offering interest subventions for loans issued for clean energy products.

ESAF Small Finance Bank passes on these benefits to customers, providing them with competitive interest rates for such loans. Through various financing options, including loans and attractive instalment payment plans, we support the adoption of solar energy through rooftop installations. This collaboration with ANERT marks a crucial advancement in our commitment to sustainability and demonstrates our leadership in promoting a sustainable future.

## Synergise-Scale-Sustain

### Natural Capital Interlinked with Other Capitals

**Financial Capital**

By implementing energy-saving initiatives and adopting practices like water recycling, we can also achieve cost rationalisation while demonstrating our commitment to sustainability and enhancing our ESG ranking.

**Manufacturing Capital**

The availability of natural resources plays a vital role in establishing the necessary physical infrastructure for expanding our business footprint, underscoring their significance to our operations.

**Intellectual Capital**

Embracing sustainability in our offerings will gradually reshape our approach to innovation, enabling us to incorporate sustainable practices into our thought processes and drive positive change.

**Human Capital**

Integrating environmental conservation into our organisational culture will not only impact our work culture but also influence our learning and development initiatives, fostering a collective commitment to sustainability.

**Social and Relationship Capital**

The responsible use of resources ensures our contribution towards making common resources available and accessible to everyone in society, aligning with our mission to promote equitable resource utilisation.

## Illuminating Success

Mr. Sharafudheen T K's story is one of seizing opportunities and transforming challenges into success. Despite his background as an electrician with minimal knowledge of solar technology, he took the bold step to install three Offgrid Solar PV systems when solar technology gained popularity in Kerala. This decision marked the beginning of a remarkable journey.

Sharafudheen's path intersected with the ESAF Urjabandhu training programme, a CSR initiative of ESAF Small Finance Bank. Recognising the value of the training, he participated and emerged with a newfound understanding and skill set in solar technology. The training not only enhanced his technical capabilities but also helped him rectify past mistakes, paving the way for improved services and business practices.

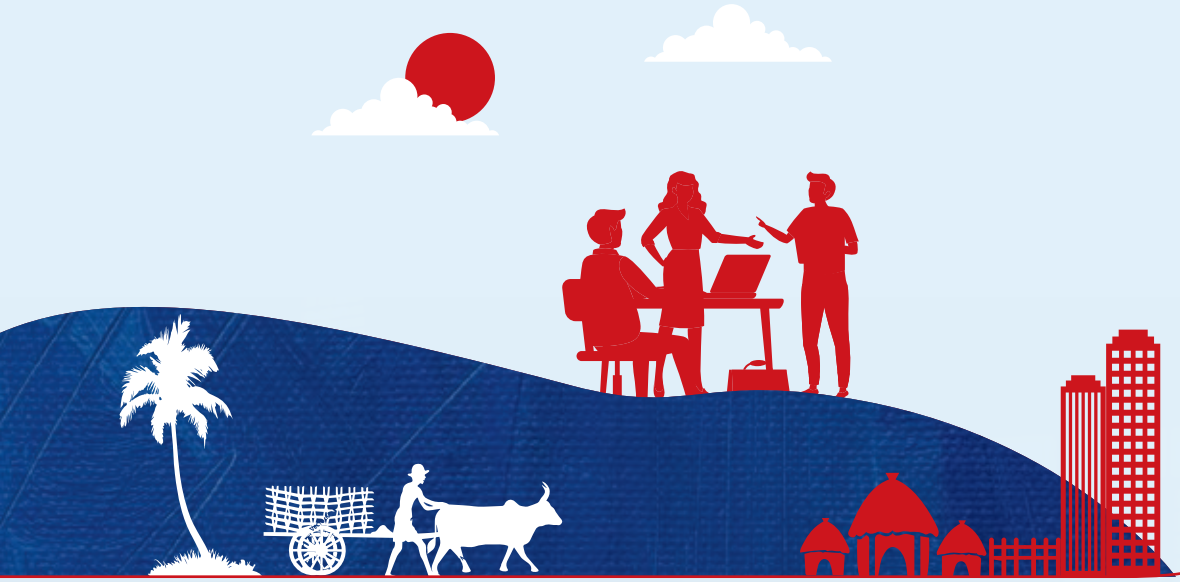
Post-training, Sharafudheen, alongside his friends, successfully executed the installation of 1.1 MW of solar power systems across Kerala. This endeavor not only showcased his enhanced skills but also provided a significant source of income, ranging from 2500 to 4000 per kilowatt. Moreover, his improved knowledge base opened doors to bigger opportunities, such as working on a 1.2 MW solar power plant project in the Maldives.

Sharafudheen's journey exemplifies the transformative impact of the Urjabandhu training. It not only bolstered his technical proficiency but also expanded his business horizons, leading to substantial growth and career advancement. His story serves as an inspiration to others, highlighting the importance of seizing opportunities and continually upgrading skills in a rapidly evolving world.

Social & Relationship Capital

# Cultivating
# TRUST & INTEGRITY

**ESAF Small Finance Bank is committed to fostering a positive impact in society and the community. Our services are designed to effectively promote financial inclusion throughout the community. Our achievements are closely tied to the value we deliver to society. A deep understanding of our purpose guides our strategies and decision-making, striking a balance between long-term value and short-term outcomes.**



## Social Capital

Our financial inclusion initiatives have been crucial in reaching many new customers and previously unreached segments of society. Financial inclusion has been part of Our Bank's core values since its inception. These initiatives include entrepreneurial development activities and last-mile financial access programmes. Some of the key programmes include:

- Regular financial literacy programmes conducted by rural and unbanked rural branches.
- ESAF Utthaan - Financial Literacy programmes through Business Correspondents.
- ESAF Dhansree - Financial Literacy programmes (JLG women community) with NABARD support.
- Social banking weeks, including Balajyothi Week (Reaching Children / Students), Vayojyoti Week (Reaching Senior Citizens), Udyogjyothi Week (Reaching Entrepreneurs), Krushakjyothi Week (Reaching farmers), and RBI Financial Literacy Week.

These initiatives have reached 1,059,645 beneficiaries across various segments of society during 2023-24. Our Bank believes in guiding individuals entering the financial inclusion space, helping them continuously learn and upskill. Many rural women and individuals start their financial journey by opening their first bank account and progress to become proficient in financial planning.

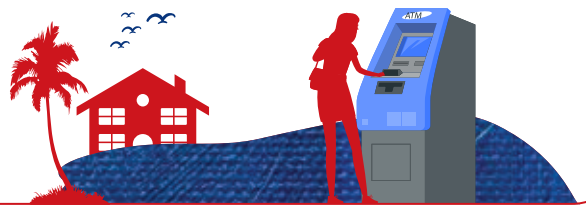
Through financial literacy sessions, the Bank covers topics such as understanding financial institutions and the informal financial sector, money management, risks of depending on informal financial agents, entrepreneurship, income generation, and risk mitigation. These efforts aim to empower individuals and communities with the necessary knowledge and skills to make informed financial decisions.

**Financial Inclusion Training - The Grand Panorama**

| Sl No | Particular | Programmes | Beneficiaries |
|---|---|---|---|
| 1 | ESAF Dhansree | 1,332 | 48,329 |
| 2 | ESAF Utthaan | 1,449 | 54,669 |
| 3 | Regular URC | 1,075 | 16,360 |
| 4 | ESAF Balajyothi | 428 | 36,447 |
| 5 | ESAF Vayojyoti | 223 | 2,915 |
| 6 | ESAF Udyog Jyothi | 352 | 4,503 |
| 7 | RBI FLW | 470 | 12,282 |
| 8 | JLG Formation Orientation | 42,824 | 8,56,486 |
| 9 | Financial Inclusion through CSR Interventions | 895 | 27,654 |
| | **Total** | **49,048** | **1,059,645** |

## Micro ATMs to Address Last-mile Financial Inclusion

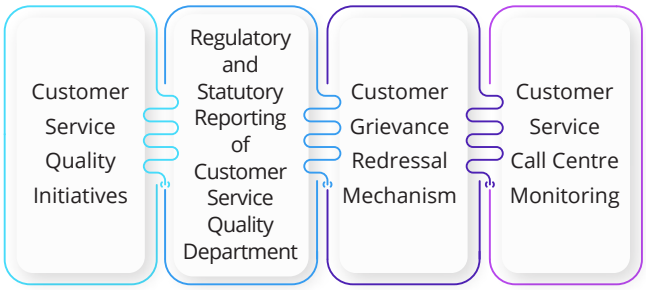
ESAF Small Finance Bank, in collaboration with NABARD, has deployed 2157 Micro ATMs in Kerala, Tamil Nadu, Karnataka, and Maharashtra, out of which 537 Micro ATMs were deployed in the last Financial Year 2023-24. These Micro ATMs enable functions like deposit, withdrawal, fund transfer, and balance enquiry, mini statement, and Bharat Bill Payment Services, providing last-mile financial access to 1721 Non-Special Focus Districts and 436 Special Focus Districts. The devices, based on mobile phone connections, are available at every BC, allowing customers to instantly deposit or withdraw funds regardless of the bank associated with a particular BC. Customers need only to verify their identity using their Aadhaar authentication.



## Customers

Our Customer Service Quality Department drives various initiatives to improve and standardise its services across various touchpoints and ensure quality service. It collaborates and coordinates with different functions and takes up activities like customer service excellence awards, customer exit surveys, ATM downtime analysis, certification and awards, educational and learning series, sales through service, and Virtual Relationship Management (VRM).

Our Customer Service Quality Department works on enhancing quality of functioning and raising standards to international quality. It has revamped many of the processes to meet ISO 9001 standards. As a result, it received ISO 9001:2015 certification for its scope of operations.




### Customer Service Excellence Awards

To foster a spirit of competitiveness among branches and enhance the customer experience, we introduced the Customer Service Excellence Award. This initiative aims to motivate branches to proactively excel in customer service, strengthen customer relationships, promote digital transactions, ensure timely task completion, and reduce the number of complaints.

### Nil Penalty by Banking Ombudsman

During 2023-24, we received 75 complaints from the Banking Ombudsman, one of the lowest in India compared to the previous financial year figures. These complaints were resolved amicably within stipulated timelines. Today, Our Bank owes nil penalty to the Banking Ombudsman since inception.

### Uninterrupted Functioning of 24x7 Contact Centre

Throughout the year, we ensured uninterrupted services at our Contact Centre, available to customers around the clock. We have promptly conducted agent training and earned the trust of our customers.

### Telephonic Surveys

The Customer Service Quality Department conducted various surveys, which included Annual Customer Satisfaction Survey, Digital Products Satisfaction Survey, and Microloans Customer Satisfaction Survey. These helped us identify gaps and take necessary actions to improve customer experience.

### Online Training and Learning Series

The Department made continuous efforts to keep branch staff updated and guided in the area of customer service and relevant procedures. A series of 'CRM-Best Practices' were shared with all Bank branches on a periodic basis.

### Testimonies of Business

The Customer Service Quality Department has periodically published the testimonies of business through excellent customer service among branches. This has aided in motivating employees to build strong relationships, understand customer needs, and deliver exceptional experiences, thereby increasing sales and customer loyalty.

## Process Enhancements and Reduction in TAT

Using Customer Relationship Management, the department generated numerous reports for analysing processes of various customer requests. This helps us understand areas and scope for improvement, aiming to reduce turnaround time. Process changes have resulted in simplifying and automating requests, thereby increasing staff productivity and improving customer experience.

## Virtual Relationship Management

Virtual Relationship Managers (VRMs) act as a connecting point with a privileged set of customers who are contacted remotely to update them on changes in interest rates and other product-related information. VRMs are a high potential channel for banks for customer retention, relationship building and revenue generation through fulfilling customer requirements.

## Workplace Transformation through Five-S

As part of Kaizen methodologies implementation in Our Bank, the Customer Service Quality Department, in coordination with the SARG-HR team has undertaken the initiative for Workplace Transformation across the Bank based on the Japanese concept of Five-S.

The goal of Five-S is to eliminate waste, increase efficiency, and enhance productivity and quality. We aim to streamline operations, enhance efficiency and maintain a clean and organised workspace. Through comprehensive training, audits and continuous improvement efforts, we are fostering a culture of discipline and excellence within the Bank and ultimately driving greater customer satisfaction.

## Educational Safe Banking Series

We have initiated a campaign aimed at educating customers on safe banking practices through a series held at branches during the monthly Branch Level Customer Service Committee Meetings. By addressing topics such as online security, identity theft prevention, and fraud awareness, these sessions empower customers to safeguard their financial assets effectively. We are actively promoting a culture of awareness and vigilance among customers, ensuring their financial well-being.

## CX Guru

Customer Experience is the key differentiator in today's service industry. The Customer Service Quality Department has initiated an awareness emailer series named 'CX Guru' for the branch staff to motivate them to deliver a better customer experience. Various tips, ideas and best practices from the customer service industry are shared with employees in this educational series.

## Customer Awareness and Town Hall Event by RBI

ESAF Small Finance Bank in coordination with the RBI Ombudsman office, Thiruvananthapuram, had conducted the customer awareness programmes at Thrissur and Palakkad in November 2023. The RBI Ombudsman and CGM, Shri. R. Kamalakannan, along with the Deputy Ombudsman, Shri. M. J. Baskar made presentations to the public, along with ESAF senior executives and other RBI officials participating in the event. The RBI Ombudsman commented on the efforts by ESAF Small Finance Bank in customer awareness programmes.

## Marketing Initiatives

Link to Dabba Micro Savings Account launch video.
https://youtu.be/ceZxp11dmYM?si=Uot9bXiKX6h2TRUU

In ESAF Small Finance Bank, the Marketing department plays a pivotal role in driving product awareness, customer acquisition, and revenue generation. Our strategies are designed to establish connections with individuals and communities, inspiring them to dream bigger. We develop and execute strategies to enhance product visibility and reputation in the market, successfully interacting with both existing and potential customers. By harnessing synergies across diverse business sectors, we aim to enhance our products' visibility and market worth.

As part of our expansion phase, we recognise the importance of connecting with local audiences when launching new branches. To achieve this, we craft hyperlocal and timely messages that delve into the cultural nuances and preferences of each region. This personalised messaging tactic is intended to resonate well with the target audience, effectively communicating the benefits and services offered by our new branches, fostering a sense of relevance and personal connection.

Our Bank provides exceptionally competitive interest rates on Fixed Deposits and Savings Accounts, establishing our position among the industry leaders. Throughout the year, we consistently ensure that both our current and prospective customers are thoroughly informed about the appealing interest rates offered on our FDs for various tenors.

To draw in new customers and broaden our customer pool, we execute campaigns such as the 'Dhan Dhana Dhan' aimed at enhancing our financial base by expanding our liability book, which includes both TD and CASA. Through unparalleled marketing initiatives and the magnificent efforts of our business team, the campaign garnered a total value of ₹ 1,657 crore at the point of completion.

The 'Golden Delights Campaign' was a strategic initiative by ESAF Small Finance Bank aimed at building up the Total Loan Book through an increase in the Gold Loan book. Through effective marketing activities and the dedicated efforts of the business team, the campaign achieved positive growth, ultimately benefiting the overall business of the Bank.

We seized the opportunity of increased interest rates on Savings Bank Accounts, raising it to 7.50%, and promoted the product through digital channels like SMS and emails. These promotions reached diverse groups across various geographies, boosting our CASA business and supporting concurrent product campaigns.

Throughout 2023-24, we collaborated with businesses and product teams to engage our customers in initiatives relevant to their daily lives. We celebrated various festivals and occasions such as Onam, Diwali, Christmas, Environment Day, Independence Day, Women's Day, Durga Puja, Doctors' / Chartered Accountants' Day, Children's Day, etc. Additionally, we organised events like marathons to promote health and fitness awareness.

One of our most innovative initiatives was the introduction of the 'Dabba Micro Savings Account,' in collaboration with McCann World Group. This pilot project was widely accepted, especially for its focus on empowering rural women in South India. Through this initiative, we successfully integrated thousands of women into the banking system, positively impacting their lives and fostering financial empowerment within their communities.

Our Marketing Department plays a crucial role in fueling business expansion and realising our organisational goals. Our approach is centred around the customer, with tailored strategies that blend social, demographic, psychographic, and financial insights. This approach empowers our customers to choose banking services that are meaningful, secure, and convenient, encouraging them to aspire to dream bigger.

# Branding Initiatives

## Savings Account Campaign

The campaign is aimed at clearly communicating the increased interest rate for Savings Accounts. We tried to announce the uniqueness of the product in an innovative manner. The campaign was titled 'Interest on Savings Account goes up to 7.5%'. It was launched across digital and print media channels.

### ESAF Small Finance Bank Onam Ad

We launched a 30-second advertisement on social media and television platforms to coincide with the Onam festival. The advertisement celebrates Kerala's prominent regional festival and showcases its unique significance for different individuals, while also extending warm Onam wishes.

The advertisement effectively conveys the theme of joy, drawing parallels between the festive spirit of Onam and the joy that the Bank brings to customers. It subtly features the ESAF QR Code to enhance brand visibility and emphasises our dedication to empowering MSMEs and meeting the needs of NRIs.

https://youtu.be/uz4QOA4iWLY?si=j1tzhJH2dDFW96qb

### Power to Dream Bigger – Brand Advertisement

The 'Power to Dream Bigger' campaign was created to amplify our brand's essence, the joy of banking. It effectively illustrates how we deliver this joy and underscores the importance of everyone's aspirations. The campaign showcases ESAF Bank's wide range of products and services designed to fulfil these dreams.

The campaign stemmed from a comprehensive brand study conducted to gather fresh insights for communication. It was executed across various platforms, such as print, radio, television, and digital media channels.

https://youtu.be/T-YSS6ArSXA?si=cWTYehg9RSZZn86

https://youtu.be/T-YSS6ArSXA?si=cWTYehg9RSZZn86

### Clap of Joy - Anniversary Campaign

To mark the 7th Anniversary of ESAF Small Finance Bank, a travelogue film titled 'Clap of Joy' was created, capturing a journey across six states from Mumbai to Kolkata, including Maharashtra, Chhattisgarh, Odisha, Jharkhand, Bihar, and West Bengal. This 11,000 km journey aimed at showcasing the unity in diversity, encompassing various aspects of religion, culture, language, and rituals under the theme of 'Clap of Joy,' reflecting the emotional essence of the brand.

https://www.youtube.com/watch?v=sPWyKIhEfWQ

The journey traversed diverse terrains, from rugged coal mines to serene water bodies, busy express highways to winding hairpin roads, and thick forests to expansive plains. It provided an immersive experience to understand the diverse customer segments, ranging from farmers to corporate honchos.

The campaign is being adapted across digital and print platforms, as well as other promotional materials, to resonate with a wide audience and reinforce the brand's commitment to celebrating diversity and joy.

## Customer Success Stories

We highlight real-life stories of customers who have experienced the positive impact of the products and services of ESAF Small Finance Bank. These stories illustrate how we have supported individuals and businesses in achieving their financial aspirations, such as starting a small business, saving for education, or reaching other financial milestones. These narratives inspire others and demonstrate the practical benefits of choosing us as a financial partner. We regularly share these stories on our social media platforms to engage with our audience and showcase our commitment to making a difference in people's lives. Customer success stories from 'Joyful Stories of Transformation' were also shared through the social media platforms.

## Clap of Joy Testimonials

**I am Rajesh Tatsode, the proud owner of my very own Jaggery Tea franchise chain. Like many, I held on to the dream of owning a home—a refuge that embodied my personal hopes and dreams. Despite my earnest efforts to secure a loan from multiple sources, success remained slippery. However, my journey took an unexpected turn when I turned to ESAF Small Finance Bank for assistance. With remarkable efficiency, the Bank granted me a loan of ₹ 41 lakhs. Thanks to ESAF Small Finance Bank's support, I was able to turn my dream into reality.**

**Rajesh Tatsode**
**(Entrepreneur, Khamgaon, Maharashtra)**

**My name is Kabira Seth, and I am the owner of K. S. Enterprises. As I sought to expand my business, I found the support I needed from ESAF Small Finance Bank. Their branch provided all the assistance I required, swiftly and efficiently.**

**Kabiraj Seth**
**(Entrepreneur, Kolkata, West Bengal)**

Our business has flourished in Bhubaneswar for 15 years, and now we are considering nationwide expansion. ESAF Small Finance Bank seemed like the perfect partner to help us achieve this goal. The executive who assisted us was incredibly supportive and personable, making us feel like part of the family. Thanks to his efficiency, our paperwork was finalised in just 2 days. As a result, we were able to acquire 5 Innova Crysta vehicles promptly from the delivery room.

**Maheshwar Mohapatra**
(Entrepreneur, Bhubaneshwar, Odisha)

Thanks to ESAF Small Finance Bank, two years ago, I secured a loan that enabled me to start cultivating oranges in my farm. This venture has proven highly profitable over the past couple of years, and for this, I extend my heartfelt gratitude to the Bank.

**Ramesh Kashinath Dodke**
(Farmer, Nagpur, Maharashtra)

I am Sunil Kumar, proprietor of Ram Sarathi E-Rickshaw in Bhagalpur. My experience with ESAF Small Finance Bank has been immensely rewarding. Not only did the Bank assist me in opening a Current Account for my business, but it also shares my commitment to green energy initiatives.

**Sunil Kumar Ram**
(Entrepreneur, Bhagalpur, Bihar)

ESAF Small Finance Bank wholeheartedly embraces solar energy, aligning with the preferences of the current generation, which leans towards sustainable practices.

**Vinod Pillai**
(MD and Director-Hira Group, Raipur, Chhattisgarh)

**I'm Arbind Giri, a retired PWD engineer. The Bank's doorstep services bring immense convenience, and I express my heartfelt appreciation for this. Interacting with their staff feels like conversing with family; their personalised approach and exceptional cooperation truly stand out.**

**Arbind Giri**
**(Retired Engineer, PWD, Ranchi, Jharkhand)**

**Greetings, I'm Aarti Mahendra Khobragade, and we run a store named 'Puja General Store.' Recently, we acquired a Micro ATM from ESAF Small Finance Bank, and it has proven to be an invaluable addition to our business, significantly boosting our income.**

**Aarti Mahendra Khobragade**
**(Entrepreneur, Koradi, Maharashtra)**

# SOCIAL MEDIA

## Products and Services

Every week, we engage with our audience at least twice through social media, tailoring our communication to their specific needs and preferences. Our approach involves crafting creative content to establish meaningful connections with customers, aligning our products with their aspirations and objectives to meet their desires effectively.

## Engaging Content for Every Occasion: Crafting Tailored Messages

We go beyond standard greetings for special occasions. Our campaigns are meticulously designed to achieve the following:

- **Capture Attention:** Utilising captivating visuals and concise messaging, we aim to seize the audience's interest. Short videos are also a key tool for grabbing viewers' interest. Our content is designed to be easily shareable, encouraging organic reach and engagement. The concepts are closely tied to our new communication theme – The Power to Dream Bigger, and the brand positioning- Joy of Banking.
- **Strengthen Customer Relationships:** Engaging content plays a crucial role in improving communication with our customers, thereby enhancing our bond with them and nurturing a sense of loyalty.
- **Accentuating Our Brand Positioning:** Through our new brand communication theme, 'The Power to Dream Bigger,' we strive to position ESAF Small Finance Bank as more than just a financial institution. We aim to portray Our Bank as a responsible corporate entity dedicated to elevating the aspirations of the communities we serve. Our commitment lies in empowering individuals and communities to dream bigger, and we are dedicated to making those dreams a reality.

## Communities - CSR Initiatives

### ESAF Balajyothi

ESAF Balajyothi's educational approach is both comprehensive and impactful. They prioritise holistic education, academic excellence, life skills, and advocacy for child rights, contributing significantly to children's wellbeing and development. By empowering children and fostering their creativity, collaboration, and leadership qualities, they create a ripple effect of positive social value. This impact extends beyond the children themselves to their facilitators, siblings, parents, and the wider community.

**Targeted Beneficiaries**

**Direct:** Children and Facilitators

**Indirect:** Siblings, Parents, and the Community

**Project Locations**

Kerala, Tamil Nadu, Assam, Jharkhand, Maharashtra, Chhattisgarh

### ESAF Village-Level Entrepreneurship Development Programme

The ESAF Village-Level Entrepreneurship Development Programme is a commendable initiative aimed at fostering entrepreneurship and economic empowerment in rural areas. Through training, guidance, and support, it equips individuals with the skills and resources needed to establish successful social businesses, ultimately contributing to the socio-economic development of their communities.

The programme offers comprehensive training covering essential aspects of entrepreneurship such as business planning, financial management, marketing strategies, and customer relations. Additionally, mentoring and coaching enrich participants' learning experiences, helping them develop their skills and knowledge effectively, ensuring they are well-prepared to succeed in their chosen field of social entrepreneurship. By providing the necessary tools and knowledge, the programme seeks to create sustainable livelihood opportunities and uplift the economic conditions of rural areas. This holistic approach to empowerment has the potential to make a significant and lasting impact on the communities it serves.

**Project Locations:**

Kerala, Tamil Nadu, Karnataka, Maharashtra, Chhattisgarh, Jharkhand, Odisha, and Madhya Pradesh

### ESAF Entrepreneurship Acceleration Programme

The ESAF Entrepreneurship Acceleration Programme stands out as a remarkable initiative, particularly for its focus on creating social value in rural areas. This programme is designed to empower rural individuals, especially women and micro-entrepreneurs, by enhancing their livelihood skills, reducing unemployment, and ultimately contributing to overall economic development. Through tailored training and mentorship, participants are equipped with the skills and capabilities needed to succeed in their businesses.

The programme also fosters entrepreneurship, enabling participants to market their products profitably and potentially opening up new avenues for economic growth and sustainability. With various skill training programmes, including food processing, tailoring, marketing, and online webinars, the initiative has been successfully implemented in Kerala and Tamil Nadu, demonstrating its potential for broader impact across different regions.

**Targeted Beneficiaries**

**Direct:** Women, Artisans, Rural Youth, Micro Enterprises

**Indirect:** Families, Rural Community

### ESAF Urjabandhu

ESAF Urjabandhu, a CSR initiative by ESAF Small Finance Bank, is committed to promoting renewable energy and sustainable practices. By providing both theoretical knowledge and hands-on training sessions covering topics like solar panel system design, installation, maintenance, and EV charging, the programme empowers communities to adopt cleaner energy solutions and actively contribute to a greener future. Through Urjabandhu, ESAF Small Finance Bank takes significant strides towards environmental sustainability.

One of the key objectives of the programme is to empower local electricians, enabling their transition into clean energy entrepreneurs. This initiative tackles unemployment, while offering convenient access to clean energy services for customers. Through training and supporting, Urjabandhu not only creates economic opportunities but also advocates for the use of renewable energy sources for targeted beneficiaries and project locations, nurturing a more sustainable future.

## ESAF Arogyamitra

The initiative focuses on advancing the holistic development of women through the guidance of trained community health workers, known as Arogyamitras. These individuals play a crucial role in raising awareness of healthy habits, disease prevention, and addressing various health concerns, within households, such as such as hypertension, diabetes, and malnutrition. Their diligent efforts in promoting personal hygiene, sanitation, and proper nutrition, especially for pregnant women, infants, and children, significantly aid in improving overall well-being. By empowering these Arogyamitras and supporting their efforts, the initiative aims to elevate the health and quality of life for women and their families, ultimately leading to healthier and more resilient communities.

### Targeted Beneficiaries

**Direct:** Rural Youth and Women
**Indirect:** Farmer Community

## ESAF Pashumitra

The programme holds immense significance in rural areas as it provides a myriad of services related to livestock management and dairy farming. By offering self-employment opportunities for youths and equipping them with training in livestock care and entrepreneurship, it fosters economic empowerment while concurrently enhancing health, nutrition, and cow breeds in rural communities. Essential services like artificial insemination, vaccination, milk collection, and procurement play an essential role in increasing milk production and advancing overall agricultural sustainability. In essence, the programme not only supports individual livelihoods but also enhances productivity and sustainability within the agricultural sector in rural regions.

### Targeted Beneficiaries

**Direct:** Rural Youth, Women, and Artisans
**Indirect:** Farmer Community, and Small Business Ecosystem

## ESAF Krushakmitra

The initiative is designed to provide holistic support to farmers through a range of financial services, knowledge dissemination, and access to resources. This multifaceted approach not only empowers farmers but also nurtures a favourable environment for enhancing agricultural productivity, thereby making significant contributions to the broader development of the agricultural sector. It represents an extensive strategy for addressing the diverse needs of farmers and promoting sustainable agriculture practices.

Additionally, the initiative serves as a vital link between rural youth, farmers, and agricultural authorities. By empowering unemployed rural youth to transition into agri-entrepreneurs and service providers, they play a crucial role in driving the adoption of agricultural technology and bolstering the agricultural ecosystem. This not only generates employment opportunities but also fortifies the agricultural value chain, fostering mutual benefits for farmers and the agricultural sector at large.

### Targeted Beneficiaries

**Direct:** Rural Youth, Women, and Artisans
**Indirect:** Farmer Community, and Small Business Ecosystem

## ESAF Capacity Building and Market Linkages for Entrepreneurship Collectives

ESAF Small Finance Bank's capacity building and market linkage for Entrepreneurship Collectives programme endeavours to empower and strengthen collective enterprises through collaboration with various groups like Self Help Groups (SHGs), producer groups, and Farmer Producer Organisations (FPOs). By offering training and skill development programmes, it improves entrepreneurial capabilities and facilitates market linkages, thereby promoting economic empowerment, sustainable livelihoods, and inclusive growth. This initiative aids in the holistic development of entrepreneurship, boosts local economies, and uplifts marginalised communities.

### Targeted Beneficiaries

**Direct:** Farmers, Farmer Collectives, FPOs and Farmer Institutions
**Indirect:** Rural Agricultural Community

### Project Locations

Karnataka, Tamil Nadu, Maharashtra, Madhya Pradesh, Chhattisgarh, Jharkhand, and West Bengal

## ESAF Centre for Excellence in Collective Enterprises

The ESAF Centre for Excellence in Collective Enterprises serves as a crucial hub in supporting and enhancing the capabilities of organisations engaged in collective enterprises. It offers a specialised physical platform for a spectrum of activities such as skill development, policy advocacy, knowledge management, and research. Among its primary roles is to provide guidance and support to newly formed collectives during their onboarding process. Furthermore, the centre develops handbooks covering pertinent topics and a best practice guide highlighting successful approaches and strategies for different crops, serving as invaluable resources for collectives to improve their operations.

Market linkage is pivotal for collective enterprises, and the centre's initiative to develop a comprehensive market linkage manual is commendable. This manual not only facilitates connections with markets, buyers, and distribution channels but also enhances the profitability of collectives by imparting essential knowledge and skills. Moreover, the executive training programmes customised for Board members serve to strengthen collective enterprises by refining leadership skills, governance practices, and decision-making capabilities. Empowering board members ultimately contributes to the overall success and sustainability of collective enterprises.

The ESAF Centre for Excellence in Collective Enterprises aspires to foster a conducive environment for the flourishing of collective enterprises. Through capacity building, resource provision, and market facilitation, the centre empowers these enterprises, thereby enhancing the livelihoods of individuals and communities.

### Targeted Beneficiaries

**Direct:** Rural Youths, Women, and Artisans

**Indirect:** Farmer Community, and Small Business Ecosystem

### Project Locations

Kerala, Tamil Nadu

## ESAF Healthcare Infrastructure Development and Support

ESAF Healthcare Infrastructure Support is a dedicated initiative aimed at enhancing healthcare infrastructure in underserved regions. Through empowering rural hospitals and nurturing self-sufficiency, the programme intends to bridge the healthcare gap and ensure that quality healthcare reaches remote communities. Ultimately, this endeavour not only improves health outcomes but also uplifts the overall well-being of those in need.

### Project Locations

Kerala

## ESAF Capacity Building and Market Linkages for Entrepreneurship Collectives

ESAF Small Finance Bank's Capacity Building and Market Linkage for Entrepreneurship Collectives programme endeavours to empower and strengthen collective enterprises through collaboration with various groups like Self Help Groups (SHGs), producer groups, and Farmer Producer Organisations (FPOs). By offering training and skill development programmes, it improves entrepreneurial capabilities and facilitates market linkages, thereby promoting economic empowerment, sustainable livelihoods, and inclusive growth. This initiative aids in the holistic development of entrepreneurship, boosts local economies, and uplifts marginalised communities.

### Targeted Beneficiaries

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

**Indirect:** Rural Agricultural Community

### Project Locations

Karnataka, Tamil Nadu, Maharashtra, Madhya Pradesh, Chhattisgarh, Jharkhand, and West Bengal

## ESAF Emergency Relief and Community Interventions

ESAF Small Finance Bank's Emergency Relief and Community Intervention Project stands as a commendable initiative in fostering resilience within communities and facilitating effective responses to emergencies and disasters. Collaborating with local communities, NGOs, and Government agencies demonstrates a holistic approach to addressing crises and nurturing sustainable recovery. This initiative undoubtedly plays a pivotal role in enhancing community preparedness and ensuring prompt assistance during times of need. The interventions encompass:

- **Emergency Preparedness:** This involves organising training programmes, workshops, and awareness campaigns to educate community members on disaster management techniques, evacuation protocols, and first aid procedures.
- **Relief Assistance:** In times of emergencies or disasters, ESAF Small Finance Bank swiftly mobilises resources. It aims to provide affected communities with essential relief and support, including food, water, shelter materials, and other necessary supplies, among others.
- **Community Intervention:** This facet is crucial for fostering positive change and enhancing the well-being of communities. By identifying needs, developing strategies, and implementing targeted actions, stakeholders can effectively address various social issues. Through collaborative efforts and the utilisation of local resources, community intervention initiatives empower individuals, promote inclusivity, and ultimately improve the overall quality of life within a community.

**Targeted Beneficiaries**
Pan India

## ESAF Garshom

The ESAF Garshom initiative is aimed at addressing the multifaceted challenges encountered by migrant labourers. By offering a comprehensive range of services such as social, health, and legal aid, as well as skill enhancement through training, the project significantly contributes to improving the overall well-being and livelihoods of migrant workers. The Bandhu helpline, in particular, plays an important role in providing immediate assistance and vital information to workers in distress, ensuring their safety and access to essential resources. Additionally, initiatives like financial literacy meetings and children's camps not only empower migrant communities but also foster a sense of solidarity and belonging, ultimately promoting their social inclusion and integration.

### Targeted Beneficiaries

**Direct:** Migrant Labourers
**Indirect:** Health Department, Families, and Community

### Project Locations

Kerala and Odisha

## ESAF Rural School Infrastructure Development and Support

The ESAF Rural Infrastructure Development and Support Project generates substantial social value. Through the upgradation of infrastructure in rural schools, it fosters an environment conducive to learning, enhances students' health, and facilitates the adoption of modern teaching methodologies. Moreover, the project's impact extends beyond the schools' premises, positively influencing parents and the broader community by contributing to the education and well-being of approximately 1,500 students.

### Targeted Beneficiaries

**Direct:** Schools and Students
**Indirect:** Parents and Community

### Targeted Beneficiaries

Kerala, Assam, and Jharkhand

## ESAF Santhwana

The ESAF Santhwana project is dedicated to addressing mental health, a critical aspect of overall well-being often overlooked. By raising awareness and promoting discussion, it endeavours to mitigate challenges stemming from the neglect of mental health issues.

Misconceptions surrounding mental health treatments often prevent individuals from seeking therapy during the early stages, consequently exacerbating their conditions. Inaccurate information regarding treatment protocols may hinder patients' adherence to prescribed medications, resulting in suboptimal medical compliance. It is essential to address these issues to enhance mental health outcomes and combat stigma effectively.

Insufficient awareness of effective parenting skills and stress management techniques can contribute to mental health issues in individuals. The ESAF Santhwana project represents a holistic approach to tackle these concerns, encompassing a range of vital initiatives. These include offering counselling services to enrich emotional well-being, equipping community workers with the tools to support mental health, and engaging with communities to disseminate essential information. Tailored support and services are provided to women, children, and families facing mental health challenges, ensuring they can recognise symptoms and access the necessary assistance. Additionally, specialised aid is available for families dealing with mental illnesses.

At its core, the ESAF Santhwana project endeavours to elevate the importance of mental health within society. Its objective is to equip individuals with the necessary resources to address mental health challenges effectively. Through education, open dialogue, and community outreach, the project aspires to facilitate more accessible discussions surrounding mental health, dismantle barriers, and promote overall well-being for all.

### Targeted Beneficiaries

**Direct:** Students, Elderly, and Women
**Indirect:** Families

### Project Locations

Kerala and Tamil Nadu

## Synergise-Scale-Sustain

### Social and Relationship Capital Interlinked with Other Capitals

**Financial Capital**

Nurturing enduring and reliable connections with stakeholders empowers us to strengthen our financial standing.

**Human Capital**

By fostering sustainable, long-term value for all stakeholders, we inspire our employees to excel and nurture higher rates of employee retention.

**Manufactured Capital**

Continuous engagement with all stakeholders allows us to enhance our integrated physical and digital presence.

**Natural Capital**

As stakeholder awareness of climate change increases, companies with minimal carbon footprints will be preferred.

**Intellectual Capital**

The dynamic and evolving needs of stakeholder groups serve as invaluable inputs for the development and advancement of our intellectual capital.

## From Struggle to Sustainability

In the Riti block of Katni District, Madhya Pradesh, small and marginal farmers faced significant challenges in improving their agricultural income. High cultivation costs and low market prices for produce severely impacted their livelihoods. However, a transformative change occurred with the establishment of the Riti Fasal Farmers Producer Organisation (FPO) by the ESAF Foundation.

The journey of Riti Fasal FPO commenced with its formal registration under the Companies Act, 2013, spearheaded by 10 dedicated Board members. Initially, the FPO encountered difficulties in mobilising farmers due to a lack of awareness. Progress was slow during the first year, leading to dwindling motivation among the Board members. With the CSR assistance from ESAF Small Finance Bank, the FPO received a boost, leading to its revitalisation.

To reinvigorate the FPO, several field-level awareness programmes, Farmer Interest Group formations, and FIG trainings were conducted with the CSR support of ESAF Small Finance Bank. These efforts paid off, leading to an increase in membership, and the FPO now boasts 300 small and marginal shareholders.

With a focus on cultivating paddy and vegetables, the FPO is dedicated not only to growing crops but also to fostering prosperity and resilience among its members. Specialised institutional trainings on advanced agricultural practices and modern technologies, supported by the CSR initiatives of ESAF Small Finance Bank, has empowered both the farmers and the FPO Board.

Guided by the ESAF ecosystem, 100 lead farmers within the FPO have undergone skill enhancement and empowerment programmes. Additionally, the FPO has successfully secured credit linkage of ₹ 17,00,000 under the Agriculture Infrastructure Fund (AIF) scheme to establish a Custom Hiring Centre. This milestone not only represents technological advancement but also highlights the triumph of collective effort and community resilience.

Moving forward, the FPO expects a turnover of ₹ 25 lakhs from the Custom Hiring Centre in the upcoming year, showcasing its remarkable journey of growth and sustainability. The success of Riti Fasal FPO mirrors the transformative impact of collective action and community support in uplifting small and marginal farmers.

Governance

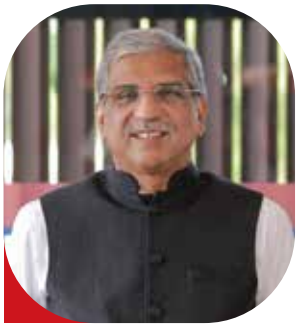
Ensuring

# TRANSPARENCY & ACCOUNTABILITY

**We prioritise corporate governance, ethics, and integrity, recognising their essential role in nurturing enduring relationships with all stakeholders and realising our vision of becoming the most respected Social Bank in India's financial services sector. Our governance principles are anchored in fairness, integrity, and transparency, with a commitment to complying with relevant laws, Listing Regulations, and RBI Master Directions.**

## Board of Directors

**RAVIMOHAN PERIYAKAVIL RAMAKRISHNAN**
Part-Time Chairman and Non-Executive Independent Director



**KADAMBELIL PAUL THOMAS**
Managing Director & CEO

**THOMAS JACOB KALAPPILA**
Non–Executive Independent Director

**VINOD VIJAYALEKSHMI VASUDEVAN**
Non–Executive Independent Director

**RAVI VENKATRAMAN**
Non–Executive Independent Director

**KOLASSERIL CHANDRAMOHANAN RANJANI**
Non–Executive Independent Director

**BIJU VARKKEY**
Non–Executive Independent Director

**AJAYAN MANGALATH GOPALAKRISHNAN NAIR**
Non–Executive Nominee Director

**JOHN SAMUEL**
Non–Executive Nominee Director

**DR. JOSEPH VADAKKEKARA ANTONY**
Non–Executive Director

**10**
Directors

**6**
Independent Directors

## Leadership Team

**GEORGE K. JOHN**
Executive Vice President

**GEORGE THOMAS**
Executive Vice President

**HARI VELLOOR**
Executive Vice President

**HEMANT KUMAR TAMTA**
Executive Vice President

**BOSCO JOSEPH**
Head - Administration, Infrastructure & Procurement

**GIREESH C. P.**
Chief Financial Officer

**RABINDRA KUMAR DASH**
Head - Treasury

**WILSON CYRIAC**
Chief Risk Officer

**SUDEV KUMAR V.**
Chief Compliance Officer

**SIVAKUMAR P.**
Head - Internal Audit

**SIBU K. A.**
Head - Business Correspondent Channel

**ALI MOHAMMAD SAQUIB**
Chief Technology Officer

**SHUBHANKAR SENGUPTA**
Head - Retail Assets

**H. SESHAGIRIDAS**
SVP - MD Secretariat

**DR. A. V. JOSE**
Head - Learning & Development

**K. SWAMINATHAN**
Head - Strategy & Planning

**K. SUNNY**
Head - Collections

**SONEY JOSE**
Head - MSME & Corporate Business

**E. A. JACOB**
Chief of Internal Vigilance

**DINESH KALARACKAL**
Head - Legal

**RADHAKRISHNAN D.**
Head - Agri Business

**SONY V. MATHEW**
Head - Branding & Communications

**MANOJKUMAR SUBHASHCHANDRAN**
Head - Credit Sanctions

**PETER M. P.**
Head - Operations

**RAJISH KALAPURAYIL**
Head - Branch Banking - Network 1

**BOBBY ABRAHAM MATHEW**
Head - Human Resources

**REJI KOSHY DANIEL**
Head - Sustainable Banking

**JATA SHANKAR MISHRA**
Head - Branch Banking - Network 2

**ABEY ABRAHAM**
Head - Retail Liabilities

**FRANCIS GEORGE**
Head - BPM COE

**PAUL JOY PALOCAREN**
Head - Mortgage Loans

**GEORGE PAUL**
Head - International Banking

**SATHIANATHAN K. M.**
Head - Priority Lending & Lead Bank Reporting

**K. GEORGE OOMMEN**
Head - Mobility Loans

**CHANDRAMGETHAN**
Chief Dealer - Forex

**VINOD G. THAMPI**
Head - Credit Monitoring & Recovery

**SREEKANTH C. K.**
Head - Marketing & PR

**ANITHA SEKHAR**
Head - Microbanking

**ABIESH JOSE**
Head - Customer Service Quality

**RANJITH RAJ P.**
Company Secretary

## Risk Management Framework

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

- Active oversight from the Board and Senior Management.
- Well-defined policies, procedures, and limits.
- Comprehensive and timely identification, measurement, mitigation, control, monitoring, and reporting of risks.
- Implementation of appropriate management information systems.
- Establishment of comprehensive internal controls.

The risk management architecture comprises independent business functions dedicated to risk management, compliance, and internal audit. It includes the development of an annual risk strategy, which aligns risk appetite with risk, capital, and performance targets. This strategy is executed through focused management of major risk classes, overseen by specialised committees:

- The Credit Risk Management Committee manages credit risks.
- The Market Risk Division handles interest rates and liquidity risks.
- The Operational Risk and Business Continuity Management Committee manages operational risks.
- The Information Security Governance Committee oversees information security risks.

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

## ESG

We follow sustainability guidelines within our framework proactively that help achieve our sustainable development goals. Tracking priorities, setting goals and meeting targets, along with a multi-layered risk management framework and a robust internal control system that assists in risk mitigation, our Bank today plays a substantial role in creating positive social and environmental impact.

**CSR and Sustainability Committee of the Board**
Oversees Our Bank's sustainability vision and strategy and monitors ESG outcomes, along with CSR governance.

**ESG Management Committee**
Reviews the sustainability vision, policies and strategies. Sets and reviews ESG targets and recommends disclosures.

**Sustainability Council**
Implements strategies through the departments and develops interdepartmental synergies.

**Departments (Department-Level Actions through the Sustainability Champions)**
Drives sustainability-focussed initiatives as change agents in the departments and points of contact for implementing sustainability.

Celebrating

# COMMITMENT & DEDICATION

**Honoured with the Excellence Award - APY Big Believers, Shri. K. Paul Thomas, Managing Director & CEO of ESAF Small Finance Bank, was recognised for his remarkable contribution to the enrolment of the Atal Pension Yojana (APY). Additionally, he was bestowed with the Circle of Excellence Award by the Pension Fund Regulatory and Development Authority (PFRDA).**

ESAF Small Finance Bank was honoured with the **Innovative Bank of the Year Award by Synnex.** This award acknowledges our pioneering ideas and strategies that have contributed to the advancement of the banking sector.

ESAF Small Finance Bank was recognised as the **Best Customer Experience Bank of the Year in Customer Service Quality** at the India CX Summit & Awards 2023 by Synnex.

ESAF Small Finance Bank was honoured with the **Innovative Initiative in the Rural Sector Award** at the 6th BFSI Conclave and Awards 2023 in Mumbai, organised by Governance NOW.

ESAF Small Finance Bank was honoured with the **Best Product/ Services Innovation award by ASSOCHAM.**

ESAF Small Finance Bank was honoured with the **BFSI Excellence Award 2023 for Best Banking Initiatives in the Social Sector.** The award was presented during the 4th Annual BFSI Excellence Awards 2023, organised by Expleo and Quantic.

ESAF Small Finance Bank was awarded the **Outstanding Marketing Initiative of the Year by ET BFSI** for innovative FD campaign targeted at Senior Citizens, titled 'The older you grow, the more interest we have in you.'

ESAF Small Finance Bank was honoured with the **Best Bank Award at the Pioneering Growth** - Transforming Kerala event organised by FICCI.

ESAF Small Finance Bank was honoured with two HR awards at the India HR Summit and Awards 2023 organised by Synnex Group. Awards were received in the categories of **Best Recruitment Agency and HR Team Partnership, and Best Employer Branding.**

Shri. K. Paul Thomas was honoured with the **Icon of Sustainability Award** during the 4th Biennial Global Convention of World Malayalee Federation (WMF) in Bangkok. WMF is the largest Malayalee Pravasi organisation in the world, comprising 164 countries.

ESAF Small Finance Bank was awarded the **Innovative Initiative in Social Sector Award** at the BFSI CXO Awards organised by Elets - Banking & Finance Post. The award ceremony highlighted our Bank's commitment to innovation, particularly through impactful initiatives within the Garshom Project.

Shri. K. Paul Thomas was bestowed with the prestigious **Business Leader of the Year™-BFSI Award** by World CSR Day and World Sustainability. The award acknowledged his remarkable contributions to shaping the business landscape and advancing the Indian economy.

ESAF Small Finance Bank was awarded **the Special Jury Award at the Productivity Council Awards** for innovative e-onboarding approach to Micro Banking Loans. The initiative was recognised as a commendable Kaizen Initiative. The Kaizen paper presented by the Sustainable Banking team along with the micro banking team was among the 80 shortlisted for the State Productivity Council Competition.

Corporate
# INFORMATION

**Chief Financial Officer**
Gireesh C. P.

**Company Secretary**
Ranjith Raj P.

**Statutory Auditors**
Abarna & Ananthan | Kirtane & Pandit LLP

**Secretarial Auditors**
Vasudevan M.

**Registered & Corporate Office**
Building No. VII/83/8, ESAF Bhavan,Thrissur - Palakkad
National Highway Mannuthy, Thrissur, Kerala - 680651
CIN: U65990KL2016PLC045669
RBI Registration Number: MUM 124

# MANAGEMENT DISCUSSION AND ANALYSIS

Reflecting on the macroeconomic landscape of 2023-24, it is evident that the Indian economy has demonstrated resilience and agility in navigating uncharted waters. Notably, it is rebounding strongly and emerging as one of the fastest-growing economies. The conducive economic climate fostered by India has attracted investments from across the globe, underscoring the nation's appeal as an investment destination. Ignited by this 'India Positive' story, the banking industry in India is experiencing a profound transformation, rapidly evolving into a critical pillar of the nation's economic landscape.

As India strides towards global economic prominence, the banking sector plays a pivotal role in facilitating this growth by providing essential financial services and driving financial inclusion. Additionally, the industry's growth is fuelled by the emergence of new-age banking models, such as neo-banks and fintech companies, revolutionising the landscape of financial services delivery and consumption.

Small Finance Banks (SFBs) have emerged as a crucial component of India's banking landscape, addressing the financial needs of underserved and unbanked segments of society. These banks prioritise financial inclusion and microfinance, bridging gaps in areas where traditional banks have struggled to operate profitably. Among SFBs, ESAF Small Finance Bank stands out for its commitment to financial inclusion and innovative banking services. With a mission to serve the underserved and promote inclusive growth, we have established a strong presence in rural and urban areas, meeting diverse financial needs and extending financial inclusion to every corner.

## Overview

In 1992, our Managing Director & CEO, Shri. Kadambelil Paul Thomas, founded the ESAF Foundation in collaboration with a few like-minded people. Dedicated to advancing microenterprises, fostering community development, and enhancing community health, the ESAF Foundation embarked on its microloan initiatives in 1995. In 2006, Shri. Kadambelil Paul Thomas and associates acquired our Bank's Corporate Promoter. Subsequently, in 2008, the ESAF Foundation transferred its Micro Loan operations to our Corporate Promoter through a business transfer agreement dated March 31, 2008. The Corporate Promoter obtained NBFC-MFI status in 2014. The Corporate Promoter transferred its lending and financing operations to our Bank on March 10, 2017, as per a business transfer agreement dated February 22, 2017. This marked the inception of our journey as a small finance bank.

Building on our esteemed promoter legacy spanning over 3 decades, we extend our offerings to the unserved and underserved segments of the population, aligning ourselves with the nation's objective of financial inclusion. As a small finance bank, we are mandated to allocate a minimum of 75.00% of our adjusted net bank credit to priority sectors. Additionally, at ESAF, our operational framework is guided by responsible banking principles, enabling us to deliver customer-centric products and services through innovative technology applications.

Our primary emphasis lies in extending loans to customers residing in rural and semi-urban regions. As of March 31, 2024, our Bank's gross advances to customers in these areas collectively accounted for 56.8%, with 43.3% of our banking outlets strategically located in these regions.

At ESAF Small Finance Bank, we are deeply committed to fostering positive impact across three key pillars: People, Planet, and Prosperity. Our dedication to People is evident in our inclusive approach to banking, ensuring access to financial services for all segments of society, particularly those underserved or marginalised. We prioritise environmental stewardship through sustainable practices that minimise our ecological footprint, contributing to the well-being of our planet. Additionally, we strive for Prosperity by empowering individuals and communities through responsible financial solutions, fostering economic growth, and promoting financial literacy. By embedding these principles into our operations, we aim to create enduring value for our customers, employees, communities, and the world at large.

In line with our Bank's Triple Bottom Line approach, we have implemented a robust ESG policy. In accordance with this policy, we pledge to (i) safeguard the environment and foster sustainable development, (ii) advance financial inclusion and gender equality through tailored financial services, and (iii) establish a governance framework to uphold accountability, transparency, and adherence to both internal and external ESG standards.

Our asset products encompass: (a) Micro Loans, which comprise microfinance loans and other microloans; (b) Retail Loans, covering gold loans, mortgages, personal loans, and vehicle loans; (c) MSME Loans; (d) loans to Financial Institutions; and (e) Agricultural Loans. The table below outlines our Total Loan Book by product type and as a percentage of Total Loan Book as of the dates indicated:

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

| Total Loan Book | As of March 31, 2024 | | As of March 31, 2023 | |
|---|---|---|---|---|
| | Amount (₹ in million) | % of Total Loan Book | Amount (₹ in million) | % of Total Loan Book |
| Micro Loans | 1,37,663.20 | 70.02 | 122,548.83 | 75.04 |
| Retail Loans | 37,001.17 | 18.82 | 26,147.54 | 16.01 |
| MSME Loans | 2,265.49 | 1.15 | 1600.61 | 0.98 |
| Loans to Financial Institutions | 9,211.40 | 4.69 | 6,137.43 | 3.76 |
| Agricultural Loans | 10,452.30 | 5.32 | 6,878.24 | 4.21 |
| **Total Loan Book** | **196,593.56** | **100.00** | **163,312.65** | **100.00** |

Our Bank's liability products comprise current accounts, savings accounts, term deposits and recurring deposits. As of March 31, 2024, we had 8.37 million deposit customers. Our Bank's total deposits were ₹ 1,98,678.04 million and ₹ 1,46,656.24 million as of March 31, 2024 and March 31, 2023, respectively. We believe that our focus on growing this business has helped us to quickly build a significant base of deposits. Particularly, retail deposits constituted 92.45% % of our total deposits as of March 31, 2024.

At ESAF Small Finance Bank, we maintain an extensive network comprising 753 Banking Outlets (including 60 Banking Outlets operated by Banking Correspondents, 930 Customer Service Centres (operated by Banking Correspondents, 35 Business Correspondent, 5,024 Banking Agents, 772 Banking Facilitators, and 614 ATMs. This network spans 23 states and 2 union territories, serving a customer base of 8.37 million as of March 31, 2024. Our Bank's utilisation of Business Correspondent entities extends to both sourcing and servicing customers for microloans. Furthermore, at ESAF Small Finance Bank, our Business Correspondent are involved in customer acquisition for mortgage loans, vehicle loans, MSME loans, agricultural loans, and specific deposit products.

We are deeply committed to harnessing technology to enhance the delivery of our products and services, continually striving to elevate our customers' experiences through technological innovations. Having achieved a significant technological milestone, our Bank has successfully implemented e-signatures for microloan disbursals. By March 31, 2024, we had disbursed over 1.43 million loans utilising e-signatures, underscoring our dedication to digital progress. Our customers benefit from a range of digital platforms, comprising an internet banking portal, a mobile banking platform, etc., apart from services like SMS alerts, bill payments, and RuPay-branded ATM and debit cards. Additionally, customers have the convenience of registering for ESAF savings accounts through Unified Payment Interface-based mobile applications.

Our account opening and loan underwriting processes have been digitalised using tablets. Our Bank has a digitalised central credit-processing unit for our microloans. Additionally, our customer onboarding process for microloans has been predominantly digitalised.

In addition, technological advancements have enabled us to derive operational efficiency across several domains. Our Bank has successfully streamlined the account opening and loan underwriting processes. We have integrated technological solutions to facilitate cashless loan disbursements and electronic signing for microloans, significantly reducing paperwork. Furthermore, our Bank's collection process has been digitalised via mobile applications and a payment gateway, allowing borrowers to conveniently repay their loans. Additionally, at ESAF Small Finance Bank, we have adopted a customer relationship management solution to enhance our handling of customer requests.

### Significant Factors Affecting Our Financial Condition, Results of Operation, and Cash Flows

Our Bank's financial status, operational outcomes, and cash flow are influenced by various factors. Among these, the following are of notable significance:

#### Expansion of Business

The table below outlines our Total Loan Book, deposits, and certain metrics of our business over the recent years:

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

| Particulars | As of March 31, 2024 | | As of March 31, 2023 | |
|---|---|---|---|---|
| | Amount | % Increase | Amount | % Increase |
| Total Loan Book (₹ in Million) | 196,593.56 | 20.39 | 163,312.65 | 32.34 |
| Deposits (₹ in Million) | 198,678.04 | 35.47 | 146,656.25 | 14.44 |
| States and Union Territories Combined where Our Products are Offered (Number) | 25 | 4.35 | 23 | – |
| Banking Outlets (Number) | 753 | 7.57 | 700 | 21.74 |
| Business Correspondents (Number) | 35 | 75.00 | 20 | 42.86 |
| Customer Service Centres (Number) | 930 | 25.17 | 743 | 52.57 |
| Banking Agents (Number) | 5024 | 148.34 | 2,023 | 249.40 |
| Business Facilitators (Number) | 772 | 60.50 | 481 | 53.67 |
| ATMs (Number) | 614 | 16.29 | 528 | 36.79 |

*Note: Total Loan Book is defined as Gross advances plus advances originated and transferred under securitisation, assignment and interbank participation certificates for which a bank continues to hold collection responsibilities.*

### Net Interest Income

At ESAF Small Finance Bank, our operational performance is significantly reliant on our net interest income, calculated as the difference between interest earned and interest expended. Our Bank's net interest income increased by 29.05% from ₹ 18,363.40 million in 2022-23 to ₹ 23,696.93 million in 2023-24. The table below illustrates the Bank's net interest income for the specified periods.

**(₹ in million)**

| Particulars | 2023-24 | 2022-23 |
|---|---|---|
| Interest Earned [A] | 38,184.27 | 28,536.59 |
| Interest Expended [B] | 14,487.34 | 10,173.19 |
| Net Interest Income [C] = [A] – [B] | 23,696.93 | 18,363.40 |

Our interest income is dependent on:

i. Our average interest-earning advances and the yield thereon.

ii. Our average interest-earning investments and the yield thereon.

iii. Our average interest-earning balances with the RBI and other inter-bank funds and the yield thereon.

Our interest expenditure is dependent on:

i. Our average total deposits and the cost thereon.

ii. Our average borrowings and the costs thereon.

### Average Interest-Earning Advances and Yield on Average Interest-Earning Advances

The following table displays the average balances of advances (net of provisions) for: (a) microloans, which include microfinance loans and other microloans, (b) retail loans, MSME loans, loans to Financial Institutions, and agricultural loans combined, referred to as 'other loans,' and (c) total advances. It also includes the corresponding interest earned, providing the yield for the fiscal years covered.

**(₹ in million, except percentages)**

| Advances (Net of Provisions) | 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest Earned | Yield (%) [C=B/A] | Average Balance | Interest Earned | Yield (%) [C=B/A] |
| Microloans [(2)(3)] | 1,08,699.17 | 27,809.02 | 25.58% | 91,048.36 | 21,386.82 | 23.49 |
| Other Loans [(4)] | 47,799.16 | 6,804.22 | 14.24% | 30,286.97 | 3,933.63 | 12.99 |
| **Total Advances** | **1,56,498.33** | **34,613.23** | **22.12%** | **121,335.33** | **25,320.45** | **20.87** |

**Notes:**

1. 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.
2. Our Microloans comprise Microfinance Loans and Other Microloans. Our Microfinance Loans and Other Microloans are provided to individuals without being secured by collateral. In order to be given a loan, an individual must be

part of a sub-group, which usually comprises two to 10 people. One to five sub-groups combine to form a 'Sangam'. The Sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with Sangam members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a subgroup to be Microloans. Effective 17th October 2022, we segregated our Microloans into Microfinance Loans and Other Microloans.

3. Average Microloans are gross Microloans net of provisions for NPAs for Microloans calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at the quarter end for all quarters in the relevant fiscal year (Average Interest-Earning Microloans).
4. Average Other Loans (comprising (a) Retail Loans, (b) MSME Loans, (c) Loans to Financial Institutions and (d) Agricultural Loans) are gross Other Loans net of provisions for NPAs for Other Loans calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at the quarter end for all quarters in the relevant fiscal year (Average Interest-Earning Other Loans).

ESAF Small Finance Bank's average interest-earning advances rose by 28.98% from ₹ 121,335.33 million in 2022-23 to ₹ 1,56,498.33 million in 2023-24. Average interest-earning microloans increased by 19.39 % from ₹ 91,048.36 million in 2022-23 to ₹ 1,08,699.17 Million in 2023-24. Moreover, our Bank's average interest-earning other loans increased by 57.82 % from ₹ 30,286.97 million in 2022-23 to ₹ 47,799.16; Million in 2023-24.

In terms of yield, the yield on average interest-earning advances stood at 22.12% for 2023-24 and 20.87% for 2022-23. The yield on average interest-earning microloans was 25.58% in 2023-24, compared to 23.49% in 2022-23. Furthermore, yield on average interest-earning other loans was 14.24% in 2023-24, an increase from 12.99% in 2022-23.

**Average Interest-Earning Investments and Yield on Average Interest-Earning Investments**

ESAF Small Finance Bank's average interest-earning investments experienced notable growth, rising by 10.46% from ₹ 48,137.45 million in 2022-23 to ₹ 53,173.94 million in 2023-24.

The yield on average interest-earning investments stood at 6.64% for 2023-24, compared to 6.48% recorded in 2022-23.

**Average Interest-Earning Balances with the Reserve Bank of India and Other Inter-Bank Funds, and the Yield on Average Interest-Earning Balances with the Reserve Bank of India and Other Inter-Bank Funds**

Our average interest-earning balances with the Reserve Bank of India and other Inter-Bank Funds experienced a notable decline of 86.58 %, dropping from ₹ 2,620.25 million in FY 2023 to ₹ 351.75 million in FY 2024.

The yield on average interest-earning balances with the Reserve Bank of India and other Inter-Bank Funds was 11.82 % for FY 2024, as againt 3.65 % recorded in 2022-23.

**Average Deposits and Cost of Average Deposits and Average Borrowings and Cost of Average Borrowings**

Our interest-bearing liabilities comprise savings bank deposits, term deposits, and borrowings, excluding interest on Demand Deposits (Current Accounts). The cost associated with these liabilities is influenced by external factors like competitive dynamics and developments in Indian credit markets, particularly interest rate fluctuations and liquidity availability in inter-bank markets. Internally, changes in our credit ratings, accessible credit limits, and capacity to attract low-cost deposits—especially from retail customers—and no-cost deposits through Current Accounts can impact our Cost of Funds.

At ESAF Small Finance Bank, primary funding source stems from our cost-effective deposit base, primarily drawn from retail depositors across India. This is achieved through targeted expansion of our Bank's branch network and tailored product offerings. Our target depositor demographic includes individuals, encompassing women, senior citizens, NRIs, HNIs, trust associations, societies, clubs, children over 10 years, our staff, salaried employees of corporations, farmers, and MSMEs. Leveraging our Bank's distribution network has various components. These include branches, Business Correspondent-Owned Banking Outlets, Customer Service Centres managed by Business Correspondents, and alternative delivery channels. Through these channels, we gain access to these depositors, enabling us to maintain a low-cost funding structure through customer deposits.

The table below presents our average balances for deposits together with the related interest expended by category of deposits, resulting in the presentation of the cost for each fiscal year. The average balance is calculated as the average of the opening balance at the start of the relevant year and the closing balance at the quarter end for all quarters in the relevant year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

(₹ in million, except percentages)

| Particulars | 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|---|
| | Average Balance [1] [A] | Interest Expended [B] | Cost (%) [C=B/A] | Average Balance [1] [A] | Interest Expended [B] | Cost (%) [C=B/A] |
| Demand Deposits [A] | 2,738.50 | - | | 2,082.64 | – | – |
| Savings Bank Deposits [B] | 31,654.07 | 1,622.12 | 5.12 | 28,712.97 | 1,499.88 | 5.22 |
| CASA [C = A + B] | 34,392.57 | 1,622.12 | 4.72 | 30,795.61 | 1,499.88 | 4.87 |
| Term Deposits | 1,38,537.81 | 10,776.46 | 7.78 | 104,944.42 | 6,877.30 | 6.55 |
| **Total Deposits** | **1,72,930.38** | **12,398.59** | **7.17** | **135,740.03** | **8,377.18** | **6.17** |

**Notes:**

1. 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.

Our Average Total Deposits expanded by 27.40% from ₹ 135,740.03 million in 2022-23 to ₹ 1,72,930.38 million in 2023-24. Among these, our Average Demand Deposits increased by 31.49% from ₹ 2,082.64 million to ₹ 2,738.50 million, while our Average Savings Deposits rose by 10.24% from ₹ 28,712.97 million to ₹ 31,654.07 million. Similarly, Average CASA experienced a growth of 11.68 %, climbing from ₹ 30,795.61 million in 2022-23 to ₹ 34,392.57 million in 2023-24. Furthermore, Average Term Deposits saw a rise of 32.01 % from ₹ 104,994.42 million to ₹ 1,38,537.81 million during the same period.

The Cost of Average Total Deposits stood at 7.17 % for 2023-24 and 6.17% for 2022-23. We do not pay interest on Demand Deposits (Current Accounts). The Cost of Average Savings Bank Deposits was 5.12% for FY 2024 and 5.22% for 2022-23. Meanwhile, the Cost of Average Term Deposits was 7.78% for 2023-24 and 6.55% for 2022-23. Similarly, the Cost of Average CASA amounted to 4.72 % for 2023-2024 and 4.87% for 2022-23.

While the Cost of Average Total Deposits was primarily influenced by interest rate movements, it remained lower than anticipated due to the rising proportion of our Average CASA compared to our Average Total Deposits. The subsequent table illustrates the ratio of our Average CASA to Average Total Deposits for the respective years.

(₹ in million, except percentages)

| Particulars | 2023-24 | 2022-23 |
|---|---|---|
| Average CASA [A] | 34,392.57 | 30,795.61 |
| Average Total Deposits [B] | 1,72,930.38 | 135,740.03 |
| Average CASA to Average Total Deposits [C=A/B] (%) | 19.88 | **22.69** |

In order to maintain a steady source of low-cost funding through CASA, at ESAF, we must ensure that our banking services are convenient for customers, offering compensatory benefits for no returns on demand deposits and reduced returns on savings bank deposits. Nevertheless, factors such as evolving customer expectations, heightened competition for funding, fluctuations in interest rates, and alterations to the RBI's liquidity and reserve requirements might necessitate adjustments to the rates our Bank offers on our Savings Bank Deposits.

Our borrowings encompassed funds acquired from various sources, including the Reserve Bank of India, institutional agencies, subordinated debt, borrowings from other banks, and perpetual debt instruments. The cost of average borrowings amounted to 7.38% for 2023-24 and 6.27% for 2022-23. Notably, interest rate fluctuations have predominantly influenced the cost of average borrowings.

### Non-Performing Advances and Provisioning Policies

ESAF Small Finance Bank's operational outcomes are significantly influenced by our ability to effectively manage the credit quality of our loans, which we evaluate in part through Non-Performing Assets (NPAs). The RBI mandates the classification of loans into NPAs, with provisions required based on the duration of non-payment, besides necessitating provisions on standard assets. NPAs are further categorised as sub-standard, doubtful, and loss assets.

The increasing number of loans classified as NPAs correlates with a decline in the credit quality of our loan portfolio. To bolster our credit quality, we have established well-documented procedures for credit approval and loan disbursement, along with implementing ongoing monitoring mechanisms. Additionally, we have integrated advanced analytics and automated credit scoring solutions for enhanced credit evaluation.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Certain segments of our portfolio, such as microloans and some retail loans, are unsecured, which poses higher credit risks compared to secured loans due to the absence of collateral. In instances of default by these customers, our ability to recover amounts due is limited to initiating legal proceedings for recovery.

### Indian Economy

In 2023-24, the Indian economy maintained its growth trajectory, propelled by advancements in technology, high-end manufacturing capacity, and enhanced competitiveness. According to the RBI, the Indian economy achieved a growth rate of 7.2% in 2023-24. The nation's aspirations necessitate a resilient financial sector. With the Reserve Bank of India (RBI) maintaining a vigilant stance on inflation, credit growth outpaced deposit growth over the year. The surge in retail credit is driving heightened demand for personal loans. Consumer credit now constitutes one-third of all loans, marking a substantial increase from less than one-fifth a decade ago. Personal credit is poised to outpace the growth of the industry and service sectors. Several positive factors are propelling the Indian economy forward. These include stable macroeconomics and escalating domestic demand. Additionally, the robust underpinnings of the Indian economy have instilled a sense of optimism, with the nation poised to achieve significant milestones in the years ahead.

### Results of Operations

#### 2023-24 Compared to 2022-23

The following table sets forth a summary of our Bank's restated profit and loss account for 2023-24 and 2022-23

| Particulars | 2023-24 | | 2022-23 | |
|---|---|---|---|---|
| | Amount (₹ in million) | % of Total Income | Amount (₹ in million) | % of Total Income |
| **Income** | | | | |
| Interest Earned | 38,184.27 | 89.63 | 28,536.59 | 90.84 |
| Other Income | 4,418.25 | 10.37 | 2,879.13 | 9.16 |
| **Total Income** | 42,602.52 | 100.00 | **31,415.72** | **100.00** |
| **Expenditure** | | | | |
| Interest Expended | 14,487.34 | 34.01 | 10,173.19 | 32.38 |
| Operating Expenses | 16,488.30 | 38.70 | 12,305.41 | 39.17 |
| Provisions and Contingencies | 7,371.20 | 17.30 | 5,913.79 | 18.82 |
| **Total Expenditure** | **38,346.84** | **90.01** | **28,392.39** | **90.37** |
| **Net Profit for the Year** | **4255.68** | **9.99** | **3,023.33** | **9.63** |

#### Total Income

ESAF Small Finance Bank's total income increased by ₹ 11,186.80 million or 35.61%, to ₹ 42,602.52 million for 2023-24 up from ₹ 31,415.72 million in 2022-23 as a result of (i) ₹ 9,467.68 million or 33.81 %, increase in interest earned to ₹ 38,184.27 million for 2023-24 from ₹ 28,536.59 million in 2022-23; and (ii) ₹ 1,539.12 million or 53.46%, increase in other income to ₹ 4,418.25 million for 2023-24 from ₹ 2,879.13 million in 2022-23.

#### Interest Earned

The table set forth below shows details in relation to the Bank's interest earned for 2023-24 and 2022-23.

| Particulars | 2023-24 | 2022-23 | Percentage increase/ decrease (%) |
|---|---|---|---|
| | (₹ in million) | | |
| Interest/Discount on Advances/Bills | 34,613.23 | 25,320.45 | 36.70 |
| Income on Investments | 3,529.48 | 3,120.44 | 13.11 |
| Interest on Balances with the Reserve Bank of India and Other Inter-Bank Funds | 41.56 | 95.70 | (56.58) |
| **Total** | **38,184.27** | **28,536.59** | **33.81** |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

The Bank's interest earned increased by ₹ 11,186.80 million, or 35.61 %, to ₹ 38,184.27 million for 2023-24 from ₹ 28,536.59 million in 2022-23. The primary reasons for this increase are discussed below:

- Interest/discount on advances/bills increased by ₹ 9,292.78 million, or 36.70 %, to ₹ 34,613.23 million for 2023-24 from ₹ 25,320.45 million in 2022-23. The increase in interest/discount on advances/bills was primarily due to:
  - A ₹ 43,441.09 million or 28.98%, increase in average interest-earning advances to ₹ 1,56,498.33 million for 2023-24 up from ₹ 1,21,335.33 million in 2022-23. This increase was primarily due to a ₹17,650.81 million, or 19.39%, increase in Average Interest-Earning Micro Loans to 1,08,699.17 million for 2023-24 from ₹91,048.36 million for 2022-23 and a ₹17,512.19 million, or 57.82%, increase in Average Interest-Earning Other Loans to ₹47,799.16 million for 2023-24 from ₹30286.97 million for 2022-23.
  - An increase in the yield on average interest-earning advances to 22.12% for 2023-24 up from 20.87% in 2022-23. The Yield on Average Interest-Earning Advances increased primarily due to increase due to an increase in interest rates during the year as a result of the increase in repo rates.
- Income on investments increased by ₹ 409.04 million or 13.11%, to ₹ 3,529.48 million for 2023-24 up from ₹ 3,120.44 million in 2022-23.
- This increase was primarily due to the increase in our Average Interest-Earning Investments by ₹5,036.49 million, or 10.46%, to ₹53,173.94 million for 2023-24 from ₹48,137.45 million for 2022-23, and an increase in the Yield on Average Interest-Earning Investments to 6.64% for 2023-24 from 6.48% for 2022-23 in line with the rise in interest rates during the year.

Interest on balances with the RBI and other interbank funds decreased by 54.14% to ₹ 41.56 million for 2023-24, down from ₹ 95.70 million for 2022-23.

### Other Income

The table set forth below shows details in relation to the Bank's other income for 2023-24 and 2022-23.

| Particulars | 2023-24 | 2022-23 | Percentage increase (₹ in million) / (decrease) (%) |
|---|---|---|---|
| | ₹ in million | | |
| Commission, Exchange, and Brokerage | 2,915.04 | 1,994.83 | 46.13 |
| Profit on Sale of Investments (Net) | 206.52 | 156.35 | 32.09 |
| Profit/(Loss) on Revaluation of Investments (Net) | 201.65 | (913.88) | (122.07) |
| Profit/(Loss) on Sale of Land, Buildings and Other Assets (Net) | 0.90 | (3.38) | (126.50) |
| Profit on Foreign Exchange Transactions (Net) | 10.27 | 11.12 | (7.60) |
| Income Earned by Way of Dividends, among others, from Companies | 1.16 | 2.04 | (143.03) |
| Miscellaneous Income | 1,082.71 | 1,632.66 | (33.68) |
| **Total** | **4,418.25** | **2,879.74** | **53.43** |

ESAF Small Finance Bank's other income increased by ₹ 1,538.51 million, or 53.43%, to ₹ 4,418.25 million for 2023-24 from ₹ 2,879.74 million in 2022-23. The primary reasons for this increase are as follows:

- The increase in commission, exchange and brokerage by a ₹920.21 million, or 46,13%, to ₹2,915.04 million for 2023-24 from ₹1,994.83 million for 2022-23, which was primarily due to a ₹587.22 million, or 304.59%, increase in the Banc assurance commission on Insurance products to ₹780.01 million for 2023-24 from ₹192.79 million 22-23; ₹185.26 million, or 13.04%, increase in the processing fees on loans to ₹1,606.44 million for 2023-24 from ₹1,421.19 million 22-23;
- The increase in profit on sale of investments (Net) by a ₹50.17 million, or 32.09%, to ₹206.52 million for 2023-24 from ₹156.35 million for 2022-23 mainly on the account reduction in yields on Government securities.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### Total Expenditure

Our Bank's total expenditure increased by ₹ 9,954.45 million, or 35.06 %, to ₹ 38,346.84 million for 2023-24 from ₹ 28,392.39 million in 2022-23. The primary reasons for this increase are discussed below:

*Interest Expended*

Our interest expended increased by ₹4,314.15 million, or 42.41%, to ₹14,487.34 million for 2023-24 from ₹10,173.19 million for 2022-23. The primary reasons for this increase are discussed below.

- Interest on deposits increased by ₹4,020.88 million, or 48.00%, to ₹12,398.06 million for 2023-24 from ₹8,377.18 million for 2022-23. Our Average Total Deposits expanded by 27.40% from ₹ 135,740.03 million in 2022-23 to ₹ 1,72,930.38 million in 2023-24 and also on account of increase in the Cost of Average Deposit to 7.17% for 2023-24 from 6.17% for 2022-23.

*Operating Expenses*

Our operating expenses increased by ₹4,182.89 million, or 33.99%, to ₹16,488.30 million for 2023-24 from ₹12,305.41 million for 2022-23. The primary reasons for this increase are discussed below.

- ₹2,235.27 million, or 41.07%, increase in our Business Correspondent expense to ₹7,677.72 million for 2023-24from ₹5,442.36 million for Fiscal 2022-23, which was primarily due to an increase in the amount collected on loans sourced through Business Correspondents.
- Payments to and provisions for employees increased by ₹849.76 million, or 30.57%, to ₹3,629.74 million for 2023-24 from ₹2,779.98 million for 2022-23, which was primarily due to a 18.53% increase in our number of employees to 5,967 as at March 31, 2024 from 5,034 as at March 31, 2023 and salary increments given to employees including promotions during the year.
- Rent, taxes and lighting increased by ₹95.17 million, or 12.72%, to ₹843.18 million for 2023-24 from ₹748.01 million for 2022-23, which was primarily due to a 7.57% increase in our number of Branches to 753 as at March 31, 2024 from 700 as at March 31, 2023 and increments paid to existing branches which comes after 3 years and also on account of additional space taken for existing branches to renovate the buildings.

### Provisions and Contingencies

The table set forth below shows details in relation to the Bank's provisions and contingencies for 2023-24 and 2022-23.

| Particulars | 2023-24 | 2022-23 | Percentage increase (₹ in million) / (decrease) (%) |
|---|---|---|---|
| | ₹ in million | | |
| Provision towards NPA/Write - offs [A] | 5,792.49 | 6,108.13 | (5.17) |
| Provision towards/(Write-Back of Provision towards) Standard Assets [B] | 204.30 | (1,281.08) | (115.95) |
| Provision made towards Income Tax: | | | |
| Current Tax Expense [C] | 1,530.00 | 771.17 | 98.40 |
| Deferred Tax Charge (Credit) [D] | (81.55) | 265.94 | (130.67) |
| Total Provision Made towards Income Tax [E] = [C] + [D] | 1,448.45 | 1,037.11 | 39.66 |
| Other Provision and Contingencies [F] | (74.04) | 49.63 | (249.19) |
| **Total Provisions and Contingencies [G] = [A] + [B] + [E] + [F]** | **7,371.20** | **5,913.79** | **24.64** |

ESAF Small Finance Bank's provisions and contingencies increased by ₹ 1,457.41 million or 24.64%, to ₹ 7,371.20 million for 2023-24 from ₹ 5,913.79 million in 2022-23.

### Net Profit for the Year

As a result of the above, our Bank's net profit for the year increased by ₹ 1,232.35 million or 40.76%, to ₹ 4,255.68 million for 2023-24 from ₹ 3,023.33 million in 2022-23.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### Financial Condition

#### Statement of Assets and Liabilities

ESAF Small Finance Bank's assets as of the period/year-end are set out below:

| Particulars | As of March 31 | |
|---|---|---|
| | 2024 | 2023 |
| | ₹ in million | |
| Cash and Balances with the Reserve Bank of India | 13,646.45 | 7,395.48 |
| Balance with Banks and Money at Call and Short Notice | 582.80 | 275.01 |
| Investments | 55,410.22 | 48,885.28 |
| Advances | 1,82,931.12 | 139,243.31 |
| Fixed Assets | 2,075.53 | 1,879.27 |
| Other Assets | 6,222.70 | 4,558.22 |
| **Total Assets** | **2,60,868.82** | **202,236.57** |

#### Cash and Balances with the Reserve Bank of India

Cash and balances with the RBI increased to ₹13,646.45 million as on March 31, 2024 from ₹7,395.48 million as at March 31, 2023 primarily due to a increases in balances with the RBI in Current Accounts from ₹5,851.02 million as at March 31, 2023 to ₹12,141.83 as at March 31, 2024.

#### Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice increased to ₹582.80 million as at March 31, 2024 from ₹ 275.01 million as on March 31, 2023 primarily due to a increase in balance with other Banks Current Account from ₹268.76 million as at March 31, 2023 to ₹552.74 million as at March 31, 2024.

#### Investments

Our investments further increased to ₹ 55,410.22 million as on March 31, 2024 from ₹48,885.28 million as at March 31, 2023 primarily due to an increase in Government securities to ₹54,098.66 million as at March 31, 2024 from ₹47,421.02 million as at March 31, 2023.

#### Advances

The table below sets forth the Bank's advances (net of provisions) by microloans, comprising our microfinance loans and other microloans. It also includes other loans, comprising retail loans, MSME loans, loans to Financial Institutions, and agricultural loans, collectively referred to as 'other loans')), as of the dates indicated.

| Advances (Net of Provisions) | As of March 31, 2024 (₹ in million) | % increase/(decrease) from March 31, 2023 | As of March 31, 2023 (₹ in million) |
|---|---|---|---|
| Microloans (1) | 1,24,404.03 | 25.98 | 98,751.17 |
| Other Loans | 58,527.09 | 44.54 | 40,492.14 |
| **Total** | **1,82,931.12** | **31.38** | **139,243.31** |

***Note:***

*(1) Our microloans comprise our microfinance loans and other microloans. Microfinance loans and other microloans are provided to individuals without being secured by collateral. To be given a loan, an individual must be part of a sub-group, which usually comprises two to ten people. One to five sub-groups combine to form a 'Sangam.' The Sangam facilitates the repayment process and other activities among the individuals by holding regular meetings with its members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all our loans to individuals who were members of a subgroup as microloans. Effective October 17, 2022, at ESAF, we have segregated our microloans into microfinance loans and other microloans.*

#### Fixed Assets

The Bank's fixed assets, which primarily comprise office equipment, computers, furniture & fixtures, motor vehicles, and servers, increased/decreased from ₹ 1,879.27 million to ₹ 2,075.53.

#### Other Assets

The Bank's other assets primarily comprise interest accrued and tax paid in advance/tax deducted at source (net of provision). Additionally, deferred tax assets (net), and others like GST input credits, security deposits, NEFT/RTGS settlement receivable, and prepaid expenses are included.

Our Bank's other assets increased to ₹ 6,222.71 million as of March 31, 2024, from ₹ 4,558.22 million as of March 31, 2023

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### Capital and Liabilities

The table below sets forth our capital and liabilities as of the dates indicated:

| Particulars | As of March 31 | |
|---|---|---|
| | 2024 | 2023 |
| | ₹ in million | |
| Capital | 5,147.80 | 4,494.74 |
| Employee Stock Options Outstanding | 56.79 | 58.75 |
| Reserves and Surplus | 19,713.34 | 12,596.55 |
| Deposits | 1,98,678.04 | 146,656.25 |
| Borrowings | 32,225.30 | 33,541.95 |
| Other Liabilities and Provisions | 5,047.55 | 4,888.33 |
| **Total** | **2,60,868.82** | **202,236.57** |

### Reserves and Surplus

ESAF Small Finance Bank's reserves and surplus are influenced by changes in our share premium due to the issuance or concealment of equity shares. Changes in our balance in the profit and loss account are also a factor, stemming from the net profit or loss recorded for the applicable fiscal year.

The Bank's reserves and surplus increased/decreased further to ₹ 17,713.34.

### Deposits

At ESAF Small Finance Bank, we have been able to leverage the strength of the 'ESAF' brand, which has been built over 3 decades. This has enabled us to rapidly grow our deposit portfolio since we commenced operations. As an NBFC-MFI, our Bank's corporate promoter was unable to accept deposits as per applicable laws in India. After acquiring the business of our corporate promoter on March 10, 2017, we placed a strong emphasis on increasing our retail deposits. This is because they offer lower rates of interest compared to bulk deposits. Moreover, our retail deposits have increased/decreased to ₹ 1,83,681.04.

### Borrowings

The following table sets forth details of the Bank's borrowings as of the dates indicated:

| Particulars | As of March 31 | |
|---|---|---|
| | 2024 | 2023 |
| | ₹ in million | |
| Borrowings in India: | | |
| Reserve Bank of India | 6,500.00 | 6,740.00 |
| Other Banks | - | - |
| Other Institutions and Agencies | 20,995.30 | 24,871.95 |
| Subordinated Debt | 4,250.00 | 1,450.00 |
| Perpetual Debt Instrument | 480.00 | 480.00 |
| Borrowings Outside India | - | - |
| **Total** | **32,225.30** | **33,541.95** |

The Bank's borrowings increased/decreased from ₹ 33,541.95 million as of March 31, 2023, to ₹ 32,225.30 million as of March 31, 2024,

### Other Liabilities and Provisions

The table below sets forth details of the Bank's other liabilities and provisions as of the dates indicated:

| Particulars | As of March 31 | |
|---|---|---|
| | 2024 | 2023 |
| | ₹ in million | |
| Bills Payable | 73.97 | 49.67 |
| Inter-Office Adjustments (Net) | - | - |
| Interest Accrued | 654.86 | 556.44 |
| Provision for Standard Assets | 1,100.87 | 896.57 |
| Others (including Provisions) | 3,217.85 | 3,385.65 |
| **Total** | **5,047.55** | **4,888.33** |

### Our Business Segments

ESAF Small Finance Bank's business can be categorised into four business segments – Treasury, Wholesale Banking, Retail Banking, and Other Banking segments. Details of the operations associated with each business segment have been outlined below:

- **Treasury**: The Treasury segment mainly encompasses interest income generated from our investment portfolio, along with gains or losses from investment operations. It also includes profits from our foreign exchange activities. The primary expenditures within this segment comprise interest expenses assigned to borrowed funds/deposits received and other associated costs. Additionally, the segment involves the allocation of customer deposits received.
- **Wholesale Banking**: The Wholesale Banking segment extends loans to corporate clients identified in accordance with RBI guidelines. Revenue generated within this segment comprises interest accrued on loans provided to corporate customers and fees

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

earned from various banking services. Primary expenses within the segment include interest payments assigned to borrowed funds/deposits received and other associated costs.

- **Retail Banking**: The Retail Banking segment extends loans to non-corporate customers in accordance with RBI guidelines and encompasses customer deposits. Revenue within this segment is derived from interest accrued on loans provided to non-corporate customers and fees earned from additional banking services. Primary expenses include interest payments assigned to borrowed funds/deposits received and other associated costs.
- **Other Banking Operations**: The Other Banking Operations segment includes income from para-banking activities. These activities include debit cards, third-party product distribution, and associated costs.

ESAF Small Finance Bank's segment results and segment revenue for each of our business segments are detailed in the table below for the indicated year-end:

**(₹ in million)**

| | | 2023-24 | 2022-23 |
|---|---|---|---|
| Treasury | Segment Revenue | 3,990.60 | 2,471.94 |
| | Segment Results | 529.80 | (276.84) |
| Wholesale Banking | Segment Revenue | 942.90 | 576.71 |
| | Segment Results | 547.00 | 283.10 |
| Retail Banking | Segment Revenue | 36,426.10 | 27,870.56 |
| | Segment Results | 3,446.00 | 3,591.59 |
| Other Banking Operations | Segment Revenue | 1,242.90 | 496.51 |
| | Segment Results | 1,181.30 | 462.24 |
| Total | Segment Revenue | 42,602.50 | 31,415.72 |
| | Segment Results | 5,704.10 | 4,060.45 |

### Treasury

#### 2023-24 Compared to 2022-23

In 2023-24, the treasury segment results experienced an increase of ₹ 806.64 million, amounting to a 291.37 % increase, reaching ₹529.80 million, up from ₹ 276.48 million in 2022-23.

### Wholesale Banking Operations

#### 2023-24 Compared to 2022-23

In 2023-24, the wholesale segment results saw a rise of ₹ 263.90 million or 93.22%, reaching ₹ 547 million, up from ₹ 283.10 million in 2022-23. This upturn can be attributed mainly to a ₹ 366.19 million or 63.50% increase in segment revenue, reaching ₹ 942.90 million in 2023-24 compared to ₹ 576.71 million in 2022-23.

### Retail Banking

#### 2023-24 Compared to 2022-23

In 2023-24, the Retail Banking segment results declined by ₹ 145.59 million or 4.05%, reaching ₹ 3,446.0 million, down from ₹ 3,591.59 million achieved in 2022-23. This decrease was primarily driven by a ₹ 8,555.54 rise in segment revenue, reaching ₹ 36,426.10 million in 2023-24 compared to ₹ 27,870.56 million recorded in 2022-23.

### Other Banking Operations

#### 2023-24 Compared to 2022-23

The other banking operations segment results increased by ₹ 719.06 million or 155.56 %, to ₹ 1,181.30 million for 2023-24 from ₹ 462.24 million in 2022-23. This increase was primarily due to a ₹ 746.39 million or 150.33%, increase in segment revenue to ₹ 1,242.90 million for 2023-24 from ₹ 496.51 million in 2022-23.

### Liquidity and Capital Resources

In the past, the Bank has primarily funded our liquidity and capital needs through shareholder capital, deposits, and borrowings from institutions. Additionally, our Bank has utilised subordinated debt, loans from other banks, and perpetual debt instruments.

### Cash Flows

| Particulars | Year ended March 31 | |
|---|---|---|
| | 2024 | 2023 |
| | ₹ in million | |
| Net Cash Flow from/(used in) Operating Activities | 10,009.28 | (5,707.04) |
| Net Cash Flow From/(used in) Investing Activities | (5,825.35) | (5,732.18) |
| Net Cash Flow From/(used in) Financing Activities | 2,351.03 | 3,990.66 |
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | **6,534.96** | **(7,448.56)** |

## Financial Instruments and Off-Balance Sheet Arrangements

### Inter-Bank Participation Certificates

A bank can fulfil its priority sector lending target by purchasing Inter-Bank Participation Certificates (IBPCs) from other banks that have exceeded their regulatory targets. As per RBI guidelines, when participating with risk, the amount of participation issued by our Bank is deducted

from our advances. However, at ESAF Small Finance Bank, we include these advances in our Total Loan Book. IBPCs with risk-sharing can be issued for 91-180 days and only for advances classified as standard. During the term of an IBPC, we recognise the interest spread. This spread represents the difference between the interest earned on such advances and the interest payable to the Bank to which we transferred the IBPC. At the end of the term, the advances transferred via the IBPC are recognised in our Bank's accounting records. The table below shows the outstanding number of IBPCs as of the indicated dates.

| Particulars | As of and for the Year Ended March 31 | |
|---|---|---|
| | 2024 | 2023 |
| | ₹ in million | |
| Outstanding Amount of IBPCs | – | 12,000 |

**Sale of NPAs to Asset Reconstruction Companies**

We have sold Non-Performing Assets (NPAs) to Asset Reconstruction Companies (ARCs) in 2022-23. The advances sold to ARCs are deducted from our advances. However, at ESAF Small Finance Bank, we receive fees from the ARCs for acting as the collection agent for these advances. Therefore, our Bank includes the number of advances for which we are the collection agent in Total Loan Book. The table below shows the number of advances outstanding as of the date of the sale to ARCs. It also indicates the advances outstanding for which the Bank is acting as a collection agent with respect to the transfer of the portfolio to ARCs.

| Particulars | As of and for the Year Ended March 31 | |
|---|---|---|
| | 2024 | 2023 |
| | ₹ in million | |
| Amount of NPAs Sold to ARCs Outstanding | 8,844.81 | 10,086.21 |

**Direct Assignments**

At ESAF Small Finance Bank, we have undertaken direct assignment transactions in the past and act as a collection agent for them. These transactions are included in our Bank's Total Loan Book. The table below shows the outstanding amount of direct assignment transactions as of the indicated dates.

| Particulars | As of and for the Year Ended March 31 | |
|---|---|---|
| | 2024 | 2023 |
| | ₹ in million | |
| Outstanding Amount of Direct Assignments | 25.18 | 45.17 |

**Securitised Advances**

As of March 31, 2024, and 2023, the Bank had no securitised advances.

**Contingent Liabilities**

The components of our Bank's contingent liabilities as per AS 29 – 'Provisions, Contingent Liabilities and Contingent Assets' are outlined below. This information is as of the year-end/period end indicated:

| Particulars | As of and for the Year Ended March 31 | |
|---|---|---|
| | 2024 | 2023 |
| | ₹ in million | |
| Claims against the Bank Not Acknowledged as Debts | 1.18 | - |
| Liability on Account of Outstanding Forward Exchange Contracts | - | - |
| Guarantees given on Behalf of Constituents – in India | 15.17 | 13.98 |
| Acceptances, Endorsements and Other Obligations | - | - |
| Other Items for which the Bank is Contingently Liable | 5.60 | 5.00 |
| **Contingent Liabilities** | **21.95** | **18.98** |

**Capital Expenditures**

At ESAF Small Finance Bank, our capital expenditures are principally for fixed assets, including furniture and fixtures. Our Bank incurred capital expenditures (additions to fixed assets, including furniture and fixtures) of ₹ 690.41 million and ₹ 714.86 million in 2023-24 and 2022-23, respectively.

# DIRECTORS' REPORT

**To,**

**The Members of**

**ESAF Small Finance Bank Ltd.**

On behalf of the Board of Directors (the "Board") of ESAF Small Finance Bank Ltd. (the "Bank"), it is our immense pleasure to present the Eighth Annual Report of the Bank along with the Audited Financial Statements and Auditor's Report thereon for the Financial Year 2023-24.

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

The highlights of the standalone financial performance of the Bank for the Financial Year 2023-24, are presented below:

(₹ in millions)

| Particulars | For the year ended on March 31, 2024 | For the year ended on March 31, 2023 |
|---|---|---|
| Deposits | 1,98,678 | 1,46,656 |
| Advances | 1,82,931 | 1,39,243 |
| Total Income | 42,602 | 31,416 |
| Total Expenditures excluding Tax | 36,898 | 27,355 |
| Profit Before Tax | 5,704 | 4,060 |
| Provision for Tax | 1,448 | 1,037 |
| Net Profit | 4,256 | 3,023 |
| Profit brought forward | 5,420 | 3,215 |
| Total Profit available for appropriation | 9,676 | 6,238 |
| Appropriation | | |
| Transfer to Statutory Reserve | 1,064 | 756 |
| Transfer to Capital Reserve | 10 | 3 |
| Transfer to Investment Fluctuation Reserve | 29 | 59 |
| Balance carried to Balance Sheet | 8,573 | 5,420 |
| Earnings per Share | | |
| Basic (₹) | 8.96 | 6.73 |
| Diluted (₹) | 8.94 | 6.71 |

### Key Performance Highlights

On a standalone basis, Profit After Tax of the Bank was ₹ 4,256 million in Financial Year 2023-24 compared to ₹ 3,023 million in Financial Year 2022-23. Interest Income of the Bank for the Financial Year 2023-24 was ₹ 38,184 million as against ₹ 28,536 million in Financial Year 2022-23 marking a growth of around 33.81%. Further, the Bank had Capital and Reserves of ₹ 24,861 million as on March 31, 2024 (₹ 17,091 million as on March 31, 2023). The book value per Equity Share was at ₹ 48.22 as on March 31, 2024 (₹ 38.03 as on March 31, 2023). Analysis of Bank's performance is covered in detail in the Management Discussion and Analysis section of the Annual Report.

## 2. Divergence in Asset Classification and Provisioning for NPAs

In terms of RBI guidelines, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statements. The disclosure is required if either or both of the following conditions are satisfied: (a) the additional provisioning for NPAs assessed by RBI exceeds 5% of the reported profit before provisions and contingencies for the reference period; and (b) the additional gross NPAs identified by RBI exceed 5% of the published incremental gross NPAs for the reference period. Based on the above, no disclosure

on divergence in asset classification and provisioning for NPAs is required with respect to RBI's annual supervisory process for fiscal 2024.

## 3. Our Business Segments

The Bank has identified its 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 April 18, 2007 and Accounting Standard 17 (AS 17) – 'Segment Reporting'.

## 4. Business Overview

### Micro Banking

The Micro Banking vertical of the Bank is set up with the objective of providing quality banking services to the unbanked and under-banked through door-step banking services. In order to provide high touch customer service, the Micro Banking business of the Bank is delivered through dedicated Business Correspondents (BCs). Under Micro Banking, loans are given to individuals of group or to individuals without group to set up and expand their own or of family member's micro or small business, to start any income generation activity or to meet any other household needs towards improving the quality of life.

Micro Banking group loan products are classified as Microfinance Loans and Other Micro Loans based on the annual household income of the customers. Accordingly, customers whose annual household income is up to 3 Lakhs can avail microfinance loans and customers whose annual household income is above 3 Lakhs can avail other micro loans. The product classification is as given below:

| Purpose | Microfinance Loans | Other Micro Loans |
|---|---|---|
| Income generation activities | ESAF Income Generation Loan | ESAF Nano Loan |
| Consumption/ general purpose including consumer durables, green energy purposes | ESAF General Loan | ESAF Asha Loan |
| Sanitation purpose | ESAF Nirmal Loan | ESAF Nirmal Loan Plus |
| Water Connection purpose | ESAF Jeevadhara Loan | ESAF Jeevadhara Loan Plus |
| Education purpose | ESAF Vidyajyoti | ESAF Vidyajyoti Plus |

Apart from the group loan products, below individual loan products are also extended under micro banking for meeting the capital requirements of small entrepreneurs and traders.

- **Micro Enterprise Loan (MEL)** is a secured loan extended to graduated customers of microfinance segment to help them to meet their capital requirement to scale up the existing business activity. The loan is provided to existing micro banking customers of the Bank or any other SFB/ MFI having at least 3 years' vintage with satisfactory repayment and having business vintage of minimum 1 year in the same location. The customer should fall under the age group of 21 to 64 years and can avail loan amount ranging from ₹ 75,000 to ₹ 3,00,000 for a tenure of 35 months.
- **Vyapar Vikas Yojana (VVY)** loan is provided to customers of Micro and Small Trade segment having shop/ business with minimum business vintage of three months in the same location. The loan is given for meeting working capital requirements or for purchase of stocks. The customer should be between the age group of 18 to 64 years and can avail loan ranging from ₹ 5,000 to ₹ 1,50,000 for a tenure from 6 months to 24 months based on the loan amount.

As on March 31, 2024, the Bank has 35,34,992 micro banking borrowers with loan outstanding of ₹ 1,40,464 million. We disbursed loans to the extent of ₹ 1,02,204 million during the Financial Year 2023-24. As a part of disbursing loan to customers in faster manner, we simplified the loan process by implementing e-sign using bio-metric authentication, for disbursement of loans, which resulted in extending more loans to customers during the financial year, and also enhanced the customer experience. The innovative e-onboarding approach to micro banking loans, made the Bank eligible to win Special Jury Award of Kerala State Productivity Council, recognising as a commendable KAIZEN initiative. During the financial year, the Bank disbursed 14,33,157 number of loans to the extent of ₹ 78,435 million through e-sign

documentation. The Bank also disbursed 1,702 number of water and sanitation loans with loan amount of ₹ 43 million in view of creating a positive change and hygiene behaviour in the lives of the customers by providing access to clean drinking water and hygienic sanitation. The Bank also disbursed 466 numbers of Micro Enterprise Loan (MEL) to the extent of ₹ 55 million for the graduated customers of microfinance for meeting higher financial needs for developing their micro business and disbursed 4200 Vyapar Vikas Yojana (VVY) loans to micro traders with a volume of ₹ 272 million during this financial year. Micro banking business has expanded to new geographies in the existing operational states and also to new states – Andhra Pradesh, Telangana and Sikkim by adding more Business Correspondents.

### Retail Banking

Retail Liability book of the Bank as on March 31, 2024 stands at ₹ 1,98,676 million with a net addition of ₹ 52,022 million total deposits during the Financial Year 2023-24. YoY growth in liability book is 35%. CASA ratio improved from 21.39% in Financial Year 2023 to 22.66% in Financial Year 2024 with CASA book of ₹ 45,018 million as on March 31, 2024. Total Non-Resident deposit book stands at ₹ 40,956 million. The aggregate number of Banking Outlets (BOs) as on March 31, 2024, stands at 753 numbers which includes 198 banking outlets opened in Unbanked Rural Centres (URC). In Financial Year 2023-24, Bank opened 53 new branches and out of total 753 Banking Outlets, 198 Banking Outlets are in URC, 77 Banking Outlets in Metro, 152 Banking Outlets in Urban, 305 Banking Outlets in Semi Urban and remaining 21 Banking Outlets servicing in Rural Centres. 26% of our Banking Outlets are opened in URCs which is in line with RBI mandated guidelines to have minimum 25% of Banking Outlets in unbanked rural centres. Total number of ATMs stands at 614 as on March 31, 2024 and net addition in Financial Year 2023-24 was 14.

### 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.

The 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) category.

As on March 31, 2023, the total investment in securities was ₹ 49,905 million, which increased by 12.67% to ₹ 56,229 million as on March 31, 2024. The Bank has generated income from investment of ₹ 3,529 million and ₹ 972 million from AD-II foreign exchange activities for the Financial Year ended March 31, 2024. 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 has started AD-1 operations from April 01, 2024.

## 5. IT Initiatives

**Technology driven business model with a myriad basket of IT centric 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 unified payment interface based mobile applications. The Bank's account opening, and loan underwriting processes have been digitalised by using tablets, which brought down the turnaround time and offers 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 ATM-cum-debit 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 Micro Loan disbursals.

The Bank has a digitalised central credit-processing unit for its micro loans and have implemented all Micro Banking Loan Documents in Vernacular Languages. The Bank has enabled a Digital Receipt

## DIRECTORS' REPORT (CONTD.)

Printing facility right after Collection is completed in the field. The customer onboarding process has been predominantly digitalised for its micro loans. 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 implemented electronic signing for micro loans, 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 requests from customer. 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:** 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), additional SMS and e-mail notifications on both successful and failed login attempts in CIB.

### IT and Digital Transformation

IT and Digital Transformation (***StratoNeXt***) department plays a pivotal role in modernising the Bank's technological infrastructure and driving digital innovation. With a dedicated team of experts, the Bank focuses on leveraging cutting-edge technologies to enhance operational efficiency and deliver superior customer experiences. As the banking sector continues to evolve in the digital age, the role of the IT and Digital Transformation department becomes increasingly critical in ensuring the Bank remains competitive and responsive to changing market dynamics.

As part of its commitment to keeping pace with the Bank's growth and evolving customer preferences, the Bank initiated a comprehensive review of its existing IT and digital processes, designs, and architectures.

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### KEY FOCUS AREAS FROM THE ASSESSMENT

1

**DIGITAL-FIRST APPROACH**

Implement a digital-first approach for products and services to improve the bank's interaction with customers and the overall ecosystem.

2

**TECHNOLOGY STACK TRANSFORMATION**

Overhaul the current technology stack and establish new capabilities by embracing open and interoperable systems and adopting a Cloud-first architecture.

3

**FUTURE-READY CAPABILITIES**

Develop future-ready capabilities, including data engineering, integrated data for risk analysis, a skilled workforce, and a culture of continuous innovation.

### STRATEGIC APPROACH FOR DIGITAL TRANSFORMATION

**Developing Bank's internal IT & Digital capability**

Establish a comprehensive IT practice internally, aimed at empowering its IT team with the necessary skills and competencies to operate efficiently within the bank's ecosystem. By fostering subject matter expertise in domains such as IT service management, governance, and relevant technologies, the bank seeks to lay a strong foundation for sustainable growth and innovation.

**Reducing Single Vendor Dependency**

Transitioning from the Bank-in-a-Box model aims to reduce reliance on single vendors, providing the bank with greater control over its IT systems and aligning with contemporary regulatory mandates. This shift enhances operational flexibility and resilience while mitigating risks associated with vendor dependencies.

**Process Reengineering**

Reengineering or upgrading business processes focuses on leveraging the latest technology to enhance customer delight and improve business outcomes through streamlined processes and technological advancements. This initiatives seeks to optimize efficiency and agility across the organization's operational workflows.

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**Better regulatory compliance**

Prioritzing regulatory compliance, particularly in area such as data security, cybersecurity, and information security, underscores the bank's commitment to upholding regulatory standards from the outset. This agile approach ensures proactive adherence to evolving compliance requirements, safeguarding the bank's reputation and integrity.

**Simplified & seamless customer journeys**

Designing end-to- end customer journeys that are simple and intuitive enhance the overall customer experience, fostering loyalty and satisfaction.seamlessintegration of applications minimizes friction points and enhance operational efficiency while ensuring compliance with regulatory framework.

**Operational efficiency**

Driving enhanced level of automation using existing and new application optimizes processes and resources effectively, improving operational efficiency and cost - effectiveness.robustbgovernance mechanism ensure accountability and transparency, facilitating continuous improvement and operational excellence.

**Digital first**

Emphasizing digital provisioning of product and service serves as a key acquisition tool and enhances servicing for existing customers. This digital- first approach aligns with evolving customer preferences and positions the bank as a leader in the digital banking landscape

**Customer experience**

Exploring new ways to build strong relationships with customers and improve engagement and experience ia paramount. Leavraging data-driven products and services foster long- term relationships and enhances overall customer experience, driving loyalty and retention

**Component outsourcing**

Outsource IT & digital components to capable and competent third party, thereby retaining the ownership with bank and at the same time enjoying dedicated/expert service from the third party

## DIRECTORS' REPORT (CONTD.)

Looking ahead, StratoNeXt remains steadfast in its commitment to driving innovation, enhancing customer experiences, and fostering operational excellence through its IT and Digital transformation initiatives. In the coming years, StratoNeXt will continue to prioritise the execution of its Programme, focusing on completing key IT and digital projects outlined in the strategic roadmap. This includes seamlessly integrating cutting-edge technologies, optimising operational processes, and enhancing digital capabilities to meet evolving customer expectations.

As StratoNeXt moves forward, collaboration and stakeholder engagement will remain central to its approach. StratoNeXt will continue to work closely with internal teams, technology partners, and key stakeholders to drive alignment, foster innovation, and deliver tangible results.

In conclusion, StratoNeXt is well-positioned to navigate the challenges and opportunities presented by the rapidly evolving digital landscape. By staying agile, customer-centric, and innovative, the Bank is confident in its ability to achieve strategic objectives and deliver sustainable value to all stakeholders. The Bank looks forward to the exciting journey ahead as it continues to drive positive change and shape the future of banking through IT and Digital transformation initiatives.

### 6. Customer Service Quality

The Bank is working towards being one of the best Social Bank in India for providing the best customer experience. The Bank has a Grievance Redressal Mechanism and Policy in line with guidelines of Reserve Bank of India which aims at resolution of queries and complaints with customer satisfaction. The Customer Service Quality department apprises the Board for review periodically about grievance handling and other initiatives undertaken for the improvement of overall quality in Customer Service.

The Bank has enabled different channels for its customers to get connected for communication like Toll free 24-hour Call Centre with multi language and interactive voice recognition facility, Website communication link for grievances, Branches and Escalation matrix with phone numbers, Customer care emails, Complaint box, Complaint registers etc. Customer feedbacks in the form of surveys are conducted periodically to review the satisfaction levels of customers across the geography.

Branch level Customer Service Committee, Standing Committee on Customer Service, Customer Service Committee of the Board etc. are few areas for review of the effectiveness of Customer Service of the Bank at different hierarchy levels.

ISO 9001:2015 recertification for Customer Service Quality functions, NIL awards from the Banking Ombudsman, bagging Best Customer Experience Bank of the Year award at India CX Summit and Awards, engaging branches for internal contest on customer service quality – Customer Service Excellence awards, Workplace transformation in branches through Five-S to improve service quality and increase productivity, Staff motivation e-mail series on customer experience etc., were some of the initiatives undertaken by the Customer Service Quality department of the Bank during the Financial Year 2023-2024.

### 7. 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 compliances, correspondence with the RBI, vetting the guidelines/ circulars issued, new product and processes, for compliance with regulatory guidelines, vetting of the 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.

### 8. 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. Pursuant

to Regulation 21 of the SEBI Listing Regulations and the applicable guidelines of the Reserve Bank of India, the Board of the Bank has constituted a Risk Management Committee of the Board which 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 has 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.

## 9. Human Resources Initiatives

As on March 31, 2024, the total number of employees of the Bank was 5,967. The Bank believes its employees are one of the most important assets and that a content and happy workforce will deliver the joy of banking to our customers and drive our performance.

Internal promotions are conducted every year based on a well-defined process, published in advance to make the process fully transparent. Promoted employees are given special training on leadership and team building. The Bank recognises the importance of continuous learning and has adopted a comprehensive learning and development policy.

Each employee onboarded has to mandatorily undergo a minimum of two weeks' training, which includes on-the-job training in Microfinance at the Banking Outlets. After the on-the-job training at the Banking Outlets, they are given one week's residential induction training and also another week's training on Core Banking Solutions software.

The Bank has facilitated a culture of self-learning for its employees by establishing an online learning portal, ESAF Small Finance Bank Online Academy. The Bank conducts various topic-based training sessions for its employees and also has tie-ups with coaching institutes in multiple locations for approved certification courses at concessional fees for employees and gives incentives to those employees who pass those courses. The Bank also regularly nominates senior staff to attend programmes arranged by certain financial educational institutes.

The Bank is committed in attracting and retaining the right human talents and developing their capabilities and culture to meet the market demands that are continually changing. The human resource department of the Bank is committed to:

- Ensuring a work environment that attracts, retains and trains potential and performing employees.
- Fostering a work environment that promotes employees to be:
  - Competent
  - Committed
  - Contributing
  - Customer Centric
  - Collaborative
  - Content
  - Continuous Learners
- Facilitating the continuous performance of employees through objectives which are monitored, reviewed and improved.
- Satisfying all relevant customer, statutory and regulatory requirements.

Human Resource Department of the Bank has been assessed and found to conform to the requirements of ISO 9001:2015 to provide quality service to all employees and support and motivate them to continually improve their performance.

## 10. Information Security and Cyber Security Risk Management

The Bank has a specialised Information Security Division within its Risk Management Department,

which is supervised by the Chief Information Security Officer, who reports directly to the Chief Risk Officer. The approval of the Information Security Policy and Cyber Security Policy by the Board of Directors establishes the framework for managing information technology risks and supervising security administration. Oversight of Information Security is led by the Board of Directors, with support from the Information Technology Strategy Committee and the Executive Level Information Security Governance Committee.

The Bank maintains a Security Operation Centre (SOC) and ensures 24/7 surveillance and stays consistently updated on the latest cyber threats. It utilises multiple monitoring tools to identify, track, record and analyse security events or incidents in real–time within IT environment.

The Bank's established plan for increasing information security awareness covers all stakeholders including customers, employees, vendors, and business channel partners. The Bank is disseminating alert message through different platforms including social media. Regular trainings are conducted through its learning platform as well as direct training sessions. The activities ensure the fostering of a culture of cyber security vigilance among all the stakeholders of the Bank.

The Bank is committed to ensuring data privacy of its customers, employees, and stakeholders. It is actively pursuing initiatives to strengthen and enhance its data privacy practices.

Utilising industry-leading practices, the Bank upholds the safety and security of customer transactions, data privacy, and information integrity across all data states: at rest, in use, and in transit. Additionally, it engages in partnerships with regulatory bodies like CSITE, RBI, CERT-In, IDRBT, and others to stay abreast of security incidents, protocols, and regulatory requirements.

## 11. 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 are 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 the 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.

## 12. 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 in the process of implementing necessary changes in its IT systems, wherever required and other processes in a phased manner.

## DIRECTORS' REPORT (CONTD.)

### 13. 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 2023-24:

| Amount Transferred to | ₹ in million. |
|---|---|
| Statutory Reserve | 1,064 |
| Capital Reserve | 10 |
| Investment Fluctuation Reserve | 29 |

### 14. Dividend

In accordance with Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations"), the Board of the Bank has formulated and adopted a Policy on Dividend Distribution, which is available on the website of the Bank at https://www.esafbank.com/wp-content/uploads/2024/05/Policy_for_Dividend_Distribution.pdf. In view of the overall performance the Board of Directors of the Bank in their meeting held on May 08, 2024, recommended a final dividend of ₹ 0.7 per equity share for the Financial Year 2023-24. The dividend, if approved by the members, in the ensuing Eighth Annual General Meeting of the Bank would entail a payout of approximately ₹ 360 million based on the capital as of March 31, 2024. The dividend would be paid to all the equity shareholders, whose names would appear in the Register of Members/ list of Beneficial Owners on the Record Date fixed for this purpose i.e. August 07, 2024.

### 15. Change in the Nature of Business

There was no change in the nature of business of the Bank during the Financial Year 2023-24.

### 16. Listing of Equity Shares of the Bank

In the Financial Year 2023-24, the Bank successfully completed its Initial Public Offer (IPO) of 7,73,56,059 Equity Shares of face value of ₹ 10 each for cash at a price of ₹ 60 per equity share (including a share premium of ₹ 50 per equity share) aggregating to ₹ 4,630 million comprising a fresh issue of 6,53,06,060 equity shares aggregating to ₹ 3,907 million and an offer for sale of 1,20,49,999 equity shares aggregating to ₹ 723 million, comprising 82,10,000 equity shares aggregating to ₹ 492.60 million by M/s. ESAF Financial Holdings Private Limited, the Promoter Selling Shareholder, and 21,11,666 equity shares aggregating to ₹ 126.70 million by PNB Metlife India Insurance Company Limited and 17,28,333 equity shares aggregating to ₹ 103.70 million by Bajaj Allianz Life Insurance Company Limited. The offer included a reservation of 22,72,727 equity shares, aggregating to ₹ 125 million, for subscription by eligible employees ("employee reservation portion"). The offer was opened on November 03, 2023 and closed on November 07, 2023. The issue was oversubscribed by 77 times. The equity shares of the Bank were listed and admitted for dealings with BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on November 10, 2023. The shares were listed at ₹ 71.90 on BSE Limited and at ₹ 71 on National Stock Exchange of India Limited, at a premium of 19.83% and 18.33% respectively.

### 17. Capital and Debt Structure

#### a. Share Capital

There were no changes in the Authorised Capital of the Bank during the Financial Year 2023-24.

As on March 31, 2024, Authorised Capital of the Bank was ₹ 6,00,00,00,000 (Rupees Six Hundred crore) divided into 60,00,00,000 (Sixty crore) Equity Shares of ₹ 10 (Rupees Ten) each.

During the year, the Bank had allotted 6,53,06,060 equity shares of ₹ 10 each at an issue price of ₹ 60 per equity share (including premium of ₹ 50 per equity share) by way of Initial Public Offer made by the Bank (employees were given a discount of ₹ 5 per share). After the allotment of the aforesaid equity shares, the total issued, subscribed and paid-up share capital of the Bank as at March 31, 2024, stands at ₹ 5,14,77,98,580/- (Rupees Five Hundred and Fourteen Crore Seventy-Seven Lakhs Ninety-Eight Thousand Five Hundred and Eighty only) divided into 51,47,79,858 (Fifty-One Crore Forty-Seven Lakhs Seventy-Nine Thousand Eight Hundred and Fifty-Eight) Equity Shares of ₹ 10 (Rupees Ten) each.

#### b. Debt Capital

Based on the shareholders' approval dated December 13, 2022 to raise funds through private placement of Unsecured, Rated, Redeemable Non-Convertible Debentures (NCDs), the Bank made the following allotment of Non-Convertible Debentures having a face value of ₹ 1,00,000 (Rupees One Lakh) during the Financial Year 2023-24:

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| Sl. No. | Date of Allotment | Aggregate amount (₹ in million) |
|---|---|---|
| 1. | September 04, 2023 | 850 million |
| **TOTAL** | | **850 million** |

Further, the Bank, pursuant to a resolution passed by the Board of Directors in the meeting held on August 11, 2023, considered and approved the proposal to raise funds by way of issue of Unsecured, Rated, Redeemable Tier II bonds (in the form of Non-Convertible Debentures), aggregating up to ₹ 5000 million (Rupees Five Thousand Million Only) on a private placement basis, in one or more tranches, in compliance with all applicable directions and regulations of the Reserve Bank of India, SEBI, other governmental authorities, and any other person, as may be required/ applicable. The Bank through notice dated December 04, 2023 sought the shareholders' approval for the aforesaid issue and the resolution was approved on December 29, 2023.

Pursuant to the aforesaid approval, the Bank made following allotments of Non-Convertible Debentures (NCDs) having a face value of ₹ 1,00,000 (Rupees One Lakhs), during the Financial Year 2023-24:

| Sl. No. | Date of Allotment | Aggregate amount (in ₹) |
|---|---|---|
| 1. | February 29, 2024 | 600 million |
| 2. | March 20, 2024 | 1,350 million |
| **TOTAL** | | **1,950 million** |

### 18. 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, 2024 is 23.27%, as against the minimum requirement of 15.00% stipulated by the Reserve Bank of India.

### 19. 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.

### 20. Share Based Employee Benefits

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 ESAF 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 ESAF ESOP 2019 Scheme, to the employees identified under the implementation guidelines for ESAF ESOP 2019 as per the terms of granting. However, no ESOP was granted or exercised during the Financial Year 2023-24.

In accordance with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, the shareholders in the seventh Annual General Meeting of the Bank held on December 29, 2023, ratified the ESAF ESOP 2019.

## DIRECTORS' REPORT (CONTD.)

### 21. Credit Rating

Credit ratings assigned to various debt instruments of the Bank during the Financial Year ended March 31, 2024 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 | 3,800 | CARE A; Stable (Single A; Outlook: Stable) | February 22, 2024 |
| 2. | Tier-II Bonds | Brickwork Ratings India Private Limited | 200 | BWR A / Negative | December 28, 2022 |

### 22. 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, Section 178 of the Companies Act, 2013 and SEBI Listing Regulations, the Bank has formulated and adopted a Nomination Policy for selection and appointment/ re-appointment/ removal of Directors, which is disclosed on the Bank's website (https://www.esafbank.com/wp-content/uploads/2024/05/Nomination_Policy.pdf). 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 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 04th November 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 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 on social transformation and community development.

## 23. Board of Directors

The composition of the Board of Directors of the Bank is in conformity with the Companies Act, 2013, the Banking Regulation Act, 1949 and SEBI Listing Regulations. As of March 31, 2024, the Board of Directors comprised a combination of ten directors out of which there were six Independent Directors including a Woman Independent Director, two Non-Executive Nominee Directors, one Non-Executive Director and one Executive Director. The size of the Board 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

Pursuant to Section 152 of the Act and Articles of Association of the Bank, 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. The provisions of retirement of Directors by rotation shall not be applicable to Independent Directors and Executive Directors.

Accordingly, Shri. Ajayan Mangalath Gopalakrishnan Nair (DIN: 09782416), Non-Executive Nominee Director of the Bank, who retires by rotation as Director, at the conclusion of this Annual General Meeting and who has offered himself for re-appointment, is proposed to be re-appointed.

### Change in Directors during the Financial Year 2023-24

- **Appointment of Prof. Biju Varkkey as Non-Executive Independent Director of the Bank**

  The Board of Directors in their meeting held on August 11, 2023, had appointed Prof. Biju Varkkey (DIN: 01298281) as Additional Director (Independent Director) of the Bank in terms of Section 149 and 161 of the Companies Act, 2013, with effect from August 17, 2023, considering his vast knowledge and experience in the field of Banking and Human Resources.

  The Shareholders in the 07th Annual General Meeting of the Bank held on December 29, 2023, approved the appointment of Prof. Biju Varkkey as the Non-Executive Independent Director of the Bank, for a period of three consecutive years with effect from August 17, 2023 up to August 16, 2026.

- **Retirement of Dr. Joseph Vadakkekara Antony as the Non-Executive Independent Director of the Bank**

  Dr. Joseph Vadakkekara Antony (DIN: 00181554), Non-Executive Independent Director of the Bank, retired from his directorship on completion of two terms as Independent Director on August 16, 2023. The Board of Directors of the Bank placed on record their appreciation for the invaluable contributions during his tenure as Director of the Bank.

- **Appointment of Dr. Joseph Vadakkekara Antony as Non-Executive Director of the Bank**

  The Board of Directors in their meeting held on November 18, 2023, had appointed Dr. Joseph Vadakkekara Antony (DIN: 00181554) as Additional Director (Non-Executive Director) of the Bank in terms of Section 161 of the Companies Act, 2013, with effect from November 18, 2023, considering his vast knowledge and experience

in the field of Banking, Human Resources, Law and Economics.

The Shareholders in the 07th Annual General Meeting of the Bank held on December 29, 2023, approved the appointment of Dr. Joseph Vadakkekara Antony as the Non-Executive Director of the Bank, for a period of two consecutive years with effect from November 18, 2023 up to November 17, 2025.

### 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 2023-24 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 Directors 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 https://www.esafbank.com/pdf/corporate-governance/Familiarisation%20Programme%20for%20Independent%20Directors.pdf

## 24. 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 Companies Act, 2013, 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 including Chairman and Managing Director and CEO, Committees of the Board, 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 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. 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.

## 25. 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 2023-24 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. (https://www.esafbank.com/pdf/policies/other-

## DIRECTORS' REPORT (CONTD.)

disclosures/Code%20of%20Conduct%20for%20Directors%20and%20Senior%20Management%20v1.pdf)

### 26. 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. (https://www.esafbank.com/pdf/policies/other-disclosures/Terms%20and%20conditions%20of%20appointment%20of%20Independent-Directors.pdf)

### 27. 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.

### 28. 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 2023-24 has been annexed to the Annual Report.

Shri. M. Vasudevan, Secretarial Auditor of the Bank, has issued a certificate confirming compliance with the provisions of Corporate Governance by the Bank for Financial Year as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V to the SEBI Listing Regulations, and the same is attached along with the Report on Corporate Governance.

### 29. Management's Discussion and Analysis Report

The Management's Discussion and Analysis Report as stipulated under Regulation 34(2)(e) of the SEBI Listing Regulations, forms part of this Annual Report.

### 30. Meetings of the Board

The Board of Directors met Sixteen (16) times during the Financial Year 2023-24.

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 2023-24. During the year, Shri. Ravimohan Periyakavil Ramakrishnan, Dr. Vinod Vijayalekshmi Vasudevan and Prof. Biju Varkkey had sought leave of absence from one (1) meeting each, of the Board of Directors.

As on March 31, 2024, the Bank had Ten (10) 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. | High Value Fraud Monitoring Committee of the Board (HVFMCB) |
| 9. | Stakeholders Relationship Committee of the Board (SRCB) |
| 10. | Human Resource Committee of the Board (HRCB) |

**Note**: *IPO Steering Committee of the Board (IPOSCB) was dissolved upon successful completion of listing of equity shares of the Bank on November 10, 2023.*

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 2023-24.

## 31. Meeting of Independent Directors

In terms 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 2023-24, the Independent Directors of the Bank met on March 26, 2024, chaired by Shri. Ravimohan Periyakavil Ramakrishnan and attended by all the Independent Directors of the Bank.

## 32. 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. | Shri. Kadambelil Paul Thomas | Managing Director and CEO |
| 2. | Shri. Gireesh C. P. | Chief Financial Officer |
| 3. | 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 K John | Executive Vice President |
| 2. | Shri. George Thomas | Executive Vice President |
| 3. | Shri. Hari Velloor | Executive Vice President |
| 4. | Shri. Hemant Kumar Tamta | Executive Vice President |
| 5. | Shri. Wilson Cyriac | Chief Risk Officer |
| 6. | Shri. E. A. Jacob | Chief of Internal Vigilance |
| 7. | Shri. Sivakumar P. | Head – Internal Audit |
| 8. | Shri. Sudev Kumar V. | Chief Compliance Officer |

Following changes took place in the list of Key Managerial Personnel during the Financial Year 2023-24:

| Sl. No. | Name of the Key Managerial Person | Nature of Change |
|---|---|---|
| 1. | Shri. Antoo P.K. | Shri. Antoo P. K., Head of Internal Audit Department of the Bank, ceased to be the Key Managerial Person of the Bank with effect from the close of business hours on March 31, 2023, due to completion of his employment contract. The Board placed on record its appreciation for the invaluable contribution rendered by him during his tenure as Head of Internal Audit. |
| 2. | Shri. Sivakumar P. | Shri. Shivakumar P. was appointed as the Head of Internal Audit Department of the Bank with effect from April 01, 2023, for a period of three years and was designated as a Key Managerial Person of the Bank pursuant to Section 2(51) and other applicable provisions of the Companies Act, 2013. |

## 33. 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.

## 34. 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:

i) In the preparation of the annual accounts for the year ended March 31, 2024, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii) 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, 2024 and of the profit of the Bank for the year ended on that date;

iii) 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;

iv) Annual accounts have been prepared on a going concern basis;

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.

## 35. 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 ("CSRSCB") Committee of the Board.

### 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. 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 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 believe that the social, environmental, and economic outcomes of the Bank's business create synergies that have an amplified impact on our stakeholders of the Bank. 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 the 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 the Bank's triple bottom line approach, including an Environmental, Social and Governance ("ESG") policy. Pursuant to the ESG policy, the Bank is 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 won the "Global Sustainability Award 2020" for outstanding achievements in sustainability management by the Energy and Environment Foundation. The Bank's ESG Grading scores from CARE Advisory Research & Training Limited in its report titled "ESG Grading Report of ESAF Small Finance Bank" published in June, 2023 were: (i) 62% for the Environmental pillar, with remarks including The Bank's commitment to green finance and environment conscious operations; (ii) 68% for the Social pillar, with remarks including that, the Bank has demonstrated healthy labour management practices, including the implementation

of various policies that embody international and national Human Rights standards; and (iii) 76% for the Governance pillar, with remarks including that, the Bank has aligned with leading governance practices, such as adequate independence of the Board (66% independent members on the Board) and committee levels. The Bank received a rating of CareEdge ESG 3 (good), with an overall score of 71 compared with the industry average overall score of 59.8. CARE Advisory Research & Training Limited's ESG specialist team undertook the ESG Grading of the Bank during May, 2023. 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.
- 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 the 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 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 and other priority segments aligning its focus to the 17 Sustainable Development Goals (SDGs) as adopted by the United Nations, by setting targets linking to SDGs and monitoring the same for a significant participation to the achievement of SDGs. The Bank has engaged ESAF Foundation (formerly known as Evangelical Social Action Forum) and Prachodhan Development Services for implementing the CSR projects approved by the Board.

The Bank's CSR Projects and CSR Project Expenditure for Fiscal Year 2023-24 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 2023-24, the Bank has allocated ₹ 12,25,00,000 towards CSR expenditures, as against the allocation of ₹ 8,26,00,000 for the Financial Year 2022-23. 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 2023-24. 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 2023-24, which were transferred to the Unspent CSR Account Financial Year 2023-24 on March 31, 2024. 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, the Bank has 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. The CSR Policy of the Bank is available on the Bank's website. (https://www.esafbank.com/pdf/policies/CSR%20Policy.pdf)

## DIRECTORS' REPORT (CONTD.)

### 36. 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 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 2023-24.

BRSR for Financial Year 2023-24 is a part of the Annual Report of the Bank and is also available on the Bank's website.

### 37. 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 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 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 2023-24, two (2) complaints were received and the same was disposed of.

### 38. 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:<br>MD & CEO: 53 times<br>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 – 12.08%<br>• Chief Financial Officer – 13.59%<br>• Company Secretary – 35.78% |
| iii) | The percentage increase in the median remuneration of employees in the financial year; | 7.23% |
| iv) | The number of permanent employees on the rolls of the Bank as on March 31, 2024; | 5,967 |
| 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 16% was made to the salaries of employees other than the managerial personnel and 12% 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 Lakhs rupees; | Shri. Kadambelil Paul Thomas, Managing Director and CEO of the Bank, was paid an aggregate remuneration of ₹ 3,30,08,986/- (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 Lakhs 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 |

### 39. 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 2023-24, five (5) 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 policy is available on the official website of the Bank. (https://www.esafbank.com/pdf/policies/Whistle%20Blower%20Policy.pdf)

### 40. 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. (https://www.esafbank.com/wp-content/uploads/2024/05/Policy_for_Monitoring_of_Insider_Trading.pdf)

### 41. 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, the Bank is required to appoint Joint 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.

Accordingly, the shareholders of the Bank in the sixth Annual General Meeting held on December 13, 2022, and seventh Annual General Meeting held on

## DIRECTORS' REPORT (CONTD.)

December 29, 2023, had appointed M/s. Abarna and Ananthan, Chartered Accountants (Firm Registration Number: 000003S) and M/s. Kirtane and Pandit, Chartered Accountants (Firm Registration Number: 105215W/ W100057) respectively, as Joint Statutory Auditors of the Bank for a period of three Financial Years. The appointment is subject to approval of the Reserve Bank of India every year.

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.

The Shareholders in the 7th Annual General Meeting held on December 29, 2023 had approved an aggregate professional fee of ₹ 8 million plus GST and reimbursement of reasonable out of pocket expenses per Financial Year, to be allocated by the Bank between M/s. Abarna and Ananthan and M/s. Kirtane and Pandit, Chartered Accountants, depending on roles and responsibilities and the scope of work undertaken by each of them during the course of audit.

### 42. 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 December 26, 2023 has appointed Shri. M. Vasudevan, FCS, Practicing Company Secretary (COP: 2437), Thrissur, holding Membership No: F 4177 for a fourth term to conduct a Secretarial Audit of the Bank for the Financial Year 2023-24 and to hold the office till the conclusion of eighth Annual General Meeting of the Bank. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark and the report for the Financial Year 2023-24 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.

### 43. Particulars of contract or arrangements with Related Parties

During Financial Year 2023-2024, all the 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.

### 44. 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 2023-24 will be hosted on the Bank's website at www.esafbank.com/investor-relations-info/.

### 45. Details in respect of frauds, if any, reported by Auditors:

During the Financial Year 2023-24, no instances of fraud committed by its officers or employees were reported by the Joint Statutory Auditors or the Secretarial Auditors of the Bank.

### 46. 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 the Companies Act, 2013, Securities and Exchange Board of India Regulations and Guidelines of Reserve Bank of India.

### 47. Information as per Section 134 (3) (q) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014

i) As part of the ESG initiatives of the Bank, the Bank has taken various steps for conservation of energy and technologically driven business. The details of the same are provided in the Business Responsibility and Sustainability Report forming part of the Annual Report.

ii) During the Financial Year 2023-24, the Bank had foreign currency expenditure of ₹ 86,52,450.94/- and there were no foreign currency earnings during the period.

## DIRECTORS' REPORT (CONTD.)

### 48. 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 2023-24 and the date of this report, affecting the financial position of the Bank.

### 49. 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.

### 50. 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.

### 51. 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.

### 52. Loans / Guarantees / Investments

Being a Banking Company, the provisions of Section 186 of the Companies Act, 2013 is not applicable.

### 53. 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.

### 54. 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.

### 56. Despatch 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, 2024, 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/.

### 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. | 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 Ltd. (the Bank) for non-compliance with the directions issued by RBI on 'Customer Service in Banks'. |
| 2. | 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. |

**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**
**Part-Time Chairman**

**Sd/-**
**Kadambelil Paul Thomas**
**DIN: 00199925**
**Managing Director & CEO**

Date: May 08, 2024
Place: Thrissur

# ANNEXURE – I

## ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2023-24

### 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.

### 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. Gabriel John Samuel | Chairman (Non-Executive Nominee Director) | 2 | 2 |
| 2. | Shri. Kadambelil Paul Thomas | Member (Managing Director and CEO) | 2 | 2 |
| 3. | Ms. Kolasseril Chandramohanan Ranjani | Member (Non-Executive Independent Director) | 2 | 2 |
| 4. | Dr. Joseph Vadakkekara Antony | Member (Non-Executive Director) | 1* | 1 |

**Dr. Joseph Vadakkekara Antony was included as a member of the Committee with effect from November 18, 2023.*

### 3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the company.

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.

Not applicable, since none of the projects undertaken by the Bank in the past that has completed one year, has a project outlay of ₹10 million or more.

However, the Bank has undertaken an Impact Assessment through an Independent Agency for all the projects in the Financial Years up to 2021-22 voluntarily. CSR impact assessment works for FY 2022-23 are in progress. Furthermore, the Bank plans to undertake the same activity for the Financial Year 2023-24, depending on the completion of the project. Impact Assessment Reports and Sustainability Reports are available in Bank's website at www.esafbank.com.

### 5. (a) Average Net Profit of the Company as per Section 135(5)

**₹ 2,44,93,94,033**

### (b) Two percent of Average Net Profit of the Company as per Section 135(5)

**₹ 4,89,87,881**

### (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

**NIL**

## ANNEXURE – I (CONTD.)

**(e) Total CSR obligation for the Financial Year**

**As per the provisions of the Companies Act, 2013, the CSR obligation of the Bank is ₹ 4,89,87,881**

**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 ₹12,25,00,000 towards CSR expenditures for the Financial Year 2023-24.**

**6. Amount spent on CSR Projects (both ongoing and other than ongoing projects)**

**₹ 11,38,38,250**

**(b) Amount spent in Administrative Overheads**

**₹ 49,77,943.15**

| Sl. No. | Years | Indirect Cost |
|---|---|---|
| 1 | 2022-23 | ₹25,55,178.15 |
| 2 | 2023-24 | ₹ 24,22,765 |
| **Total** | | **₹ 49,77,943.15** |

**(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 2023-24, a total amount of ₹ **₹ 11,38,38,250/-** was spent on CSR projects as given below:

| Particulars | Amount |
|---|---|
| Amount spent on ongoing projects pertaining to Financial Year 2022-23 | ₹ 6,06,40,295 |
| Amount spent on ongoing projects pertaining to Financial Year 2023-24 | ₹ 5,31,97,955 |
| **Total** | **₹ 11,38,38,250** |

**(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 second proviso to section 135(5) | | |
| | Amount | Date of Transfer | Name of the Fund | Amount | Date of Transfer |
| ₹5,31,97,955 | ₹5,12,50,000 | March 30, 2024 | 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) | ₹4,89,87,881 |
| (ii) | Total amount spent for the Financial Year | ₹11,38,38,250 |
| (iii) | Excess amount spent for the Financial Year [(ii) – (i)] | ₹6,48,50,369 |
| (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)] | ₹6,48,50,369 |

## 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 ₹)** | **Balance Amount in Unspent CSR Account under subsection (6) of section 135 (In ₹)** | **Amount Spent in the Financial Year (in Rs)** | **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 | ₹5,80,45,000 | NIL | ₹6,06,40,295 | NIL | NIL | NIL |
| 3 | 2023-24 | ₹5,12,50,000 | ₹5,12,50,000 | ₹5,31,97,955 | 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 | Details of entity/ authority/ beneficiary of the registered owner | | |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | | |
| | | | | | CSR Registration Number, if applicable | Name | Registered Address |
| 1. | Toilet Construction at St. Marys LP School, Edakulam, Thrissur, Kerala (CSR 2022-23) | 680688 | October 26, 2023 | ₹2,50,000 | Implemented by the Bank directly | NA | NA |
| 2 | 5KW On- Grid Solar installation at HCC GUPS Cherlayam, Thrissur, Kerala (CSR 2022-23) | 680503 | June 05, 2023 | ₹3,16,000 | Implemented by the Bank directly | NA | NA |
| 3 | 5KW On- Grid Solar installation at CNN Boys High School, Cherpu, Thrissur, Kerala (CSR 2022-23) | 680561 | June 05, 2023 | ₹3,16,000 | Implemented by the Bank directly | NA | NA |
| 4 | 5KW On- Grid Solar installation at VPM SNDP HSS, Kazhimbram, Thrissur, Kerala (CSR 2022-23) | 680568 | June 05, 2023 | ₹3,16,000 | Implemented by the Bank directly | NA | NA |
| 5 | Dental OPG X-Ray Installation at St. John's Hospital, Bangalore, Karnataka (CSR 2022-23) | 560034 | August 25, 2023 | ₹14,00,000 | Implemented by the Bank directly | NA | NA |
| 6 | 5KW On- Grid Solar installation at Vivekodayam BHSS, Thrissur, Kerala (CSR 2022-23) | 680001 | June 05, 2023 | ₹3,16,000 | Implemented by the Bank directly | NA | NA |

**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 | Details of entity/ authority/ beneficiary of the registered owner | | |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | | |
| | | | | | CSR Registration Number, if applicable | Name | Registered Address |
| 7 | 5KW On- Grid Solar installation at AUPS Marottichal, Thrissur, Kerala (CSR 2022-23) | 680014 | June 05, 2023 | ₹3,16,000 | Implemented by the Bank directly | NA | NA |
| 8 | 5KW On- Grid Solar installation at UPS Thrithallur, Thrissur, Kerala (CSR 2022-23) | 680619 | June 05, 2023 | ₹3,16,000 | Implemented by the Bank directly | NA | NA |
| 9 | 5KW On- Grid Solar installation at Vanivilasam UPS, Padoor, Thrissur, Kerala (CSR 2022-23) | 680524 | June 05, 2023 | ₹3,16,000 | Implemented by the Bank directly | NA | NA |
| 10 | Purchasing of Eeco Ambulance for Snehalayam, Mundathicode, Thrissur, Kerala (CSR 2022-23) | 680601 | August 01, 2023 | ₹7,20,312 | Implemented by the Bank directly | NA | NA |
| 11 | Purchasing of Eeco Ambulance for Perpetual Succour Charitable Trust, Maradu, Ernakulam, Kerala (CSR 2022-23) | 682304 | November 21, 2023 | ₹7,67,300.50 | Implemented by the Bank directly | NA | NA |
| 12 | Extension of mezzanine floor (Reading Room) at Janodhayam Grandhalayam, Valkulambu, Palakkad, Kerala (CSR 2022-23) | 678684 | August 05, 2023 | ₹4,50,233 | Implemented by the Bank directly | NA | NA |
| 13 | Health Service vehicle (Bolero Neo) for Family Health Centre, Kizhakkencheri, Palakkad, Kerala (CSR 2022-23) | 678684 | October 04, 2023 | ₹11,89,791 | Implemented by the Bank directly | NA | NA |
| 14 | Water Purifier and Cooler for St. Thomas School, Dhurwa, Ranchi, Jharkhand (CSR 2022-23) | 834004 | November 30, 2023 | ₹72,800 | Implemented by the Bank directly | NA | NA |
| 15 | Advanced nursing and wound care mannequin for training at Kancare Foundation, Kakkanad, Ernakulam, Kerala (CSR 2022-23) | 682037 | August 18, 2023 | ₹1,22,332 | Implemented by the Bank directly | NA | NA |

## 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 | Details of entity/ authority/ beneficiary of the registered owner | | |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | | |
| | | | | | CSR Registration Number, if applicable | Name | Registered Address |
| 16 | 5KW On- Grid Solar and UPS installation at CAHSS, Ayakkad, Palakkad, Kerala (CSR 2022-23) | 678683 | September 05, 2023 | ₹5,57,464 | Implemented by the Bank directly | NA | NA |
| 17 | 5KW On- Grid Solar installation at CSI Karunalayam, Ernakulam, Kerala (CSR 2022-23) | 683101 | December 19, 2023 | ₹3,24,663.80 | Implemented by the Bank directly | NA | NA |
| 18 | Water Purifier Installation at Bharata Mata College, Thrikkakara, Ernakulam, Kerala (CSR 2022-23) | 682021 | November 07, 2023 | ₹1,00,000 | Implemented by the Bank directly | NA | NA |
| 19 | 5KW On- Grid Solar installation at CMS HSS Arapetta, Wayanad, Kerala (CSR 2022-23) | 673577 | December 22, 2023 | ₹3,22,866 | Implemented by the Bank directly | NA | NA |
| 20 | Water Purifier Installation at CMS LP School, Mannuthy, Thrissur, Kerala (CSR 2022-23) | 680651 | October 27, 2023 | ₹50,708.80 | Implemented by the Bank directly | NA | NA |
| 21 | 5KW On- Grid Solar installation at CAHSS, Kuzhalmannam, Palakkad, Kerala (CSR 2022-23) | 678702 | December 08, 2023 | ₹3,22,586 | Implemented by the Bank directly | NA | NA |
| 22 | 5KW On- Grid Solar installation at SCGHSS, Kottakkal, Mala, Thrissur, Kerala (CSR 2022-23) | 680732 | November 30, 2023 | ₹3,24,902 | Implemented by the Bank directly | NA | NA |
| 23 | Support to Mother & Child Foundation Purchase of Equipment's for Livelihood / Rehabilitation Project (Refrigerator, Oven, Grinder, Mixi & Cooktop stove - for a centre for Unemployed Young Adults and Destitute Mothers for their livelihoods) Idukki, Kerala (CSR 2022-23) | 685608 | January 17, 2024 | ₹52,300 | Implemented by the Bank directly | NA | NA |
| 24 | Water Purifier Installation at Govt. High School, Thekkekkara, Alappuzha, Kerala (CSR 2022-23) | 688503 | January 17, 2024 | ₹41,800 | Implemented by the Bank directly | NA | NA |

**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 | Details of entity/ authority/ beneficiary of the registered owner | | |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | | |
| | | | | | CSR Registration Number, if applicable | Name | Registered Address |
| 25 | Three-seater waiting chair (Airport Chair) and Hot & Cold-water purifier Installation at Community Health Centre, Kadayiruppu, Ernakulam, Kerala (CSR 2022-23) | 682311 | February 16, 2024 | ₹1,74,060.90 | Implemented by the Bank directly | NA | NA |
| 26 | ESAF Hospital and Research Centre, Palakkad - Mannarkkad, Main Road, Thachampara, Palakkad (CSR 2022-23) | 678593 | December 21, 2022 | ₹16,10,884 | CSR000020189 | ESAF Foundation | Viswas Bhavan, Mannuthy |
| 27 | CAHSS, Vadakkanchery, Padur Rd, Ayakkad (CSR 2022-23) | 678683 | September 05, 2023 | ₹36,24,753 | CSR00001633 | PDS | Shanti Nagar, Mannuthy |
| 28 | Lahanti Public School, Bhaturiya, Nonihat, Dumka (CSR 2022-23) | 814145 | March 30, 2024 | ₹11,51,308 | CSR00001633 | PDS | Shanti Nagar, Mannuthy |
| 29 | ESAF Hospital and Research Centre, Palakkad- Mannarkkad Main Road, Thachampara, Palakkad (2023-24) | 678593 | March 30, 2024 | ₹17,58,163 | CSR000020189 | ESAF Foundation | Viswas Bhavan, Mannuthy |
| 30 | CAHSS, Vadakkanchery, Padur Rd, Ayakkad (2023-24) | 678683 | March 30, 2024 | ₹2,21,11,903 | 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 2023-24 relates to ongoing projects.**

**Sd/-**
**Kadambelil Paul Thomas**
**Managing Director and CEO**

**DIN: 00199925**

**Sd/-**
**Gabriel John Samuel**
**Chairman of the CSR and Sustainability Committee of the Board**
**DIN: 07725212**

## ANNEXURE – I (CONTD.)

### SUMMARY OF IMPACT ASSESSMENT STUDY

During the Financial Year 2021-22, ESAF Small Finance Bank Ltd. (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 – M/s. ESAF Foundation (previously known as Evangelical Social Action Forum) and M/s. 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 marketing
3. Agriculture and farmer collectives
4. Emergency relief and community intervention
5. Rural education
6. Rural health

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 and
E. Sustainability

Following are the most important findings of the Impact Assessment Exercise:

### Relevance and coherence

- **Balajyothi project**: Highly relevant for holistic development of children and youth, with a focus on academic support, personality and leadership development, and sports coaching.
- **Social entrepreneurship and mentoring**: Highly relevant in under developed areas, as they empower individuals to start their own enterprises, alleviate poverty, create job opportunities, and address social and environmental issues.
- **Agriculture and farmer collectives**: Highly relevant in rural areas where agriculture and allied activities are vital for the majority of the population. Projects leverage existing institutional infrastructure to improve farm income and productivity, particularly through farmer collectives.
- **Emergency relief and community intervention**: Highly relevant in areas prone to natural disasters and other emergencies, providing immediate relief and support to affected communities in complement to government efforts.
- **School infrastructure support**: Highly relevant in improving education profile of underprivileged segments of society through enhancing school infrastructure, providing educational content, and encouraging student enrolment and attendance.
- **Rural health**: Highly relevant in providing essential healthcare services to local communities, particularly in rural areas. Also, addressing mental health issues that are often overlooked in India.

### Effectiveness

During the year, the project reached out to over 99,000 direct beneficiaries in different parts of the country. During the year, the implementing partner has been able to achieve 106% of the beneficiary targets.

### Impact

Nature of impact of different projects have been varied. The following are the most important impacts.

### 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 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, and social entrepreneurship and mentoring.
- Approximately 3,000 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

## ANNEXURE – I (CONTD.)

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 2 Mega Watts of solar system installations.
- The Micro-entrepreneurship Development Programme aims to promote entrepreneurship in various domains by providing necessary mentoring and training support to Urjabandhus, Pashumithras, Aarogyamitras and Krushakmithras.
- 88% of the interviewed beneficiaries of the training programme stated that their association with the programme helped them acquire new skills, and 51% of them reported that the programme helped them add an additional source of income.
- Majority of the participants expressed the need for more training programmes, as well as additional support such as hand-holding and access to loans to aid in setting up a business.

### Emergency relief and community intervention

- ESAF took proactive measures to support communities during the COVID-19 pandemic by organising health camps in vulnerable areas with low vaccination rates and providing mobile phones to students for remote learning.
- The flood-related emergency relief project in Majuli, Assam, provides relief support to those impacted by floods, and helps 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 Odisha and Maharashtra.
- The stakeholders appreciated the Bank'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 laborers at their workplaces. Additionally, the ESAF 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

- The Bank'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 the Bank's contributions to improving rural healthcare.
- The Manomitras project has received positive reviews from the stakeholders, with 85% of community counsellors on mental health reporting high satisfaction and suggesting a need for a Focused Programme for adolescents.

### 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 all the projects have completed their budget utilisation targets. It is to be noted that for a few projects the budgets were revised during the year. Overall intervention cost per beneficiary has been assessed to be ₹ 881. It is to be noted that the intervention cost per beneficiary has ranged between ₹ 146 (for agriculture and farmer collectives projects) to approximately ₹ 15,000 (for rural education projects). This is on account of the nature of interventions and the intensity of support provided.

### 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 need 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.

## ANNEXURE – I (CONTD.)

- 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.
- Flood relief infrastructure and volunteer training programmes have been assessed to be highly sustainable. COVID-19 relief projects are considered low on sustainability on account of their reliance on the grants.
- 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.

### Learnings and recommendations

Following are the important learnings and recommendations from this project.

- ESAF Foundation has demonstrated expertise in implementation of projects involving farmer collectives, micro-entrepreneurship development, disaster relief, healthcare, and infrastructure support to schools.
- The Organisation tailors its projects to meet the specific needs of each community, which has helped it establish itself as a reliable and effective organisation.
- Most projects offer entire ecosystem of support to the beneficiaries.
- Utilising existing institutional infrastructure has led to better implementation and sustainability of various projects, resulting in better project outcomes and increased sustainability.
- Some projects involve supporting local institutions, such as farmer collectives and Balajyothi Clubs, which have the potential to establish sustainable community-level institutions that can bring significant social and economic benefits to the community.
- Some projects have faced implementation challenges and need modifications to ensure desired outcomes are achieved.
- A formal system for project conceptualisation and needs assessment is needed for better efficiency and effectiveness.
- Establishing a Theory of Change for each project will lead to better monitoring and evaluation of outcomes and impacts.
- A protocol for collecting feedback from stakeholders is necessary to improve project implementation and make necessary improvements
- A more comprehensive monitoring process will help track progress and make informed decisions to improve outcomes for all stakeholders involved.
- Some projects require a long-term Impact Assessment framework to evaluate impact dimensions 2-5 years after the project activities have ended.
- A framework for data collection using electronic means needs to be established to streamline data collection processes and ensure data accessibility for analysis and reporting.
- For certain projects, dedicated Social Return on Investment (SROI) exercises can be carried out to measure and account for social and environmental values created by organisations.
- It is important to establish quality parameters and benchmarks for each unit in the different project components and periodically monitor and track them.

Link to the Impact Assessment reports on the Bank's website: www.esafbank.com

# ANNEXURE – II

## SECRETARIAL AUDIT REPORT

For the Financial Year ended March 31, 2024

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]*

**To,**
**The Members,**
**ESAF Small Finance Bank Ltd.**
**ESAF Bhavan, Thrissur-Palakkad National Highway,**
**Thrissur, Kerala, India, 680651**

I 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. (hereinafter called the "company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my 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, I hereby report that in my opinion, the company has, during the audit period covering the Financial Year ended on March 31, 2024 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:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the Financial Year ended on March 31, 2024 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made there under;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

iv. 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;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

   a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **(Not applicable to the company during the audit period)**

   b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

   d) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;

   e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; **(Not applicable to the company during the audit period)**

   g) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; **(Not applicable to the company during the audit period)**

   h) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

   i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

vi. The other laws applicable specifically to the company are as follows:

   a) The Reserve Bank of India Act, 1934;

   b) The Banking Regulation Act, 1949;

   c) The Banking Companies Regulation (Companies Rules), 1949

   d) The Banking Companies (Period of preservation of Records) Rules, 1985.

   e) Prevention of Money Laundering Act, 2002

   f) Credit Information Companies (Regulation) Act, 2005

   g) The Deposit Insurance and Credit Guarantee Corporation Act, 1961

## ANNEXURE – II (CONTD.)

h) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

I have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards issued by the Institute of Company Secretaries of India.

ii. The Listing Agreement entered into by the company with BSE Limited and National Stock Exchange of India Limited;

During the period under review the company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except the signing of annual return by the whole-time Company Secretary. As stated by the management, the annual return for the Financial Year 2022-23 was signed by the practicing Company Secretary, as the whole-time company secretary of the company was on leave.

**I further report that**

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 under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, 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.

Majority decision is carried through and the views expressed by the Board members were also captured and recorded as part of the minutes.

**I further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**I further report that** during the audit period the company has made the following specific events / actions, having a major bearing on the company's affairs in pursuance of the rules, regulations, guidelines, standards, etc. referred to above:

i. The company has issued equity shares through an Initial Public Offering (IPO), and these shares have been listed on both BSE and NSE as of November 10, 2023. Further, the company's paid-up share capital has increased from ₹ 4,49,47,37,980 to ₹ 5,14,77,98,580 through this IPO.

ii. The company had obtained approval from the Registrar of Companies, Kerala, for extension of the 07th Annual General Meeting for a period of three months.

iii. Members have accorded consent at the 07th Annual General Meeting of the company held on December 29, 2023 to the Board of Directors of the Bank for borrowing or raising funds in Indian or any other permitted Foreign Currency by issue of non-convertible debt securities until the conclusion of the Eighth Annual General Meeting, on a private placement basis, for an amount not exceeding in aggregate ₹ 500,00,00,000/- (Rupees Five Hundred Crore Only), within the overall borrowing limits of the Bank.

**Place: Thrissur**
**Date: May 08, 2024**

**Sd/-**
**Name of Company Secretary in practice: M Vasudevan**
**(FCS No.: 4177, C P No.: 2437)**
**Peer Review Number : 2935/2023**
**UDIN: F004177F000333627**

**ANNEXURE – II (CONTD.)**

## ANNEXURE TO SECRETARIAL AUDIT REPORT ISSUED BY COMPANY SECRETARY IN PRACTICE

To,

The Members,

ESAF Small Finance Bank Ltd.

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these Secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**Sd/-**

**Place: Thrissur**
**Date: May 08, 2024**

**Name of Company Secretary in practice: M Vasudevan**
**FCS No.: 4177 / C P No.: 2437**
**Peer Review Number : 2935/2023**
**UDIN: F004177F000333627**

# BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORT

(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

1. **Corporate Identity Number (CIN) of the Listed Entity**

   U65990KL2016PLC045669

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 Office 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**

   April 01, 2023 to March 31, 2024

10. **Name of the Stock Exchange(s) where shares are listed**

    BSE Limited and National Stock Exchange of India Limited

11. **Paid-up Capital**

    ₹ 5,14,77,98,580

12. **Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report**

    Mr. 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 | 759 | 759* |
| International | 0 | 0 | 0 |

*ESAF Small Finance Bank concentrates in providing access to finance in rural geographies. The Bank has 753 retail branches, 3 Regional offices, 1 Zonal Office and 1 Central Processing Centre (CPC) and 1 National Registered Office at Thrissur as on March 31, 2024.

**19. Markets served by the entity:**

**a. Number of locations**

| National | International |
|---|---|
| (No. of States & UTs) | (No. of Countries) |
| 25 | 0 |

*23 states and 2 UTs

**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 Bank focuses on providing financial services to underserved communities, particularly in rural areas. Services are offered to a varied customer base including small and marginalised farmers, micro/nano entrepreneurs, women, children, senior citizens, transgenders, etc. The Bank also caters to Non-Resident Indian customers (NRI). Its clientele ranges from small-scale farmers and micro-entrepreneurs to marginalised groups like women, children, seniors, and transgenders. Additionally, the Bank also serves the needs of Non-Resident Indian customers.

## 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) | 5,479 | 3,847 | 70.21% | 1,632 | 29.79% |
| 2. | Other than Permanent (E) | 488 | 273 | 55.94% | 215 | 44.05% |
| 3. | **Total employees (D + E)** | **5,967** | **4,120** | **69.05%** | **1,847** | **30.95%** |

**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) | 1 | 1 | 100% | 0 | 0% |
| 3. | **Total differently abled employees (D + E)** | **2** | **2** | **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%** |

## 21. Participation/Inclusion/Representation of Women

| Particular | Total (A) | No. and percentage of females | |
|---|---|---|---|
| | | No. (B) | % (B / A) |
| Board of Directors | 10 | 1 | 10% |
| Key Management Personnel | 11 | 0 | 0% |

## 22. Turnover rate for permanent employees and workers

**2023-24* (Turnover rate in current FY)**

| | Male | Female | Total |
|---|---|---|---|
| Permanent Employees | 28.01% | 21.14% | 25.79% |
| Permanent Workers*** | NA | NA | NA |

**2022-23* (Turnover rate in previous FY)**

| | Male | Female | Total |
|---|---|---|---|
| Permanent Employees | 35.39% | 30.01% | 33.66% |
| Permanent Workers*** | NA | NA | NA |

**2021-22** (Turnover rate in the year prior to the previous FY)**

| | Male | Female | Total |
|---|---|---|---|
| Permanent Employees | 24.49% | 23.43% | 24.16% |
| Permanent Workers*** | NA | NA | NA |

* The Bank does not have any staff in the 'Workers' category.

** The Bank has changed the methodology of calculating turnover rate for permanent employees to bring it more in line with BRSR requirements

## 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) |
|---|---|---|---|---|
| NIL | | | | |

## VI. CSR DETAILS

**24. (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: (Yes/No)**

**YES**

**a. Turnover (in ₹)**

**42,60,25,19,830.00**

**b. Net worth (in ₹)**

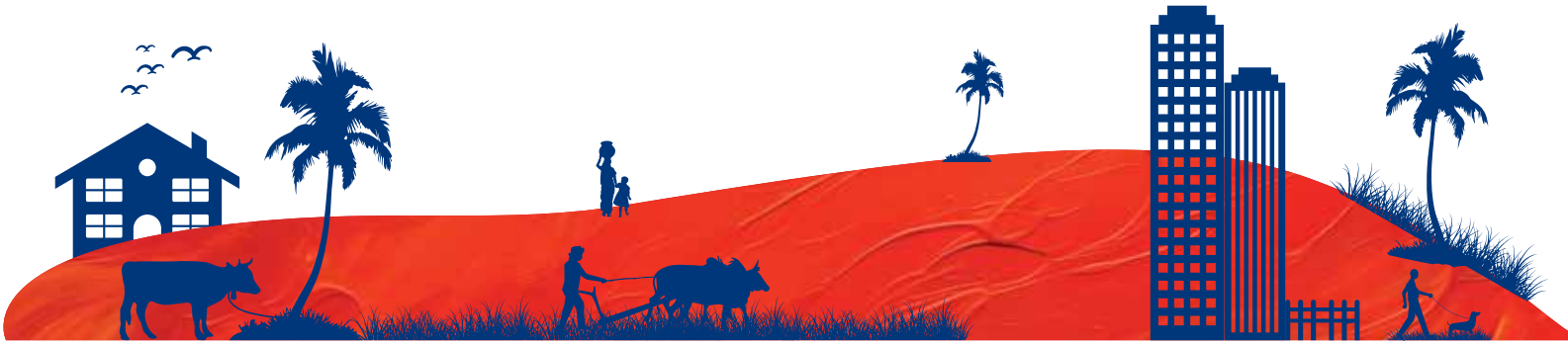
**24,19,17,17,453.92**

## 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) * | 2023-24 Current Financial Year | | | 2022-23 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 | Yes | 0 | 0 | NA | 0 | 0 | NA |

| Stakeholder group from whom complaint is received | Grievance Redressal Mechanism in Place (Yes/ No) * | 2023-24 Current Financial Year | | | 2022-23 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 | 1041 | 0 | NA | 0 | 0 | NA |
| Shareholders | Yes | 1 | 0 | NA | 0 | 0 | NA |
| Employees and workers | Yes | 0 | 0 | NA | 13 | 0 | NA |
| Customers | Yes | 10,344 | 303 | NA | 7,658 | 220 | NA |
| Value Chain Partners | Yes | 0 | 0 | NA | 0 | 0 | NA |
| Other (please specify) | NA | NA | NA | NA | NA | NA | NA |



*** Grievance Redressal Mechanism in Place (Yes/No) (If Yes, then provide web-link for grievance redress 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. |
| **Shareholders** | Part of the Policy on Code of Conduct for the Board of Directors and Senior Management Personnel is available internally. |
| **Employees and Workers** | Part of HR policy is circulated internally. |
| **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. |
| **Other (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 along-with its financial implications, as per the following format

Opportunity Risk

| Sl. No. | Material issue identified | Indicate whether risk or opportunity (R/O) | Rationale for identifying the risk/opportunity | In case of risk, approach to adapt or mitigate | Financial implications of the risk or opportunity (Indicate positive or negative implications) |
|---|---|---|---|---|---|
| 1. | **Corporate Governance and Ethics** | | Strong governance mechanisms improve the company's reputation, decision-making processes, risk management, and long-term sustainability. It helps create a culture of integrity, transparency, and accountability. | | **Positive** |

| Sl. No. | Material issue identified | Indicate whether risk or opportunity (R/O) | Rationale for identifying the risk/opportunity | In case of risk, approach to adapt or mitigate | Financial implications of the risk or opportunity (Indicate positive or negative implications) |
|---|---|---|---|---|---|
| 2. | **Risk Management** | | The company operates in a high-risk business involving large amounts of data and funds. To ensure compliance, reduce fraud risk and ensure business sustainability, the company should place immense focus on constantly strengthening and improving its risk management and control systems. | ESAF Small Finance Bank employs a thorough strategy to mitigate risks. By conducting regular internal assessments, strengthening governance practices, leveraging cutting-edge technologies, promoting staff integrity, and providing ongoing education to its team, the bank prioritises proactive measures to reduce risks, ensure security and maintain stakeholder trust. The Bank is also ISO/IEC 27001:2022 certified which is a testament to our commitment to ensuring top-tier data protection across IT and related operations within the Bank. | Negative |
| 3. | **Responsible Lending** | | Overlooking the evaluation of ESG criteria prior to loan approval poses a significant risk for the Bank. It could potentially lead to the risk of borrower defaults, financial setbacks, increased regulatory scrutiny and damage to the Bank's reputation. | The Company's approach to responsible financing involves thoroughly assessing borrowers and their collateral, adhering to regulatory standards, maintaining strong internal governance, implementing risk assessment frameworks, promoting financial literacy, and fostering transparency and accountability in all financial transactions. | Negative |
| 4. | **Financial inclusion** | | Financial inclusion enhances business growth while exerting a beneficial social impact on communities. By educating and extending services to unserved and underserved customers, including women entrepreneurs and youth in rural and semi-urban areas, MSMEs and micro-entities, the Company makes substantial progress in advancing financial inclusion. This approach not only broadens the Company's market reach but also demonstrates a commitment to inclusive economic development. | | Positive |

| Sl. No. | Material issue identified | Indicate whether risk or opportunity (R/O) | Rationale for identifying the risk/opportunity | In case of risk, approach to adapt or mitigate | Financial implications of the risk or opportunity (Indicate positive or negative implications) |
|---|---|---|---|---|---|
| 5. | **Community Engagement & Empowerment** | | The Company has a strong CSR practice in the areas of education, environment, livelihood and poverty alleviation. These programs focus on caring for the young and old, migrant labourers and agriculture. Through its presence in rural and semi-urban areas, the Company helps in job creation in these areas. Additionally, this aids to enhance and strengthen the Company's reputation and brand image, attract customers and young talent who value such commitment.<br>The Company actively focuses on community development through its initiatives such as FIG Loans, Micro ATMs, Village Level Entrepreneurship Development Program, Balajyothi Clubs for wholistic development of children, with a presence in rural and semi-urban areas. There are different levels of financial literacy that are provided to customers, children and youth. | | Positive |
| 6. | **Human Rights** | | Upholding Human Rights through the promotion of equal opportunities, anti-discrimination, and the eradication of child and forced labour is not just a moral imperative but also a legal necessity. Compliance with labour laws is paramount, as any violations can cause severe financial penalties and even imprisonment. Ensuring employee well-being is a fundamental aspect of human rights, fostering dignity, respect, and a supportive work environment for all. | ESAF Small Finance Bank prioritises human rights by ensuring equal opportunities, preventing discrimination, and eradicating child and forced labour. The Bank integrates these principles into its daily operations through comprehensive policies, regular training, and stringent compliance checks. By fostering a culture of respect and accountability, the Bank aims to safeguard the rights of all stakeholders and mitigate the risk of legal and financial repercussions. | Negative |
| 7. | **Climate Change and GHG Emissions** | | Embracing sustainable practices and reducing emissions can enhance the Company's reputation, attract environmentally conscious clients and create positive impact to the environment. | | Positive |

| Sl. No. | Material issue identified | Indicate whether risk or opportunity (R/O) | Rationale for identifying the risk/opportunity | In case of risk, approach to adapt or mitigate | Financial implications of the risk or opportunity (Indicate positive or negative implications) |
|---|---|---|---|---|---|
| 8. | **Public Policy Advocacy** | | Operating in the BFSI sector, it is vital for the Bank to engage in public advocacy as the engagement not only enhances its reputation, but also facilitates the alignment of its business strategies with broader societal needs and interests. The Bank has affiliations with trade and industry chambers such as Indian Banks Association and Global Alliance for Banking on Values . | | Positive |

## 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) | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| **b** | Has the policy been approved by the Board? (Yes/No/NA) | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| **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) | Yes. The Bank has translated the policies as applicable and imbibed the same into procedures and practices in all spheres of activities that the Bank undertakes. It is also compliant with the guidelines of the RBI. | | | | | | | | |
| **3** | Do the enlisted policies extend to your value chain partners? (Yes/No/NA) | Yes. The Bank's Code of Conduct largely imbibes the above-mentioned principles and the Bank expects all its stakeholders to adhere to the same in all their dealings. | | | | | | | | |
| **4** | Name of the national and international codes/certifications/labels/ standards (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. | | 1. ISO 9001:2015<br>2. ISO/IEC 27001:2022 | | | | | | ISO 26000:2010 | 1. ISO 9001:2015<br>2. ISO /IEC 27001:2022 |

| Sr. No | Disclosure Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 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:<br>1. Impacting 10 million (One crore) Direct Customers as per the Sustainable Development Goals<br>2. Fostering Local Sustainable Economic Growth through 1Million Joint Liability Groups (JLGs)<br>3. Fostering Food Security through financial services to 5 million Farmers<br>4. Fostering Energy Security through 2,00,000 Renewable Energy Installations (1GW)<br>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 along-with 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. | | | | | | | | |

**Principle-wise Policies**

**Ethics & Transparency**

**P1**

Various policies of the Bank like Code of Conduct for Employees, Directors & Senior Management, Non-Executive Directors, Code of Conduct for Recovery Officers, Whistle Blower Policy, Quality Policy, KYC and Prevention of Money Laundering Policy, Privacy Policy, Related Party Transaction Policy, Fair Practice/ Customer Service Policy, Policy on POSH, other internal policies interpret ethical behaviour, transparency and accountability.

There is an ESG Management Committee, Sustainability Council, CSR Management Committee and CSR and Sustainability Committee of the Board to ensure transparency and ESG Governance.

**Product Responsibility**

**P2**

The Bank's Fair Practices Code and Terms and Conditions guides this principle. KYC and Prevention of Money Laundering Policy is also a critical component of product responsibility. The Bank follows inclusive lending policies to facilitate increased social inclusion and environmental stewardship.

**Human Resources**

**P3**

The Bank has a very robust mechanism to ensure employee well-being and protection of human rights. There is a comprehensive HR Policy that covers various aspects like Code of Conduct, Diversity & Inclusion, Leave Benefits including Maternity Leave, Paternity Leave, Compensation Policy, etc.

There are also other policies like Policy on Protection of Women Against Sexual Harassment at the Workplace. There is a Staff Handbook- an internal document that clearly defines the benefits entitled by the staff like Insurance Benefits and Health and Safety of employees.

The Bank has a dedicated Learning & Development Department which ensures continuous learning and development of the employees. There is an online portal- Learning Management System (LMS) where a number of customised modules are available 24*7 for the reference of the employees. Also, we have 31.46% of women employees which we consider as a good step towards inclusion. The HR Department is ISO 9001:2015 certified.

**Responsive to Stakeholders, particularly the marginalised**

**P4**

Being an SFB, we focus on rural development and financial inclusion. We particularly focus on reaching the poor and marginalised communities with our products and services.

Joint Liability Group (JLGs) formed in rural / marginalised communities are maturing as good social institutions promoting co-operation and networking. We also serve the small and marginal farmers through group loans like FIG (Farmer Interest Group).

**Respect for Human Rights**

**P5**

The Code of Conduct details the Bank's policy on respect for human rights. The Bank through its Inclusivity and Diversity statement (as a part of the Human Resource Policy) upholds human rights as enshrined in the Constitution of India and supports the principles in the United Nations' Universal Declaration of Human Rights.

**Responsible Lending**

**P6**

The Bank has a comprehensive Credit Policy that gives a good coverage on Responsible Lending Practices including Green and Inclusive Finance. There is a Prohibition List in the Credit Policy stating the types of business/ activities that will not be given credit support due to the negative environment and social impact it may reflect in the society.

**Public Policy Advocacy**

**P7**

The Bank actively participates in discussion forums/committees of the government, regulator or industry bodies and shares its expertise and helps in the formulation or review of policies with the overall objective of enhancing the business ecosystem, economy and society.

The MD & CEO of the Bank is the Co-Chair of Sa-Dhan – a network of micro banking institutions at the national level.

**Inclusive Growth**

**P8**

The ESG Policy, Sustainable Banking Policy and CSR Policy carves a focused pathway for inclusive growth.

**Customer Engagement**

**P9**

The Fair Practice/Customer Service Policy and other internal guidelines are in place to ensure customer satisfaction and encompass this principle. The Customer Service Quality Department of the Bank has been working on further enhancing the quality of its functioning and raising the standards to International Quality levels.

For that, the department has revamped many of its processes to meet the ISO 9001 standards. As a result, the Bank has received ISO 9001: 2015 certification.

*Note: The policies have been developed based on best practices or as per regulatory requirements and through appropriate consultation with relevant stakeholders. Policies may include a combination of internal policies of the Bank which are accessible to all internal stakeholders and policies placed on the Bank's website.*

## 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 in our approach, which prioritises financial inclusion, sustainability, and growth, ultimately fostering balance within the entire ecosystem.

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

**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 the Board | | | | | | | | |
| b. | Compliance with statutory requirements of relevance to the principles and rectification of any non-compliances | Committee of the 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). | No | No | No | No | No | No | No | No | No |
| | If yes, provide name of the agency. | NA | | | | | | | | |

*The Bank did not carry out an independent assessment.

| 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 or/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 DISCLOSURES

## PRINCIPLE 1 INTEGRITY

**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 | 1 | Governance Academy 2023-24 | 11% |
| Key Managerial Personnel | 6 | SEBI Regulations amendment<br>Leadership programs<br>Happiness is the key<br>Information processing<br>Collaboration | 90% |
| Employees other than BOD and KMPs | 481 | The training is structured with a robust framework of training sessions, each meticulously designed to enhance the professional acumen of our workforce, especially women staff.<br>These training sessions were provided to augment the knowledge and skills of our staff in functional, behavioural, and technical areas. | 6.2% |
| 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 | RBI | 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 Ltd. (The Bank) for non-compliance with the directions issued by RBI on 'Customer Service in Banks'. | No |
| Penalty/Fine | P1 | BSE Limited | 17,700 | 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. | No |
| Settlement | NIL | NIL | NIL | NIL | NIL |
| Compounding fee | NIL | NIL | NIL | NIL | NIL |

| 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 | NIL | NIL | NIL | NIL |
| Punishment | NIL | NIL | NIL | NIL |

**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 various aspects of Anti-corruption and Anti-bribery practices of the Bank are covered in the Code of Conduct for Employees and also in the policy for monitoring of insider trading.

Further, the Bank has a KYC/ AML/ CFT Policy in place, which is owned by the Transaction Monitoring Division of Risk Management Department.

**If Yes, Provide a web link to the policy, if available**

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:**

| | 2023-24 | 2022-23 |
|---|---|---|
| Directors | 0 | 0 |
| Employees | 0 | 0 |
| KMPs | 0 | 0 |
| Workers | 0 | 0 |

**6. Details of complaints with regard to conflict of interest:**

| Case Details | 2023-24 | | 2022-23 | |
|---|---|---|---|---|
| | Number | Remark | Number | Remark |
| Number of complaints received in relation to issues of Conflict of Interest of the Directors | 0 | 0 | 0 | 0 |
| Number of complaints received in relation to issues of Conflict of Interest of the KMPs | 0 | 0 | 0 | 0 |

**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 | 2023-24 | 2022-23 |
|---|---|---|
| Number of days of accounts payables | NA | NA |

*Due to the nature of its operations, this is not applicable to the Company.

**9. Openness of business**

Provide details of concentration of purchases and sales with trading houses, dealers, and related parties along-with loans and advances & investments, with related parties, in the following format:

| Parameter | Metrics | 2023-24 | 2022-23 |
|---|---|---|---|
| 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 | 2023-24 | 2022-23 |
|---|---|---|---|
| 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 | Topics / principles covered under the training | Percentage of value chain partners covered (by value of business done with such partners) under the awareness programmes |
|---|---|---|
| 0 | - | 0% |

*It is in discussion to conduct this in the coming years.

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 formulated a Performance Evaluation Policy including the 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, covers various aspects of performance including the 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, the relationship among Directors, Director competency, Board procedures, processes, functioning and effectiveness is circulated to all the Directors of the Bank for the annual performance evaluation.

## PRINCIPLE 2 SAFETY & SUSTAINABILITY

**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 Indicator

**1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of products and processes to total R&D and capex investments made by the entity, respectively.**

| Sr. No. | Particular | 2023-24 | 2022-23 | 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

**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)**

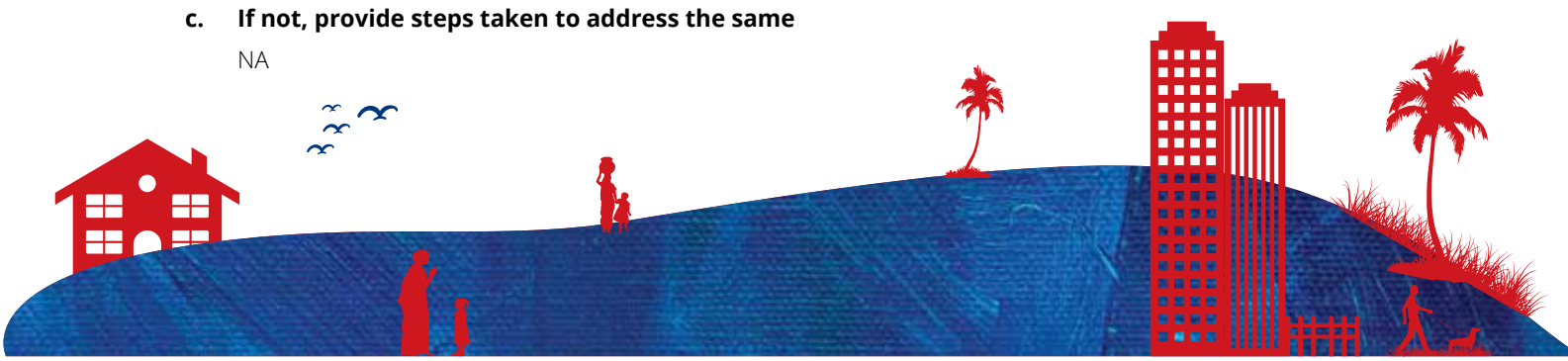
No

**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 EMPLOYEE WELL-BEING

**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 | 3,847 | 3,847 | 100% | 3,847 | 100% | 0 | 0% | 3,847 | 100% | 0 | 0% |
| Female | 1,632 | 1,632 | 100% | 1,632 | 100% | 1,632 | 100% | 0 | 0% | 0 | 0% |
| **Total** | **5,479** | **5,479** | **100%** | **5,479** | **100%** | **1,632** | **29.79%** | **3,847** | **70.21%** | **0** | **0%** |
| **Other than permanent employees** | | | | | | | | | | | |
| Male | 273 | 0 | 0 % | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Female | 215 | 0 | 0 % | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| **Total** | **488** | **0** | **0 %** | **0** | **0%** | **0** | **0%** | **0** | **0%** | **0** | **0 %** |

**1. 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.

1. c. **Spending on measures towards well-being of employees and workers (including permanent and other than permanent) in the following format**

| Particular | 2023-24 | 2022-23 |
|---|---|---|
| Cost incurred on well- being measures as a % of total revenue of the company | 0.40% | 0.48% |

2. **Details of retirement benefits, for Current FY and Previous Financial Year.**

**PF**

| 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|
| 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.) |
| 99% | 0 | Yes | 99% | 0 | Yes |

**Gratuity**

| 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|
| 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.) |
| 100% | 0 | Yes | 100% | 0 | Yes |

**ESI**

| 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|
| 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.) |
| 0 | 0 | NA | 0 | 0 | NA |

**Others – please specify**

| 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|
| 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.) |
| 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.**

This is covered in the Diversity and Inclusion statements of the HR Policy. The Bank is dedicated to being an Equal Opportunity Employer, fostering diversity and inclusivity in its workforce. This involves creating a work culture where visible differences such as age, gender, ethnicity, region, physical appearance, thinking styles and religion are valued; where everyone has the opportunity to develop skills and talents consistent with the Bank's values and business objectives.

5. **Return to work and retention rates of permanent employees and workers that took parental leave.**

| | Permanent Employees | | Permanent Workers | |
|---|---|---|---|---|
| Gender | Return to work rate | Retention rate | Return to work rate | Retention rate |
| Male | 100% | 150% | 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 | Yes, in our HRMS System employees can raise their grievances. |
| 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 | 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|---|
| | Total employees / workers in respective category (A) | No. of employees / workers in respective category, who are part of association(s) or Union (B) | % (B/A) | Total employees / workers in respective category (C.) | No. of employees / workers in respective category, who are part of association(s) or Union (D) | % (D/c) |
| **Total Permanent Employees** | | | | | | |
| Male | 3,847 | 0 | 0% | 3450 | 0 | 0% |
| Female | 1,632 | 0 | 0% | 1584 | 0 | 0% |
| **Total Permanent Workers** | | | | | | |
| Male | 0 | 0 | 0% | 0 | 0 | 0 |
| Female | 0 | 0 | 0% | 0 | 0 | 0 |

*ESAF staff welfare trust was established on January 15, 2008 with the sole purpose of undertaking welfare measures for trust members and their families.

**The company does not have any staff in the 'Workers' category.

**8. Details of training given to employees and workers:**

| Category | 2023-24 | | | | | 2022-23 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 3,847 | 2357 | 61% | 3,847 | 100% | 3,450 | 3,450 | 100% | 3,450 | 100% |
| Female | 1,632 | 732 | 45% | 1,632 | 100% | 1,584 | 1,584 | 100% | 1,510 | 95.32% |
| **Total** | **5,479** | **3089** | **56.37%** | **5,479** | **100%** | **5,034** | **5,034** | **100%** | **4,960** | **98.53%** |
| **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 workers:**

| Category | 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|---|
| | Total (A) | No. (B) | % (B / A) | Total (D) | No. (E) | % (E / D) |
| **Employees** | | | | | | |
| Male | 3,487 | 3,847 | 100% | 3,450 | 3,220 | 93.33% |
| Female | 1,632 | 1,632 | 100% | 1,584 | 1,367 | 86.30% |
| **Total** | **5,479** | **5,479** | **100%** | **5,034** | **4,587** | **91.12%** |
| **Workers** | | | | | | |
| Male | 0 | 0 | 0% | 0 | 0 | 0% |
| Female | 0 | 0 | 0% | 0 | 0 | 0% |
| **Total** | **0** | **0** | **0%** | **0** | **0** | **0%** |

*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 for such systems?**

The scope involves assessing workplace hazards, establishing safety protocols for Employees & Customers, providing training on safety procedures, conducting inspections and ensuring compliance with regulatory standards. It is crucial to create a culture of safety and accountability to prioritise the well-being of all stakeholders.

**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 processes to identify work-related hazards and assess risk on routine and non-routine basis are:

1. Office space inspections - Inspections of workplace are conducted to identify potential hazards of any kind.
2. Reporting Systems - Employees are encouraged to report hazards they encounter while they are at work through their supervisors.
3. 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.

**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/ worker 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* | 2023-24 | 2022-23 |
|---|---|---|---|
| Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked) | Employees | 0 | 0 |
| | Workers | 0 | 0 |
| Total recordable work-related injuries | Employees | 0 | 0 |
| | Workers | 0 | 0 |
| No. of fatalities | Employees | 0 | 0 |
| | Workers | 0 | 0 |
| High-consequence work-related injury or ill health (excluding fatalities) | Employees | 0 | 0 |
| | Workers | 0 | 0 |

*Including in the contract workforce

**12. Describe the measures taken by the entity to ensure a safe and healthy work place.**

- The Company ensures that fire extinguishers are strategically placed throughout its premises and properly maintained to ensure readiness.
- Earth Leakage Circuit Breakers (ELCBs) are installed across the company's facilities to enhance electrical safety and protect its operations.
- Routine checks and inspections are conducted to uphold the highest standards of safety and operational efficiency.
- The Company regularly organises awareness programmes to educate its employees on safety protocols and best practices.

Safety is prioritised with regular fire and safety demonstrations, as well as evacuation drills, to ensure that the team is well-prepared for emergencies.

**13. Number of Complaints on the following made by employees and workers:**

| | 2023-24 | | |
|---|---|---|---|
| | Filed during the year | Pending resolution at the end of the year | Remarks |
| Working Conditions | 0 | 0 | NA |
| Health and Safety | 0 | 0 | NA |

| | 2022-23 | | |
|---|---|---|---|
| | Filed during the year | Pending resolution at the end of the year | Remarks |
| Working Conditions | 0 | 0 | NA |
| Health and Safety | 0 | 0 | NA |

**14. Assessment for the year:**

Health and Safety Practices

**100%**

% of your plants and offices that were assessed (by entity or statutory authorities or third parties)

Working Conditions

**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**

| Life Insurance | |
|---|---|
| Employees (Y/N) | Yes |
| Workers (Y/N) | NA |

2. **Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.**

   There is a standard mechanism of statutory deductions like TDS etc of all value chain partners. Awareness is ensured through meetings as well as terms and conditions.

   The Company does not have any staff in the 'Workers' category.

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 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 | |
|---|---|---|---|---|
| | 2023-24 | 2022-23 | 2023-24 | 2022-23 |
| 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 STAKEHOLDER CENTRICITY

**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 stakeholder identification process depends upon the type of stakeholder and it is mentioned in the policies/ SOPs pertaining to the concerned departments.

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, Others- 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 | Bank follows an open -door policy |
| Shareholders/ Investors | No | The Bank communicates with investors and shareholders through E-mail, SMS, newspaper advertisements, website, quarterly conference calls, face to face meetings, annual general meetings, investor grievance channels, investor meets etc. | 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 |

| Stakeholder Group | Whether identified as Vulnerable & Marginalised Group | Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website, Others- 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 |
|---|---|---|---|---|
| Channel Partners and Key Partners | No | Multiple channels- physical and digital | Frequent and need-based | Help to increase reach and enhance business |
| Regulators | No | E-mail, one-on-one meetings, conference calls, video conference | Need-based | Discussions with regard to various regulations and amendments, inspections, approvals. |
| Communities and NGOs | No | Directly or through the CSR Implementing Agencies | Frequent & need basis | 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 communicates with investors and shareholders during investor meets, through investor grievance channels, at roundtables, quarterly conference calls, face to face meetings, annual general meetings and more. These are aimed at providing relevant information as well as understanding stakeholders' perspectives on the Bank's performance and strategy.
   - The Bank has a continuous ongoing interaction with customers through digital channels such as customer care, satisfaction and social media platforms to understand their requirements and create better solutions, products and services for them. We publish a booklet "Joyful Stories of Transformation" which showcases the real-life case studies of the lives of our customers through our products and services. These are collected by the employees by interacting directly with the customers. The feedback received is apprised to the Customer Service Committee of the Board and actions are initiated appropriately.
   - The Bank has ongoing regular communication with its employees using town-hall meetings, appraisal process, newsletters and other channels to understand and support their concerns and ensure they are aligned with the Bank's strategic priorities.
   - The Bank interacts with its suppliers through supplier meets, regular interactions, etc. The Bank subscribes to responsible procurement practices and invests in building relationships with its suppliers.
   - The Bank engages with regulators through one-to-one meetings, e-mails and the submission of performance reports. It strives to be a good corporate citizen and complies with applicable regulations. The Bank plays its role in developing and implementing public policies.

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.**

   There are regular stakeholder engagements, in particular with Employees, and Customers on a variety of Environmental and Social concerns through the Bank's projects like Environment Week, Balajyothi Week, Vayojyot Week, Udyog Jyothi Week, RBI FLW, Water2Earth, Women's Day, Water Day, Earth Day, etc. Employee Engagement wing of HR engages the employees through ESAF SARG.

   Larger Community is also engaged through the CSR Projects of the Bank.

   Inputs from these engagements are synthesised as policy inputs through the governance committes of the Bank, in particular, the Customer Service Committee of the Board, 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 committed to uplift the communities of its areas of operations. It engages with the community through its CSR regularly. There were several Community Interventions as Emergency / Disaster Response through CSR during the year.

   The Bank also has supported Rural School / Heath Care Infrastructures in Kerala, Jharkhand and Assam.

## PRINCIPLE 5 HUMAN RIGHTS

### 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 | 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|---|
| | Total (A) | No. of employees/ workers covered (B) | % (B / A) | Total (C) | No. of employees/ workers covered (D) | % (D / C) |
| **Employees** | | | | | | |
| Permanent | 5,479 | 0 | 0% | 4,967 | 2,252 | 45.33% |
| Other than permanent | 488 | 0 | 0% | 67 | 67 | 100% |
| **Total Employees** | **5,967** | **0** | **0%** | **5,034** | **2,319** | **46.06%** |
| **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 | 2023-24 | | | | | 2022-23 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 3847 | 0 | 0% | 3847 | 100% | 3,386 | 0 | 0% | 3,386 | 100% |
| Female | 1632 | 0 | 0% | 1632 | 100% | 1,581 | 0 | 0% | 1,581 | 100% |
| **Total** | **5479** | **0** | **0%** | **5479** | **100%** | **4,967** | **0** | **0%** | **4,967** | **100%** |
| **Other than Permanent** | | | | | | | | | | |
| Male | 273 | 0 | 0% | 273 | 100% | 0 | 0 | 0% | 0 | 0% |
| Female | 215 | 0 | 0% | 215 | 100% | 0 | 0 | 0% | 0 | 0% |
| **Total** | **488** | **0** | **0%** | **488** | **100%** | **0** | **0** | **0%** | **0** | **0%** |

| Category | 2023-24 | | | | | 2022-23 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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) |
| **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** |
| **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**

| | Male | | Female | |
|---|---|---|---|---|
| **Board of Directors (BoD)** | **9** Number | **22,10,000** Median remuneration/ salary/ wages of respective category | **1** Number | **21,60,000** Median remuneration/ salary/ wages of respective category |
| **Key Managerial Personnel** | **11** Number | **55,62,445** Median remuneration/ salary/ wages of respective category | **0** Number | **0** Median remuneration/ salary/ wages of respective category |
| **Employees other than BoD and KMP** | **4113** Number | **2,16,423** Median remuneration/ salary/ wages of respective category | **1847** Number | **1,93,758** Median remuneration/ salary/ wages of respective category |

| | Male | | Female | |
|---|---|---|---|---|
| | Number | Median remuneration/ salary/ wages of respective category | Number | Median remuneration/ salary/ wages of respective category |
| Workers | NA | NA | NA | NA |

*The Company does not have any staff in the 'Workers' category.

**b. Gross wages paid to females as % of total wages paid by the entity, in the following format:**

| | 2023-24 | 2022-23 |
|---|---|---|
| Gross wages paid to females as % of total wages | 23.15% | 24.12% |

**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 POSH Committee, HR Management Committee and HR Committee of the Board look into the Human Rights aspects.

**5. Describe the internal mechanisms in place to redress grievances related to human rights issues.**

At ESAF Small Finance Bank, we have an automated Help Desk so that Employees can raise their concerns and reach out to concerned, if they have concerns of any nature. Most importantly, we have Open Door Policy wherein Employees can reach out to the respective Department Heads or Executive Personnel as required. We also conduct Mood Surveys & Stay Interviews to understand the pulse of Employees. Another, effective feedback collection mechanism that was rolled was the Venting Box where they can share their experiences, suggestions, etc., in an anonymous manner.

**6. Number of Complaints on the following made by employees and workers:**

| Particulars | 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|---|
| | 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 | 2 | 0 | NA | 0 | 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 | 2023-24 | 2022-23 |
|---|---|---|
| Total Complaints reported under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH) | 2 | 0 |
| Complaints on POSH as a % of female employees / workers | 0.11% | 0 |
| 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 comply to Statutory & Regulatory norms that are applicable to us to prevent adverse consequences of any nature.

**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**

**% of your plants and offices that were assessed (by entity or statutory authorities or third parties)**

**100%**

**11. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 10 above.**

NIL

## Leadership Indicators

1. **Details of a business process being modified / introduced as a result of addressing human rights grievances/complaints.**

   We have incorporated the Human Resources Policy with Human Rights elements like - Human Right - Diversity & Inclusion that we stand for as an organisation.

2. **Details of the scope and coverage of any human rights due-diligence conducted**

   We did a thorough research about Statutory & Regulatory requirements and also tried to benchmark ours with the Best Practices in the industry.

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 |
|---|---|---|---|---|---|

**% of value chain partners (by value of business done with such partners) that were assessed**

**100%**

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

## PRINCIPLE 6 ENVIRONMENTAL STEWARDSHIP

**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 | 2023-24 | 2022-23 |
|---|---|---|
| **From renewable sources** | | |
| Total electricity consumption (A) | 0 | 0 |
| Total fuel consumption (B) | 0 | 0 |
| Energy consumption through other sources (C) | 0 | 0 |
| **Total energy consumed from renewable sources (A+B+C)** | **0** | **0** |
| **From non-renewable sources** | | |
| Total electricity consumption (D) | 1,84,680 GJ | 0 |
| Total fuel consumption (E) | 252.41 GJ | 0 |
| Energy consumption through other sources (F) | 0 | 0 |
| **Total energy consumed from non-renewable sources (D+E+F)** | **1,84,932.41 GJ** | **0** |
| **Total energy consumed (A+B+C+D+E+F)** | **1,84,932.41 GJ** | **0** |
| **Energy intensity per rupee of turnover** (Total energy consumed / Revenue from operations) | 0.000007644 | 0 |
| **Energy intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP)** (Total energy consumed / Revenue from operations adjusted for PPP) | 0.000002110 | 0 |
| **Energy intensity in terms of physical output** | NA* | NA |
| Energy intensity (optional) – the relevant metric may be selected by the entity | 30.992529233 | |

**Note: Indicate if any independent assessment / evaluation / assurance has been carried out by an external agency?**

NA

*The nature of our business activity is such that there is no physical output.

**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)**

NA

**3. Provide details of the following disclosures related to water, in the following format:**

| Parameter | 2023-24 | 2022-23 |
|---|---|---|
| **Water withdrawal by source (in kilolitres)** | | |
| (i) Surface water | 0 | 0 |
| (ii) Groundwater | 0 | 0 |
| (iii) Third party water | 77,332 | 0 |
| (iv) Seawater / desalinated water | 0 | 0 |
| (v) Others | 0 | 0 |
| **Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)** | **77,332** | **0** |
| **Total volume of water consumption (in kilolitres)** | **77,332** | **0** |
| **Water intensity per rupee of turnover** (Total water consumption / Revenue from operations) | 0.000003197 | 0 |
| **Water intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP)** (Total water consumption / Revenue from operations adjusted for PPP) | 0.000000882 | 0 |
| **Water intensity in terms of physical output** | NA* | 0 |
| 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

NA

* The nature of our business activity is such that there is no physical output

**4. Provide the following details related to water discharged:**

| Parameter | 2023-24 | 2022-23 |
|---|---|---|
| **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 | 77,332 | 0 |
| With treatment – please specify level of treatment | 0 | |
| **(v) Others** | | |
| No treatment | 0 | 0 |
| With treatment – please specify level of treatment | 0 | 0 |
| **Total water discharged (in kilolitres)** | **77,332** | **0** |

**Note: Indicate if any independent assessment / evaluation / assurance has been carried out by an external agency? (Y/N)**

NA

**5. Has the entity implemented a mechanism for Zero Liquid Discharge?**

No

**6. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:**

| Parameter | Please specify unit | 2023-24* | 2022-23* |
|---|---|---|---|
| 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)**

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 | 2023-24 | 2022-23 |
|---|---|---|---|
| **Total Scope 1 emissions** (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available) | Metric tonnes of CO2 equivalent | 15.88 | 0 |
| **Total Scope 2 emissions** (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available) | Metric tonnes of CO2 equivalent | 36730.80 | 0 |
| **Total Scope 1 and Scope 2 emissions per rupee of turnover** (Total Scope 1 and Scope 2 GHG emissions / Revenue from operations) | Total scope 1 and 2 GHG emissions/ Revenue from operations | 0.000001519 | 0 |
| **Total Scope 1 and Scope 2 emission intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP)** (Total Scope 1 and Scope 2 GHG emissions / Revenue from operations adjusted for PPP) | Total scope 1 and 2 GHG emissions/ Revenue from operations adjusted for PPP | 0.000000419 | 0 |
| **Total Scope 1 and Scope 2 emission intensity in terms of physical output** | | NA* | NA |
| Total Scope 1 and Scope 2 emission intensity (optional) – the relevant metric may be selected by the entity | Total employees | 6.158292274 | 0 |

**Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N)**

NA

*The nature of our business activity is such that there is no physical output.

**8. Does the entity have any project related to reducing Green House Gas emission? (Yes/ No)**

**Yes**

The company is tracking per capita emissions across its branches to identify areas for actionable improvements.

**9. Provide details related to waste management by the entity, in the following format:**

| Parameter | 2023-24 | 2022-23 |
|---|---|---|
| **Total waste generated (in metric tonnes)** | | |
| **Plastic waste (A)** | 0 | |
| **E-waste (B)** | 0 | |
| **Bio-medical waste (C)** | 0 | |
| **Construction and demolition waste (D)** | 0 | |
| **Battery waste (E)** | 0 | |
| **Radioactive waste (F)** | 0 | |
| **Other hazardous waste. Please specify, if any. (G)** | 0 | |
| **Other non-hazardous waste generated (H). Please specify, if any.** (Break-up by composition i.e. by materials relevant to the sector) | 0 | |
| **Pantry waste** | 34.4 | |
| **Total (A+B + C + D + E + F + G + H)** | **34.4** | |
| **Waste intensity per rupee of turnover** (Total waste generated / Revenue from operations) | 0.000000001 | |
| **Waste intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP)** (Total waste generated / Revenue from operations adjusted for PPP) | 0.0000000004 | |
| **Waste intensity in terms of physical output** | NA* | NA |
| **Waste intensity (optional) – the relevant metric may be selected by the entity** | 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 | 2023-24 | 2022-23 |
|---|---|---|
| (i) Recycled | 0 | |
| (ii) Re-used | 0 | |
| (iii) Other recovery operations | 0 | |
| **Total** | **0** | |

**For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)**

| Category of waste | 2023-24 | 2022-23 |
|---|---|---|
| (i) Incineration | 0 | |
| (ii) Landfilling | 0 | |
| (iii) Other disposal operations | 34.4 MT | |
| **Total** | **34.4 MT** | |

**Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N)**

NA

*The nature of our business activity is such that there is no physical output.

**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 has a sustainable approach to waste management. The Bank primarily generates e-waste and paper waste. Many operational transitions have been implemented to reduce waste generation.

**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 | | | | | |

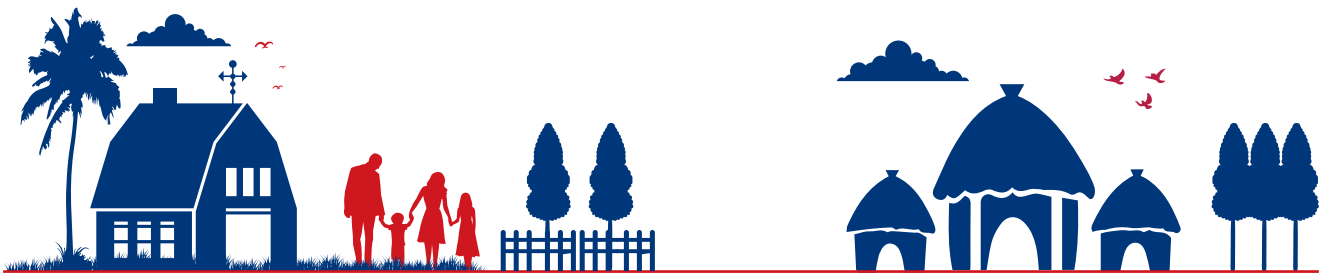
*The Company has not conducted EIA during the reporting period.

**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 | | | |



## 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 a Business Impact Analysis (BIA) and Business Continuity Plan (BCP) Document (Current V 2.0) duly approved by the Risk Management Committee of the Board. The document deals with how the Bank would continue operating during an unplanned disruption in service. In BIA, the Bank identifies and prioritises processes and systems and evaluates the potential effects (for example financial, life/safety, regulatory, legal/contractual, reputational and so forth) of natural and man-made events or disasters on the IT and other services that support business. The document analyses the potential loss in transactions to the Bank in case of disruption, the list of Critical and Non- Critical applications, their RPO and RTO and their potential impact types. The BCP part ensures that the Bank has appropriate strategies and procedures to ensure continuity, resumption and recovery of critical processes, at an agreed level to limit the impact of the disaster on people, processes and infrastructure (including IT); and to minimise the operational, financial, legal, reputational and other material consequences arising from such a disaster. The document 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 document also has the roles and responsibilities of various officials who are part of the Crisis Management and Quick Response team, Cyber Crisis Management team, Activating Disaster Recovery procedures, Communication responsibilities, Work from Home and Work from alternate arrangements, Emergency contact numbers, etc. The Bank also has a Business Continuity Management Policy, which is reviewed annually and approved by the Board of Directors.

## PRINCIPLE 7 TRANSPARENT & RESPONSIBLE

**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.**

   **23**

   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. | Global Alliance for Banking on Values (GABV) | International |
| 2. | Confederation of Indian Industry (CII) | National |
| 3. | Indian Banks Association (IBA) | National |
| 4. | Association of Small Finance Banks of India (ASFBI) | National |
| 5. | Foreign Exchange Dealers Association of India | National |
| 6. | Bombay Chamber of Commerce (BCCI) | National |
| 7. | Microfinance Institutions Network (MFIN) | National |
| 8. | National Institute of Bank Management (NIBM) | National |
| 9. | Fixed Income Money Market and Derivatives Association of India (FIMMDA) | National |
| 10. | Uttar Pradesh Microfinance Association (UPMA) | State |

**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.

## 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 | Financial Inclusion | Panel discussion | Yes | Others | https://www.sa-dhan.net/regional-conference/#:~:text=Sa%2DDhan%20organised%20a%20regional,apart%20from%20the%20inaugural%20session |
| 2 | ESG | Panel discussion | Yes | GABV Annual General Meeting 2023 | https://www.gabv.org/wp-content/uploads/2024/02/GABV-2023-Annual-Report.pdf |
| 3 | ESG | Panel discussion | No | GABV Asia Pacific Conference 2024 | |

## PRINCIPLE 8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

**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 |
|---|---|---|---|---|---|
| NA | | | | | |

* During the current financial year, 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 ₹) |
|---|---|---|---|---|---|---|
| NA | | | | | | |

*No such projects were undertaken by the Company.

3. **Describe the mechanisms to receive and redress grievances of the community.**

   The Bank is working on establishing a grievance redressal mechanism for the community.

**4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:**

| Particular | 2023-24 | 2022-23 |
|---|---|---|
| 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 | 2023-24 | 2022-23 |
|---|---|---|
| Rural | 6% | 7% |
| Semi-urban | 62% | 62% |
| Urban | 19% | 17% |
| Metropolitan | 14% | 15% |

(Place to be categorised as per RBI Classification System - rural / semi-urban / urban/metropolitan)

## Leadership Indicators

**1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):**

| Details of negative social impact identified | Corrective actions taken |
|---|---|
| NA | |

**2. 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. | Kerala | Wayanad | 1,74,813 |
| 2. | Jharkhand | Dumka, Maheshpur (Pakur), Godda, Gumla, Pashchimi Singhbhum | 37,25,000 |
| 3. | Maharashtra | Gadchiroli, Nandurbar | 4,34,200 |
| 4. | Tamil Nadu | Virudhunagar | 24,767 |
| 5. | Assam | Udalguri | Nil |
| 6. | Odisha | Rayagada, Kalahandi, Nuapada, Kandhamal | 4,15,000 |
| 7. | Madhya Pradesh | Vidisha | 1,10,000 |

3. 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?**

   There is preference for procuring from local and vulnerable groups.

   c) **What percentage of total procurement (by value) does it constitute?**

   *We currently do not have a process in place to capture this percentage.

4. **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 | 13,013 | 100% |
| 2 | ESAF Skill Leap | 6,313 | 100% |
| 3 | ESAF Village Level Entrepreneurship Development Programme | 5,813 | 100% |
| 4 | ESAF Capacity Building and Market Linkages | 14,317 | 100% |
| 5 | ESAF Centre for Excellence in Collective Entrepreneurship | 171 | 100% |
| 6 | ESAF Rural Health Infrastructure and Development Support | 83,580 | 100% |
| 7 | ESAF Rural School Infrastructure and Development Support | 1,106 | 100% |
| 8 | ESAF Emergency Relief & Community Intervention | 10,010 | 100% |
| 9 | ESAF Santhwana | 15,195 | 100% |
| 10 | ESAF Garshom | 11,086 | 100% |
| 11 | ESAF Community Intervention-Through Branches | 3,757 | 100% |
| | **Total** | **1,64,361** | |

## PRINCIPLE 9 RESPONSIBLE VALUE CREATION

17 PARTNERSHIPS FOR THE GOALS

**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 enabled different channels for its customers to get connected for communicating customer complaints and feedback like: Toll free 24 hour Call Centre with multi-language and interactive voice recognition facility, Website communication link for grievances, Branches and Escalation matrix with phone numbers, Customer care emails, Complaint box, Complaint registers etc.

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 | 92% |
| Safe and responsible usage | 0% |
| Recycling and/or safe disposal | 0% |

*92% of the Bank's book is in Priority Sector Lending

3. **Number of consumer complaints in respect of the following:**

| Particular | 2023-24 | | | 2022-23 | | |
|---|---|---|---|---|---|---|
| | 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 |
| Cyber-security | 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 | | | NA | 0 | 0 | NA |
| a. Digital complaints: UPI, ATM, POS, IMPS, NEFT, RTGS, BILLDESK, AEPS | 10,211 | 299 | NA | 0 | 0 | NA |
| b. Other miscellaneous | 133 | 4 | NA | 0 | 0 | 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 |

This is not relevant to the Bank as it is not in the business of manufacturing or selling products.

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

*There were no 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.

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*

*There were no data breaches during the FY 2023-2024.

## Leadership Indicator

1. **Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).**

The information related to all the products and services given by the Bank is published in all the branches. Also, it is available on our website, https://www.esafbank.com/. In addition, the Bank actively uses various social media and digital platforms to disseminate information on its loans and deposits.

2. **Steps taken to inform and educate consumers about safe and responsible usage of products and/or services**

The Bank has taken multiple actions to sensitise customers on cyber frauds and educating them on the Do's and Don'ts in the area of digital payments and observe necessary cyber discipline. Few of such efforts are : SMS to retail and micro banking customers including SMS in their regional languages, Website popup messages and safe banking tips uploaded on the website home page of the Bank, safe banking posters published on social media handlers like Facebook, Instagram, X, LinkedIn, Threads, etc., sensitising customers about digital frauds and safe banking through branch level customer service committee meetings, SMS content to report call centre in the transaction alert messages if the same is not done by the customers.

3. **Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.**

The Bank has multiple communication mechanism or channels like bulk SMS facility to all customers, bulk email facility to all customers, 24 hour multilingual call centre, customer care, common email services, and all branches and other touch points Pan India for communicating with our customers in case of any kind of information needs to be passed on to the customers.

**4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/NA)**

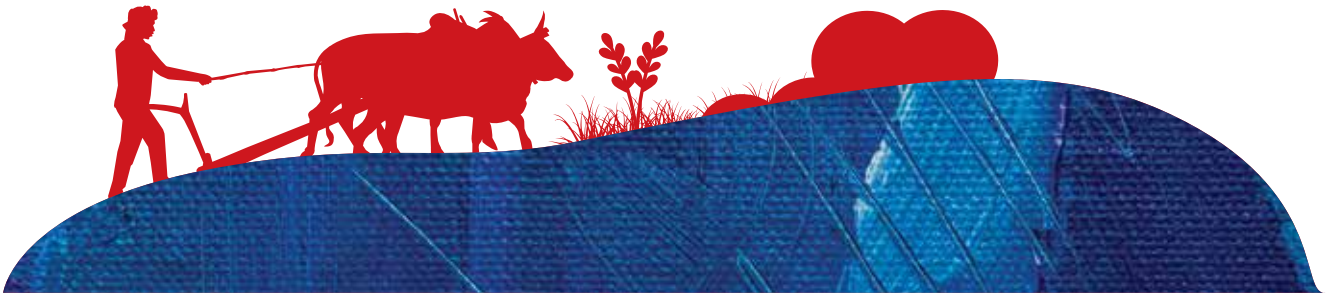
Yes

**a. If yes, provide details in brief.**

Apart from the product details mentioned on the Bank's website and the product applications, various types of brochures and leaflets are available at all the branches of the Bank, and also displayed key information related to the product's charges and facilities in all the branch notice boards for public to 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, 2024, 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 in 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, 2024, the Board has Ten Directors, comprising of the Managing Director and CEO, six Independent Directors including one-woman Independent Director, one Non-Executive Director and two Nominee Directors of the promoters. 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.

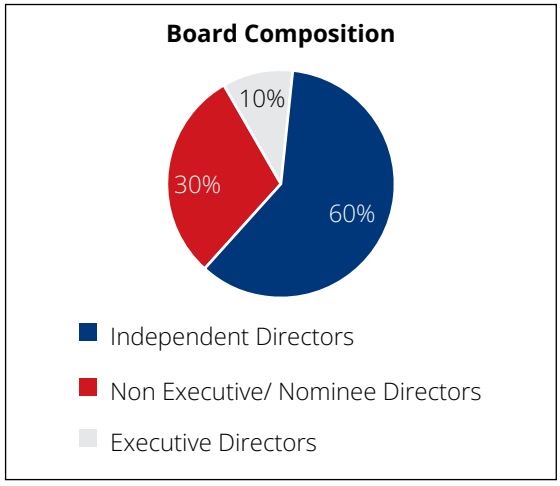
None of the directors are related to each other. All the Independent Directors of the Bank have confirmed that they meet the criteria prescribed for independence under the provisions of Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations. In the opinion of the Board, all the Independent Directors fulfil the conditions specified under the said norms and are independent of the management.

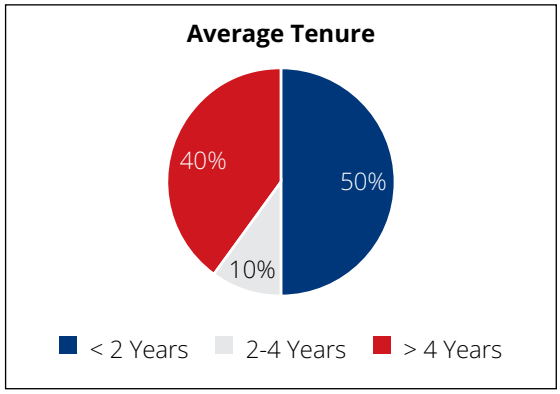
All the Independent Directors of the Bank are in compliance with the provisions of the Companies (Appointment and Qualification of Directors) Rules, 2014, with respect to enrolling their names in the online databank of Independent Directors and qualifying the online proficiency self-assessment test for Independent Directors, if applicable.

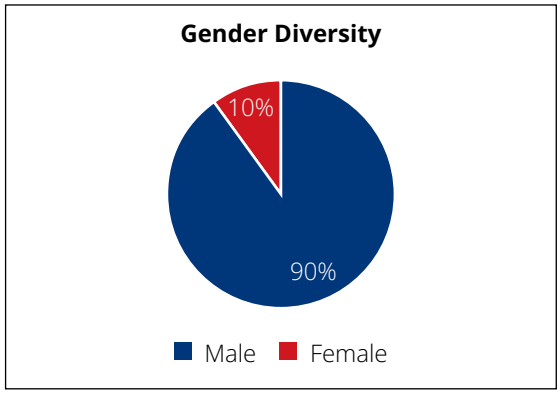
The details of the Board of Directors as on March 31, 2024 is furnished hereunder:

| Sl. No. | Name of the Director | Designation |
|---|---|---|
| 1. | Shri. Ravimohan Periyakavil Ramakrishnan | Part-Time Chairman and Non-Executive Independent Director |
| 2. | Shri. 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. | Ms. 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 |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)




### PROFILE OF BOARD OF DIRECTORS

#### 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.

#### Shri. Kadambelil Paul Thomas

**(Managing Director and Chief Executive Officer)**

Shri. Kadambelil Paul Thomas is the Individual Promoter, Managing Director and Chief Executive Officer of the Bank. He holds a Master's degree in Business Administration from Annamalai 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 Kisan 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 Co-Chair 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.

#### 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.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### 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 Doctor 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 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 has passed the final examination held by the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India. 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 Bajaj Finserv Mutual Fund Trustee Limited, Kotak Mahindra General Insurance Company Limited, Avanse Financial Services Limited, Kotak Mahindra Prime Limited, Sarvagram Solutions Private Limited, Aditya Birla ARC Limited and SBFC Finance Limited.

### Ms. Kolasseril Chandramohanan Ranjani

**(Non-Executive Independent Director)**

Ms. 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 Varkkey

**(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 (Dr. V. A. Joseph) 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 Doctor 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 the 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 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.

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 16 times during the Financial Year 2023-24. The details of attendance of each Directors 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 | 16 | 15 | Yes |
| 2. | Shri. Kadambelil Paul Thomas | 16 | 16 | Yes |
| 3. | Shri. Thomas Jacob Kalappila | 16 | 16 | Yes |
| 4. | Dr. Vinod Vijayalekshmi Vasudevan | 16 | 15 | Yes |
| 5. | Shri. Ravi Venkatraman | 16 | 16 | Yes |
| 6. | Ms. Kolasseril Chandramohanan Ranjani | 16 | 16 | Yes |
| 7. | Prof. Biju Varkkey* | 11 | 10 | Yes |
| 8. | Dr. Joseph Vadakkekara Antony** | 9 | 9 | Yes |
| 9. | Shri. Ajayan Mangalath Gopalakrishnan Nair | 16 | 16 | Yes |
| 10. | Shri. Gabriel John Samuel | 16 | 16 | Yes |

**Prof. Biju Varkkey was appointed as the Non-Executive Independent Director of the Bank with effect from August 17, 2023 up to August 16, 2026.*

***Dr. Joseph Vadakkekara Antony retired from directorship of the Bank on completion of his two terms as Independent Director on August 16, 2023 and was appointed as Non-Executive Director with effect from November 18, 2023.*

## 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, 2023

| Sr. 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,<br>Part Time Chairman and Non-Executive Independent Director<br>DIN: 08534931<br>Age: 65 | December 21, 2019 | December 21, 2025 | - | 2 | 1 | 0 | NIL |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

| Sr. 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] | | |
| 2 | Shri. Kadambelil Paul Thomas,<br>Managing Director and Chief Executive Officer<br>DIN: 00199925<br>Age: 60 | October 01,2018 | October 01,2024 | - | 0 | 1 | 0 | 3,11,86,785 |
| 3 | Shri. Thomas Jacob Kalappila,<br>Non-Executive Independent Director<br>DIN:00812892<br>Age: 70 | March 10,2020 | March 09, 2026 | - | 1 | 2 | 0 | NIL |
| 4 | Dr. Vinod Vijayalekshmi Vasudevan<br>Non-Executive Independent Director<br>DIN:02503201<br>Age:56 | December 22, 2021 | December 21, 2024 | - | 0 | 2 | 0 | NIL |
| 5 | Shri. Ravi Venkatraman,<br>Non-Executive Independent Director<br>DIN: 00307328<br>Age: 64 | December 13, 2022 | December 12, 2025 | SBFC Finance Limited (Independent) | 5 | 2 | 2(1) | NIL |
| 6 | Ms. Kolasseril Chandramohanan Ranjani,<br>Non-Executive Independent Director<br>DIN: 01735529<br>Age: 65 | December 13, 2022 | December 12, 2025 | - | 0 | 1 | 0 | NIL |
| 7 | Prof. Biju Varkkey,<br>Non-Executive Independent Director<br>DIN: 01298281<br>Age: 58 | August 17, 2023 | August 16,2026 | V Guard Industries Limited (Independent) | 0 | 1 | 1 | NIL |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

| Sr. 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] | | |
| 8 | Dr. Joseph Vadakkekara Antony,<br>Non-Executive Director<br>DIN: 00181554<br>Age: 72 | November 18, 2023 | November 17, 2025 | - | 1 | 1 | 0 | NIL |
| 9 | Shri. Ajayan Mangalath Gopalakrishnan Nair,<br>Non-Executive Nominee Director<br>DIN: 09782416<br>Age: 65 | December 13, 2022 | December 12, 2025 | - | 0 | 1 | 0 | 3,335 |
| 10 | Shri. Gabriel John Samuel,<br>Non-Executive Nominee Director<br>DIN: 07725212<br>Age: 69 | December 13, 2022 | December 12, 2025 | - | 0 | 0 | 0 | NIL |

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 chairpersonship of the said committees, as per the disclosure received from the concerned directors.*

### NUMBER AND DATES OF MEETING OF BOARD OF DIRECTORS

The Board of Directors met 16 times during the Financial Year 2023-2024 on:

- May 10, 2023
- June 08, 2023
- June 22, 2023
- July 07, 2023
- August 11, 2023
- September 06, 2023
- September 30, 2023
- October 17, 2023
- October 25, 2023
- October 28, 2023
- November 08, 2023
- November 18, 2023
- December 26, 2023
- February 08, 2024
- February 23, 2024
- March 08, 2024

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 (OAVM) was provided to the Directors. The Board agenda with proper explanatory notes were 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

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

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 compliances of 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 have 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 2023-24 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 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 Directors 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 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. | Shri. 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. | Ms. 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 |

### CONFIRMATION THAT THE INDEPENDENT DIRECTORS FULFIL THE CONDITION INDEPENDENT OF THE MANAGEMENT

The Independent Directors, appointed in the Board have fulfilled all the necessary condition and criteria as enumerated under Regulation 16(1)(b) of the SEBI 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 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/other-disclosures/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;
14. Discussion with internal auditors 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;

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

20. Reviewing the utilisation of loans and/ or advances from/ investment by the holding company in the subsidiary exceeding rupees 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 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 Auditors to attend the meetings of Audit Committee.

The Composition of Audit Committee as on March 31, 2024, is as under:

| Sl. No. | Name of the Member | Designation |
|---|---|---|
| 1. | Shri. Thomas Jacob Kalappila | Chairman |
| 2. | Shri. Ravi Venkatraman | Member |
| 3. | Ms. Kolasseril Chandramohanan Ranjani | Member |
| 4. | Shri. Ajayan Mangalath Gopalakrishnan Nair | Member |

### Meetings and Attendance during the year

During the Financial Year 2023-24, nine (9) meetings of the Committee were held on the following dates:

| Sl. No. | Date of Meeting |
|---|---|
| 1 | May 09, 2023 |
| 2 | June 08, 2023 |
| 3 | July 07, 2023 |
| 4 | August 10, 2023 |
| 5 | October 17, 2023 |
| 6 | November 18, 2023 |
| 7 | December 14, 2023 |
| 8 | February 07, 2024 |
| 9 | March 08, 2024 |

The details regarding the constitution of the Audit Committee along with the attendance recorded in the meetings held during the Financial Year 2023-24 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. | Ms. Kolasseril Chandramohanan Ranjani | Member | 9 | 9 |
| 4. | Dr. Joseph Vadakkekara Antony* | Member | 4 | 4 |
| 5. | Shri. Gabriel John Samuel** | Member | 6 | 6 |
| 6. | Shri. Ajayan Mangalath Gopalakrishnan Nair*** | Member | 3 | 3 |

**Dr. V.A Joseph ceased to be a member of the committee with effect from August 16, 2023, due to completion of his two terms as Independent Director of the Bank.*

***Shri. Gabriel John Samuel ceased to be a member of the committee with effect from November 18, 2023, due to change in the constitution of sub-committee.*

****Shri. Ajayan Mangalath Gopalakrishnan Nair was appointed as the member of the committee with effect from November 18, 2023.*

## 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 provisions of Regulation 19(1) of the Listing Regulations read with Section 178 of the Act.

The broad terms of reference of Nomination, Remuneration and Compensation Committee includes the following:

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

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 such description. For the purpose of identifying suitable candidates, the Committee may:

- Use the services of external agencies, 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 on discussion of matters pertaining to the remuneration payable, including any revision in remuneration payable to MD & CEO, Directors and approve such payments by passing resolution passed by the Committee after taking into account the financial position of the Bank, trend in the industry, qualification, 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, 2021and 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 | Ms. Kolasseril Chandramohanan Ranjani | Member |
| 4 | Dr. Joseph Vadakkekara Antony | Member |

**Meetings and Attendance during the year**

During the Financial Year 2023-24, five (5) meetings of the Committee were convened on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | May 09, 2023 |
| 2 | August 10, 2023 |
| 3 | November 17, 2023 |
| 4 | December 14, 2023 |
| 5 | February 08, 2024 |

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 2023-24 are mentioned below:

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

| 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 | 3 | 3 |
| 2. | Shri. P.R Ravimohan | Member | 5 | 4 |
| 3. | Smt.Kolasseril Chandramohanan Ranjani | Member | 5 | 5 |
| 4. | Dr. Joseph Vadakkekara Antony** | Member | 4 | 4 |
| 5. | Shri. Ajayan Mangalath Gopalakrishnan Nair*** | Member | 3 | 3 |
| 6. | Shri. Gabriel John Samuel**** | Member | 1 | 1 |

**Prof. Biju Varkkey was designated as the chairman of the Committee with effect from August 17, 2023*

***Dr. Joseph Vadakkekara Antony ceased to be member of the Committee with effect from August 17, 2023, due to completion of his two term as Independent Director.*

*Dr. Joseph Vadakkekara Antony was appointed as the member of the Committee with effect from November 18, 2023, due to appointment as Non-Executive Director of the Bank.*

****Shri. Ajayan Mangalath Gopalakrishnan Nair ceased to be member of the Committee with effect from November 18, 2023, due to change in the reconstitution of the Committee.*

*****Shri. John Samuel ceased to be member of the Committee with effect from June 22, 2023, due to change in the reconstitution of the Committee.*

### STAKEHOLDERS RELATIONSHIP COMMITTEE OF THE BOARD (SRCB)

**Brief description of terms and reference**

1. 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;
2. To review of measures taken for effective exercise of voting rights by shareholders;
3. To review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent;
4. 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
5. 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.
6. To approve, register, refuse to register transfer or transmission of shares and other securities and issue of duplicate share certificates.
7. 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 | Ms. Kolasseril Chandramohanan Ranjani | Chairman |
| 2 | Shri. Kadambelil Paul Thomas | Member |
| 3 | Shri. Ravi Venkatraman | Member |
| 4 | Shri. Gabriel John Samuel | Member |

**Meetings and Attendance during the year**

During the Financial Year 2023-24, two (2) meetings of the Committee were convened on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | December 26, 2023 |
| 2 | March 08, 2024 |

The details regarding the constitution of the Stakeholders Relationship Committee along with the attendance recorded in the meetings held during the Financial Year 2023-24 are mentioned below:

| Sl No | Name of the Members of the Committee | Designation | Attendance | |
|---|---|---|---|---|
| | | | Total No. of meetings held | No. of meetings attended |
| 1. | Ms. Kolasseril Chandramohanan Ranjani | Chairperson | 2 | 2 |
| 2. | Shri. Kadambelil Paul Thomas | Member | 2 | 2 |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

| Sl No | Name of the Members of the Committee | Designation | Attendance | |
|---|---|---|---|---|
| | | | Total No. of meetings held | No. of meetings attended |
| 3. | Shri. Ravi Venkatraman | Member | 2 | 2 |
| 4. | Shri. Gabriel John Samuel | Member | 2 | 2 |

### RISK MANAGEMENT COMMITTEE OF THE BOARD (RMCB)

**Brief description of terms and reference**

1. Oversee Risk Management and obtain assurance that all the principal risks faced by the Bank have been identified and are being appropriately managed.
2. Approve/ recommend to the Board for its approval/ review the policies, risk assessment models, strategies and associated frameworks for the management of risk.
3. Approve and periodically review Bank's overall risk appetite and set limits for all risks before submission to the Board.
4. Ensure appropriate risk organisation structure with authority and responsibility clearly defined, adequate staffing, and the independence of Risk Management functions.
5. 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.
6. 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.
7. Review and approve the Internal Capital Adequacy Assessment Process (ICAAP) document on a quarterly basis.
8. Review reports from management about changes in the factors relevant to the Bank's projected strategy, business performance or capital adequacy.
9. 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.
10. 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.
11. Review the Cyber Security Functions of the Bank on regular intervals.
12. Ensure adherence to the Board approved internal policy guidelines and also statutory and regulatory guidelines.
13. Review performance and set objectives for the Bank's Chief Risk Officer and ensure he has unfettered access to the Board.
14. Oversee statutory / regulatory reporting requirements related to Risk Management.
15. 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.
16. 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.
17. Monitor and review the exposure limits set by the Board.
18. Monitor and review of non-compliance, limit breaches, audit / regulatory findings, and policy exceptions with respect to Risk Management.
19. Review and confirm order/decisions for identification of wilful defaulters given by the Credit Risk Management Committee.
20. Monitor the Bank's credit risk profile, including risk trends and concentrations, loan impairment etc.
21. Determine /amend/review the functions of the Executive Level Committees from time to time.
22. To formulate a detailed Risk Management Policy which shall include:
    (i) 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, cyber security risks or any other risk as may be determined by the Committee.
    (ii) Measures for risk mitigation including systems and processes for internal control of identified risks.
    (iii) Business Continuity Plan.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

23. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Bank;
24. To monitor and oversee implementation of the Risk Management Policy, including evaluating the adequacy of Risk Management systems;
25. To periodically review the Risk Management Policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
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 | Shri. 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 2023-24, four (4) meetings of the Committee were convened on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | June 07, 2023 |
| 2 | September 06, 2023 |
| 3 | December 14, 2023 |
| 4 | March 07, 2024 |

The details regarding the constitution of the Risk Management Committee along with the attendance recorded in the meetings held during the Financial Year 2023-24 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 |
| 3. | Shri. 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 2023-2024. As on March 31, 2024, the Committee had four (4) members:

| Sl No | Name of the Member | Designation |
|---|---|---|
| 1 | Shri. Ravimohan Periyakavil Ramakrishnan | Chairman |
| 2 | Shri. Kadambelil Paul Thomas | Member |
| 3 | Shri. Ajayan Mangalath Gopalakrishnan Nair | Member |
| 4 | Dr. Joseph Vadakkekara Antony | Member |

During the Financial Year 2023-24, eleven (11) meetings of the Committee were convened on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | May 09, 2023 |
| 2 | June 08, 2023 |
| 3 | August 07, 2023 |
| 4 | August 24, 2023 |
| 5 | September 02, 2023 |
| 6 | November 17, 2023 |
| 7 | December 18, 2023 |
| 8 | February 05, 2024 |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

| Sl No | Date of Meeting |
|---|---|
| 9 | March 06, 2024 |
| 10 | March 22, 2024 |
| 11 | March 26, 2024 |

The details regarding the constitution of the Management Committee along with the attendance recorded in the meetings held during the Financial Year 2023-24 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 | 11 | 11 |
| 2. | Shri. Kadambelil Paul Thomas | Member | 11 | 11 |
| 3. | Shri. Ajayan Mangalath Gopalakrishnan Nair | Member | 11 | 11 |
| 4. | Dr. Joseph Vadakkekara Antony* | Member | 8 | 8 |

**Dr. Joseph Vadakkekara Antony ceased to be member of the Committee with effect from August 17, 2023, due to completion of his two term as Independent Director.*

*He was appointed as the member of the Committee with effect from November 18, 2023, due to appointment as Non-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 on November 18, 2024, during the Financial Year 2023-24. As on March 31, 2024, there were four (4) members on the Committee:

| Sl No | Name of the Member | Designation |
|---|---|---|
| 1 | Dr. Vinod Vijayalekshmi Vasudevan | Chairman |
| 2 | Shri. Thomas Jacob Kalappila | Member |
| 3 | Shri. Kadambelil Paul Thomas | Member |
| 4 | Shri. Ajayan Mangalath Gopalakrishnan Nair | 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 will 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 times during the Financial Year 2023-24 on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | May 05, 2023 |
| 2 | June 07, 2023 |
| 3 | September 05, 2023 |
| 4 | October 16, 2023 |
| 5 | December 26, 2023 |
| 6 | March 06, 2024 |

The details regarding the constitution of the IT Strategy Committee along with the attendance recorded in the meetings held during the Financial Year 2023-24 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. Vinod Vijayalekshmi Vasudevan | Chairman | 6 | 6 |
| 2. | Shri. Thomas Jacob Kalappila | Member | 6 | 6 |
| 3. | Shri. 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

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

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 on November 18, 2023 during the year 2023-2024. As on March 31, 2024, 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 | Ms. Kolasseril Chandramohanan Ranjani | Member |

The Customer Service Committee of the Board was convened four (4) times during the Financial Year 2023-24 on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | May 05, 2023 |
| 2 | August 11, 2023 |
| 3 | December 13, 2023 |
| 4 | February 08, 2024 |

The details regarding the constitution of the Customer Service Committee along with the attendance recorded in the meetings held during the Financial Year 2023-24 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. | Ms. Kolasseril Chandramohanan Ranjani | Member | 4 | 4 |

### 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.
- 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 on November 18, 2023 during the year 2023-2024. As on March 31, 2024, the Committee had four (4) members:

| Sl No | Name of the Member | Designation |
|---|---|---|
| 1 | Shri. Gabriel John Samuel | Chairman |
| 2 | Shri. Kadambelil Paul Thomas | Member |
| 3 | Ms. Kolasseril Chandramohanan Ranjani | Member |
| 4 | Dr. Joseph Vadakkekara Antony | Member |

During the Financial Year 2023-24, two (2) meetings of the Committee were convened on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | August 10, 2023 |
| 2 | February 07, 2024 |

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 2023-24 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. Gabriel John Samuel | Chairman | 2 | 2 |
| 2. | Shri. Kadambelil Paul Thomas | Member | 2 | 2 |

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| Sl No | Name of the Members of the Committee | Designation | Attendance | |
|---|---|---|---|---|
| | | | Total No. of meetings held | No. of meetings attended |
| 3. | Ms. Kolasseril Chandramohanan Ranjani | Member | 2 | 2 |
| 4. | Shri. Thomas Jacob Kalappila* | | 1 | 1 |
| 5. | Dr. Joseph Vadakkekara Antony** | Member | 1 | 1 |

**Shri. Thomas Jacob Kalappila ceased to be member of the committee with effect from November 18, 2023.*

***Dr. Joseph Vadakkekara Antony was appointed as a member of the Committee with effect from November 18, 2023.*

### 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 on November 18, 2023 during the year 2023-2024. As on 31st March 2024, the Committee had five (5) members:

| Sl No | Name of the Member | Designation |
|---|---|---|
| 1 | Shri. 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 2023-24, three (3) meetings of the Committee were convened on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | May 23, 2023 |
| 2 | September 06, 2023 |
| 3 | February 08, 2024 |

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 2023-24 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. Kadambelil Paul Thomas | Chairman | 3 | 3 |
| 2. | Shri. Ravimohan Periyakavil Ramakrishnan | Member | 3 | 2 |
| 3. | Shri. Thomas Jacob Kalappila | Member | 3 | 3 |
| 4. | Shri. Ravi Venkatraman | Member | 3 | 3 |
| 5. | Shri. Gabriel John Samuel | Member | 3 | 3 |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### 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 on November 18, 2023 during the year 2023-2024. As on March 31, 2024, the Committee had five (5) members:

| Sl No | Name of the Member | Designation |
|---|---|---|
| 1 | Prof. Biju Varkkey | Chairman |
| 2 | Shri. Ravimohan Periyakavil Ramakrishnan | Member |
| 3 | Shri. Vinod Vijayalekshmi Vasudevan | Member |
| 4 | Shri. Kadambelil Paul Thomas | Member |
| 5 | Dr. Joseph Vadakkekara Antony | Member |

During the Financial Year 2023-24, three (3) meetings of the Committee were convened on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | September 06, 2023 |
| 2 | December 18, 2023 |
| 3 | March 07, 2024 |

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 2023-24 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 | 3 | 3 |
| 2. | Shri. Ravimohan Periyakavil Ramakrishnan | Member | 3 | 3 |
| 3. | Shri. Vinod Vijayalekshmi Vasudevan | Member | 3 | 3 |
| 4. | Shri. Kadambelil Paul Thomas | Member | 3 | 3 |
| 5. | Dr. Joseph Vadakkekara Antony* | Member | 2 | 2 |

**Dr. Joseph Vadakkekara Antony was appointed as a member of the Committee with effect from November 18, 2023*

### IPO STEERING COMMITTEE OF THE BOARD (IPOSCB)

The IPO Steering Committee of the Board was constituted by the Board of Directors in the meeting held on August 06, 2019. The Committee was reconstituted on December 03, 2022 and February 08, 2023 during the year 2023-24. As on March 31,2024, the Committee had three (3) members:

| Sl No | Name of the Member | Designation |
|---|---|---|
| 1 | Shri. Ravimohan Periyakavil Ramakrishnan | Chairman |
| 2 | Shri. Kadambelil Paul Thomas | Member |
| 3 | Shri. Ravi Venkatraman | Member |

During the Financial Year 2023-24, seven (7) meetings of the Committee were convened on the following dates:

| Sl No | Date of Meeting |
|---|---|
| 1 | June 26, 2023 |
| 2 | July 03, 2023 |
| 3 | October 18, 2023 |
| 4 | October 27, 2023 |
| 5 | October 30, 2023 |
| 6 | November 02, 2023 |
| 7 | November 09, 2023 |

The details regarding the constitution of the IPO Steering Committee along with the attendance recorded in the meetings held during the Financial Year 2023-24 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 | Chairman | 7 | 6 |
| 2. | Shri. Kadambelil Paul Thomas | Member | 7 | 7 |
| 3. | Shri. Ravi Venkatraman | Member | 7 | 7 |
| 4. | Dr. Joseph Vadakkekara Antony* | Member | 2 | 2 |

**Dr. V. A. Joseph ceased to be a member of the committee with effect from August 16, 2023, due to completion of his two terms as Independent Director of the Bank.*

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

**Particulars of Senior Management including the changes therein since the close of the previous Financial Year**

During Financial Year 2023-24, following were the changes in the Senior Management of the Bank:

| Sl No | Name of the Employee | Designation | Date of Change | Type of Change |
|---|---|---|---|---|
| 1. | Shri. Antoo P. K. | Head – Internal Audit | March 31, 2023 | Cessation |
| 2. | Shri. Sivakumar P. | Head – Internal Audit | April 01, 2023 | Appointment |

### REMUNERATION OF DIRECTORS

a) The details of remuneration paid to Managing Director and CEO during the Financial Year 2023-24, is as under:

(₹ In millions)

| Particulars | Shri. Kadambelil Paul Thomas |
|---|---|
| Salary and Allowances | 22.30 |
| Retiral Benefits | NIL |
| Perquisites | 0.79 |
| Variable Pay | |
| Variable Pay for the FY 2022-23 | 7.25 |
| Variable Pay for the FY 2021-22 | 1.57 |
| Variable Pay for the FY 2020-21 | 1.10 |

- No Directors were granted stock options till date.
- The Executive Director is not entitled to receive any sitting fees from the Bank, for attending meetings of the Board and its committees.
- All the Independent, Non-Executive and Nominee Directors of the Bank were paid sitting fees of Rs. 60,000 for every meeting of the Board and in respect of meetings of other committees of the Board, they were paid sitting fees of Rs. 50,000 for every meeting attended by them.
- All Directors are eligible for reimbursement of expenses incurred while performing their duties.
- In addition to sitting fees, the Non-Executive Part-Time Chairman is entitled to free use of the Bank's car for official purposes.

**Details of Remuneration paid to the Non-Executive Directors**

The Non-Executive Directors are not paid any remuneration other than sitting fee paid for attending the meetings of the Board and its Committees. The details of sitting fee paid during the year is provided below:

| Sl No | Name of the Directors | Amount |
|---|---|---|
| 1 | Shri. Ravimohan Periyakavil Ramakrishnan | 25,00,000 |
| 2 | Shri. Thomas Jacob Kalappila | 22,10,000 |
| 3 | Dr. Vinod Vijayalekshmi Vasudevan | 5,50,000 |
| 4 | Shri. Ravi Venkatraman | 23,10,000 |
| 5 | Ms. Kolasseril Chandramohanan Ranjani | 21,60,000 |
| 6 | Prof. Biju Varkkey* | 10,00,000 |
| 7 | Dr. Joseph Vadakkekara Antony** | 15,90,000 |
| 8 | Shri. Ajayan Mangalath Gopalakrishnan Nair | 25,10,000 |
| 9 | Shri. Gabriel John Samuel | 18,60,000 |
| | **Total** | **1,66,90,000** |

**Prof. Biju Varkkey was appointed as the Non-Executive Independent Director of the Bank with effect from August 17, 2023 up to August 16, 2026.*

***Dr. Joseph Vadakkekara Antony retired from directorship of the Bank on completion of his two terms as Independent Director on August 16, 2023 and appointed as Non-Executive Director with effect from November 18, 2023 up to November 17, 2025.*

### NAME AND DESIGNATION OF THE COMPLIANCE OFFICER

Shri. Ranjith Raj P. Company Secretary of the Bank is appointed as the Compliance Officer of the Company.

### REDRESSAL OF INVESTOR GRIEVANCES

The Company 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, 2023 to March 31, 2024 | No. of Complaints |
|---|---|
| Investor complaints pending as on April 01, 2023 | NIL |
| Investor complaints received during the period | |
| 1. Investor complaints received through SEBI SCORES Platform of the Bank | 12 |
| 2. Other Investor complaints received | 1029 |
| Total number of complaints disposed off | 1041 |
| Complaints pending as on March 31, 2024 | NIL |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### 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 |
|---|---|---|---|
| 2022-23 | December 29, 2023 | 03.00 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 A.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. |
| 2020-21 | September 29, 2021 | 12.30 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. |

**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 |
|---|---|---|---|
| 07th AGM | Friday, December 29, 2023, at 3:00 P.M. | Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode | 1. Appointment of Shri. Biju Varkkey (DIN: 01298281) as Non-Executive Independent Director of the Bank<br>2. Revision of Remuneration of Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and Chief Executive Officer of the Bank<br>3. Borrowing / raising of funds, by issue of debt securities on a Private Placement basis<br>4. Ratification and Amendment of "ESAF SMALL FINANCE BANK EMPLOYEES STOCK OPTION PLAN 2019" ("ESAF ESOP PLAN - 2019" / "ESOP 2019" / "the Plan") |
| 06th AGM | Tuesday, December 13, 2022, at 10:30 A.M. | Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode | 1. Re-Appointment of Shri. Ravimohan Periyakavil Ramakrishnan (DIN: 08534931) as Non-Executive Independent Director of the Bank<br>2. Revision of Remuneration of Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank<br>3. To raise funds through Private Placement of Unsecured, Rated, Redeemable Non-Convertible Debentures (NCDs) |
| 05th AGM | Wednesday, September 29, 2021, at 12:30 P.M. | Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode | 1. Revision of Remuneration of Shri. 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<br>2. Re-appointment of Shri. Kadambelil Paul Thomas (DIN: 00199925) as the Managing Director and CEO ofthe Bank<br>3. Alteration in Articles of Association of the Bank |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

| No. of Meetings | Day, Date and Time | Mode of Meeting Held | Details of Special Resolutions Passed, if any |
|---|---|---|---|
| 23rd EGM | Friday, October 13, 2023, at 12 Noon. | Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode | 1. Alteration of Articles of Association of the Bank |
| 22nd EGM | Thursday, June 29, 2023, at 04:30 P.M. | Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode | 1. Approval for Initial Public Offer of Equity Shares<br>2. Adoption of the Amended ESAF ESOP PLAN 2019 |
| 21st EGM | Thursday, March 09, 2023, at 12:30 P.M. | Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode | 1. Issue of Equity Shares on Private Placement (aggregating 2,31,67,856 each valued at a price of ₹ 68/-) |
| 20th EGM | Wednesday, February 13, 2022, at 11:00 A.M. | Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode | 1. 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<br>2. To raise funds through Private Placement of Unsecured, Rated, Redeemable Non-Convertible Debentures (NCDs) |
| 19th EGM | Monday, July 12, 2021, at 04:45 P.M. | Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") mode | 1. Initial Public Offer of Equity Shares<br>2. Increase the limit of investment by the Non-Resident Indians and Overseas Citizens of India |
| 18th EGM | Wednesday, March 24, 2021, at 10:00 A.M. | 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 | 1. 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**

No Resolution requiring Postal Ballot is being proposed on or before the ensuing Annual General Meeting of the Bank.

### 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 also 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 08th Annual General Meeting**

| | |
|---|---|
| Day and Date | Wednesday, August 14, 2024 |
| Time | 03.00 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 FY 2023-24**

| For the quarter ended | Date of Approval |
|---|---|
| June 30, 2023 | July 07, 2023 |
| September 30, 2023 | October 17, 2023 |
| December 31, 2023 | February 08, 2024 |
| March 31, 2024 | May 10, 2024 |

**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, 2024 |
| September 30, 2024 | November 10, 2024 |
| December 31, 2024 | February 10, 2025 |
| March 31, 2025 | May 10, 2025 |

**Dividend for the Financial Year 2023-24**

Considering the Dividend Policy of the Bank, the Board has recommended final dividend of ₹ 0.7 per equity share which is subject to the approval of the shareholders at the ensuing Annual General Meeting, and if approved, will be paid within the timelines as per Companies Act, 2013. The Bank has formulated a policy on Distribution of Dividend and the same is available on the website of the Bank.

https://www.esafbank.com/wp-content/uploads/2024/05/Policy_for_Dividend_Distribution.pdf

Dividend in respect of shares held in electronic form will be paid to the beneficial owners as per the information furnished by NSDL and CDSL as on record date. Shareholders are requested to notify any change in their residential address, Bank A/c details and/ or email address

immediately to their respective Depository Participants. Under this system of payment of dividend, the shareholders will receive the credit directly in their specified bank account and thus avoid any loss of warrant in transit or fraudulent encashment. The Bank will make arrangements to pay Dividend through NECS to its members or dispatch dividend warrant/cheque.

**Date of Book Closure**

The Register of Members will remain closed from August 08, 2024 to August 14, 2024 (both days inclusive) and dividend will be paid to the members whose name(s) appear in the Register of Members / Register of Beneficial Owners as on record date i.e. August 07, 2024.

**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 Link Intime India Private Ltd., RTA of the Bank by giving details of their bank account for claiming dividend.

**Details of shares transferred to Investor Education and Protection Fund Authority (IEPF)**

The Bank has not declared any dividend in the previous Financial Years. Hence, no amount of dividend or underlying equity shares are required to be transferred to the 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.**<br>**Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001** | **National Stock Exchange of India Ltd.**<br>**Exchange Plaza, 5th Floor**<br>**Plot No.C/1, "G" Block**<br>**Bandra- Kurla Complex**<br>**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 2024-25.

**Details of Stock Code**

The stock codes of the Bank at the Stock Exchanges are as follows:

| | |
|---|---|
| **BSE Ltd.**<br>**Scrip code: 544020**<br>**ISIN : INE818W01011** | **National Stock Exchange of India Ltd.**<br>**Symbol :ESAFSFB**<br>**ISIN : INE818W01011** |

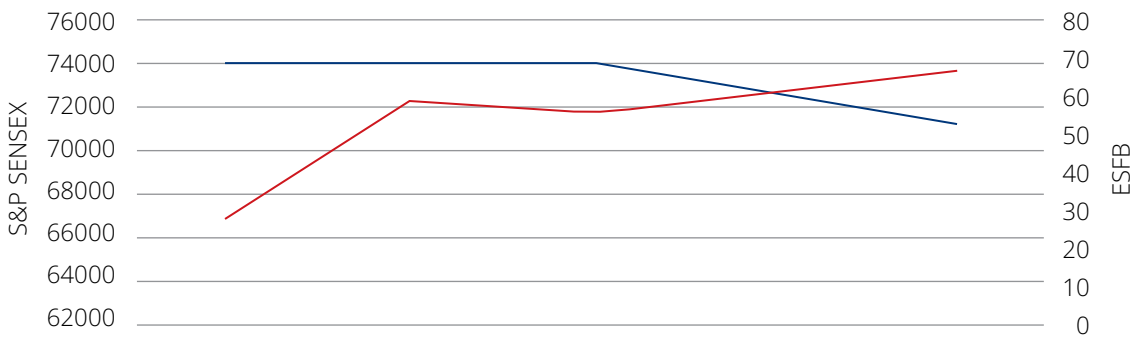
## STOCK MARKET PRICE DATA OF THE BANK'S SHARES

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 November 10, 2023 to March 31, 2024 are as under:

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

| BSE Ltd. (BSE) | | | National Stock Exchange of India Ltd. (NSE) | | |
|---|---|---|---|---|---|
| **Month** | **High** | **Low** | **Month** | **High** | **Low** |
| November 2023 | 74.70 | 67.50 | November 2023 | 74.80 | 67.50 |
| December 2023 | 75.39 | 66.05 | December 2023 | 75.40 | 66.05 |
| January 2024 | 74 | 67.76 | January 2024 | 73.95 | 67.75 |
| February 2024 | 82.26 | 61.05 | February 2024 | 82.40 | 61 |
| March 2024 | 63.50 | 53.16 | March 2024 | 63.50 | 53.30 |

**PERFORMANCE OF THE ESAF SMALL FINANCE BANK EQUITY SHARES RELATIVE TO S&P BSE SENSEX FROM NOVEMBER 2023 TO MARCH 2024.**

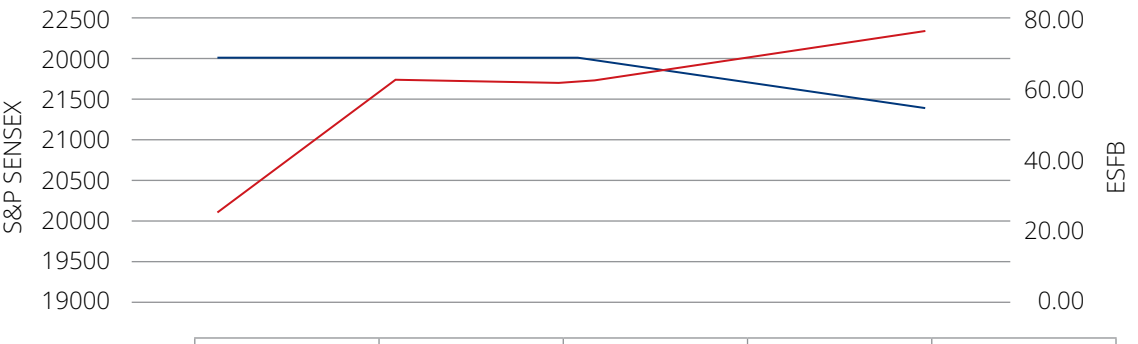



| | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 |
|---|---|---|---|---|---|
| Sensex | 66988.44 | 72240.26 | 71752.11 | 72500.3 | 73651.35 |
| ESFB | 68.8 | 68.76 | 69.32 | 61.05 | 53.16 |

MONTH

Sensex ESFB

**PERFORMANCE OF THE ESAF SMALL FINANCE BANK EQUITY SHARES RELATIVE TO NSE NIFTY FROM NOVEMBER 2023 TO MARCH 2024.**




| | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 |
|---|---|---|---|---|---|
| Sensex | 20133.15 | 21731.4 | 21725.7 | 21982.80 | 22326.90 |
| ESFB | 68.70 | 68.70 | 69.25 | 62.15 | 54.45 |

MONTH

NIFTY ESFB

## 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**

**Link Intime India Private Limited.**

C-101, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai – 400083, Maharastra

Tel : 912249186270

Email: **mumbai@linkintime.co.in**

**rnt.helpdesk@linkintime.co.in**

**Reconciliation of Share Capital Audit**

The Bank has complied with SEBI requirements with regard to reconciliation of share capital audit for the purpose of reconciliation of the total admitted capital with both the Depositories NSDL & CDSL. The total issued, paid up and listed capital of the Bank and other matters covered under the directions of SEBI are part of the scope of the audit.

**Share Transfer**

All shares of the Bank is held in dematerialised form. Hence, all the share transfers are happened only through depository system.

**Distribution of shareholding as on March 31, 2024**

| Sl. No | Shareholding of Nominal shares | | Number of shareholders | % of shareholders | Number of shares | % of shares |
|---|---|---|---|---|---|---|
| | From | To | | | | |
| 1 | 1-500 | | 87721 | 84.68 | 1,38,17,805 | 2.68 |
| 2 | 501-1000 | | 7407 | 7.15 | 60,18,444 | 1.17 |
| 3 | 1001-2000 | | 4098 | 3.96 | 62,71,908 | 1.22 |
| 4 | 2001-3000 | | 1360 | 1.31 | 35,09,305 | 0.68 |
| 5 | 3001-4000 | | 1013 | 0.98 | 35,69,392 | 0.69 |
| 6 | 4001-5000 | | 544 | 0.53 | 25,92,755 | 0.50 |
| 7 | 5001-10000 | | 793 | 0.77 | 59,70,611 | 1.16 |
| 8 | 10001-514779858 | | 659 | 0.64 | 47,30,29,638 | 91.89 |

**Category of shareholder as on March 31, 2024**

| Category | No.of shares | % of total no. of shares |
|---|---|---|
| Promoter & Promoter Group | 32,63,36,838 | 63.39 |
| Corporate Bodies & LLP | 3,01,00,109 | 5.84 |
| Banks, Financial Institutions, Insurance Companies, Mutual Funds, AIF | 5,47,69,623 | 10.67 |
| Indian Public & Other | 5,73,26,360 | 11.13 |
| NRI/OCB/ FII/Foreign Nationals | 4,62,46,928 | 8.97 |
| **Total** | **51,47,79,858** | **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, 2024 are given below:

| Particulars | No. of shares | Percentage |
|---|---|---|
| Issued Capital | 51,47,79,858 | 100 |
| Listed Capital (Exchange-wise) | 51,47,79,858 | 100 |
| Shares held in Dematerialised form | 51,47,79,858 | 100 |
| Shares held in Physical form | NIL | NIL |

**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, 2024.

**Plant Locations**

As the Bank is engaged in the business of Banking/ Financial Services, this is not applicable in the Bank's case. However,

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

the Bank has 753 Branches and 614 ATMs as on March 31, 2024.

**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 risk 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: investor.relations@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, 2024 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 | 3,800 | CARE A; Stable (Single A; Outlook: Stable) | February 20, 2024 |
| 2. | Tier-II Bonds | Brickwork Ratings India Private Limited | 200 | BWR A / Negative | December 28, 2022 |

### 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://esafbank.com/pdf/Related%20Party%20Transaction%20Policy.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, 2024 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 have formulated a policy on Materiality and Dealing with Related Party Transactions and the same is hosted on the website of the Bank at https://esafbank.com/pdf/Related%20Party%20Transaction%20Policy.pdf

**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., and Reserve Bank of India. The penalties or strictures imposed by the regulators on the Bank are as follows:

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

| Sl. No. | Name of the regulatory/ enforcement agencies/ judicial institutions | Amount (In ₹) | Brief of the case |
|---|---|---|---|
| 1. | 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'. |
| 2. | 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 of 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 blows 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/pdf/policies/Whistle%20Blower%20Policy.pdf.

**Details of compliance with mandatory requirements and adoption of the non-mandatory requirements**

The Bank has fully complied with the mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**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 "M. Vasudevan", 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.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

**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, 2024 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 (POSH) Act 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 toward 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.

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 | 2 | |
| Number of complaints disposed off during the year | 2 | |
| 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 | Counselling and Oral Warning | |
| No. of workshops or awareness programme against sexual harassment | 1. Workshops- 98 workshops conducted for new inductees covering 3224 inductees.<br>2. POSH E-shiksha module available in E-Learning platform- 400 employees completed the module during 2023-24<br>Posters/sandwich display boards on POSH displayed at all branches/offices | |
| Nature of action taken by employer/district officer | Total Cases Disposed of | 2 |
| | Termination/Dismissal | NIL |
| | Warning | NIL |
| | Complaint Withdrawn | 1 |
| | Allegation not proved | 1 |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### 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.

a) The Chairperson of the Bank is in Non-Executive Category.

b) The listed entity follows the regime of financial statements with unmodified audit opinion.

c) 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 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 had 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 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 Lakhs) 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

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

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 |
|---|---|
| January 01, 2024 to February 11, 2024 | For announcement/declaration of the unaudited financial results of the Bank for the quarter and nine months ended on December 31, 2023. |
| 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. |

### 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

The 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 Report.

Pursuant to Regulation 17(8) of the Listing Regulations, Shri. Kadambelil Paul Thomas, Managing Director and Chief Executive Officer and Shri. Gireesh C. P. 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 10, 2024 and is annexed to this report.

### 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 M. Vasudevan, 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.<br>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 e-mail. |
| 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.<br>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 report to the Audit Committee of the Board. |

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### 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.<br>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 he occupies 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 REDRESSEL 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.

### GREEN INITIATIVES

In terms of Rule 18 of the Companies (Management and Administration) Rules, 2014, MCA Circular no. 09/2023 dated 25 September, 2023 and SEBI circular no. SEBI/HO/CFD/CFD-PoD[1]2/P/CIR/2023/167 dated 7 October, 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 08th 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 eighth AGM and the Annual Report for Financial Year 2024 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 viz., at https://www.esafbank.com/investor-relation/?id=annual-reports

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### 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://esafbank.com/pdf/Related%20Party%20Transaction%20Policy.pdf |
| Annual Secretarial Compliance Report | NA |
| Compliance Certificate under Regulation 7(3) of the Listing Regulation | https://www.esafbank.com/pdf/DSE/2024-2025/Certificate%20under%20Regulation%207(3)%20of%20SEBI%20(LODR)%20Regulations,%202015.pdf |
| 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=annual-reports |
| Investor Assistance | https://www.esafbank.com/investor-relation/?id=investor-contacts |

### BOARD INTERACTION WITH STAKEHOLDERS

**Earnings Call/ Investors Presentations/ Media Releases**

The Bank conducts meetings/call with Institutional Investors and Analysts in every quarter, after the results are declared. The Investors Presentations and transcript/ audio recordings of the Institutional Investors and Analysts call are uploaded in the Bank's website at https://www.esafbank.com/investor-relation/?id=presentation-and-concall-transcripta and also submitted to the stock exchanges. The Bank is also uploading the audio recordings of the Institutional Investors and Analysts meetings/call in 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.

### 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, Bank has created a separate e-Mail ID viz. **investor.relations@esafbank.com** for redressal of Investor Complaints and Grievances.

## 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 of the Bank has been accepted, and the members of board of directors and Senior Management Personnel have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management 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 08, 2024**

## CERTIFICATE FROM PRACTICING COMPANY SECRETARY ON COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

**To,**
**Members,**
**ESAF Small Finance Bank Ltd.**
**ESAF Bhavan, Thrissur-Palakkad National Highway,**
**Thrissur, Kerala, India, 680651**

I have examined the compliance of conditions of Corporate Governance by ESAF Small Finance Bank Ltd. ('the Bank') for the year ended March 31, 2024, as prescribed in regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and Para C, D and E of Schedule V to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR') as amended from time to time pursuant to the Listing Agreement of the Bank with the National Stock Exchange Limited and the BSE Limited.

I state that the compliance of conditions of Corporate Governance is the responsibility of the management, and my examination was limited to procedures and implementation thereof adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In my opinion and to the best of my information and according to the explanations given to me and the representation provided, I certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the LODR.

I further state that such compliance is neither an assertion as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

This certificate is addressed and provided to the members of the Bank solely for the purpose to enable the Bank to comply with the requirement of the LODR, and it should not be used by any other person or for any other purpose. Accordingly, I do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without my prior consent in writing.

**Sd/-**

**Name of Company Secretary in practice: M Vasudevan**
**(FCS No.: 4177 / C P No.: 2437)**
**Peer Review No: 2935/2023**
**UDIN: F004177F000333704**

**Place: Thrissur**
**Date: May 08, 2024**

## CEO / CFO CERTIFICATION

We, Kadambelil Paul Thomas, Managing Director & CEO and Gireesh C.P, Chief Financial Officer of ESAF Small Finance Bank Ltd. hereby certify that:

(A) We have reviewed financial statements for the 12 months ended March 31, 2024 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**

**Sd/-**
**Kadambelil Paul Thomas**
**Managing Director & CEO**
**(DIN: 00199925)**

**Place: Thrissur**
**Date: May 08, 2024**

## 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,**
**Members,**
**ESAF Small Finance Bank Ltd.**
**ESAF Bhavan, Thrissur-Palakkad National Highway,**
**Thrissur, Kerala, India, 680651**

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of ESAF Small Finance Bank Ltd. having CIN U65990KL2016PLC045669 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 me/us by the Company 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 my 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 Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2024 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.

| Sr. No | Name of Director | DIN | Date of Appointment in Company |
|---|---|---|---|
| 1 | Shri Ravimohan Periyakavil Ramakrishnan | 08534931 | December 21, 2019 |
| 2 | Shri Kadambelil Paul Thomas | 00199925 | October 01, 2018 |
| 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 | Ms. 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 Gabriel John Samuel | 07725212 | December 13, 2022 |

Ensuring the eligibility of for the appointment / continuity 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 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.

**Sd/-**
**Name of Company Secretary in practice: M. Vasudevan**
**(FCS No.: 4177 / C P No.: 2437)**
**Peer Review No: 2935/2023**
**UDIN: F004177F00033**

**Place: Thrissur**
**Date: May 08, 2024**

# INDEPENDENT AUDITOR'S 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, 2024, 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 banks , 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, 2024, 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.

| SI NO. | Key Audit Matter | Auditors Response |
|---|---|---|
| 1 | **Classification of Advances, Provisioning and other relevant compliance of RBI Guidelines:**<br>The Bank's portfolio comprises of Net Advances of 18,293 Crores as at March 31, 2024 comprising of 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 3,461.32 crores 81% of Total Income. The provision in respect of NPA is ₹ 589.01 Crores which constitutes 19.01% 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. | • 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 reports of experts for primary and collateral securities based on the understanding of the prudential guidelines and overall organizational IT framework of the Bank and communication through various circulars and reports.<br>• 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.)

| SI NO. | Key Audit Matter | Auditors Response |
|---|---|---|
| | Besides identification of and provisioning requirement for non- performing loans in accordance with the RBI guidelines also includes management estimates and judgement.<br>Since the identification of NPAs and provisioning for such advances is significant to the overall audit, we have concluded that this as a Key Audit Matter. | • 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 Bank's policy.<br>• We have tested samples of Performing Assets for ascertaining compliance with the IRAC Norms.<br>• Performed inquires 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.<br>• We have assessed the adequacy of the disclosures as prescribed in the relevant accounting standards and the RBI requirements relating to NPAs.<br>• With respect to contingency provision held as at March 31, 2024 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:**<br>As Bank that operates on core banking solution ("CBS") and other loan applications across its branches, the reliability and security of IT systems plays a key role in the business operations. Since large volume of transactions are processed daily, the IT controls should ensure that all the applications process the data as expected and that changes are made in an appropriate manner.<br>Considering the pervasive and intricate nature of the IT environment, as well as its critical role in ensuring accurate and timely financial reporting, we have identified this area as a Key Audit Matter. | We involved our IT specialists to obtain an understanding of the Bank's IT related control environment. Furthermore we conducted an assessment and identified critical key IT applications, databases and operating systems that are relevant for our audit. For the key IT systems used to prepare accounting and financial information, our areas of audit focus included access security (including controls over privileged access), program change controls, database management and network operations. In particular, the procedures followed were :<br>• 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 Bank's controls to evaluate segregation of duties and access rights given / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified.<br>• We also tested key automated and manual business cycle controls and logic for system generated reports relevant to audit; including testing of compensating controls or performed alternate procedures. |

### 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 Director's report is expected to be made available to us after the date of this auditor's 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 identified above when it becomes available 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.
- When we read the other information identified above, if we conclude that there is material misstatement therein, 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'

### 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 gives 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 is 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 are 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 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 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.

## INDEPENDENT AUDITOR'S REPORT (CONTD.)

- 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 auditor's 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 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 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 auditor's 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.

### Other Matter

The comparative financial information of the Bank for the previous reporting periods included in the Financial Statements have been audited by Abarna & Ananthan, Chartered Accountants, one of the joint statutory auditors of the Bank, who have expressed an unmodified opinion. Accordingly, Kirtane & Pandit LLP, Chartered Accountants, do not express any opinion on the comparative figures.

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

### Report on Other Legal and Regulatory Requirements

1. 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:
   a) 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, And found them to be satisfactory
   b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the bank.
   c) 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.
   d) 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.
   e) 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.
   f) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act as applicable to the Banks.
   g) 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, 2024 from being appointed as a director in terms of Section 164(2) of the Act.

## INDEPENDENT AUDITOR'S REPORT (CONTD.)

h) 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.

i) With respect to the other matters to be included in the Auditor's 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.

j) With respect to the other matters to be included in the Auditor's 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:

i) 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;

ii) 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.

iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

iv) (a) The Management has represented that, to the best of it's knowledge and belief, as disclosed in the note B.16 of schedule 18 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.

(b) 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.

(c) 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.

v. As stated in note 18.17 to the financial statements, the Board of Directors of the Bank has proposed final dividend of Rs 0.70 per share (Previous share : Nill per share) for the year ended March 31 2024, which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend proposed is in accordance with section 123 of the Act, as applicable.

vi. 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, 2024 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 softwares. Further, during the course of our

## INDEPENDENT AUDITOR'S REPORT (CONTD.)

audit we did not come across any instance of the audit trail feature being tampered with.

2. We report that during the course of our audit we have visited and performed select relevant procedures at 46 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: 24025145BKBNII1944

Place: Mannuthy
Date: May 08, 2024

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm Registration No.: 105215W/W100057

**Sandeep Welling**
Partner
Membership No. 044576
UDIN: 24044576BKAUCH3889

Place: Mannuthy
Date: May 08, 2024

# ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

**(Referred to in paragraph 1(h) 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, 2024 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 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 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,

## ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT (CONTD.)

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, 2024, 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. 000003S

**Abarna Bhaskar**
Partner
Membership No. 025145
UDIN: 24025145BKBNII1944

Place: Mannuthy
Date: May 08, 2024

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm Registration No.: 105215W/W100057

**Sandeep Welling**
Partner
Membership No. 044576
UDIN: 24044576BKAUCH3889

Place: Mannuthy
Date: May 08, 2024

# STANDALONE BALANCE SHEET

**AS AT MARCH 31, 2024**

₹ In Thousands

| | Schedule No. | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | 51,47,799 | 44,94,738 |
| Employee Stock options Outstanding | | 56,794 | 58,752 |
| Reserves and Surplus | 2 | 1,97,13,342 | 1,25,96,545 |
| Deposits | 3 | 19,86,78,036 | 14,66,56,237 |
| Borrowings | 4 | 3,22,25,300 | 3,35,41,956 |
| Other Liabilities and Provisions | 5 | 50,47,550 | 48,88,562 |
| **Total** | | **26,08,68,821** | **20,22,36,790** |
| **ASSETS** | | | |
| Cash and Balances with Reserve Bank of India | 6 | 1,36,46,453 | 73,95,480 |
| Balances with Banks and Money at Call and Short Notice | 7 | 5,82,795 | 2,75,009 |
| Investments | 8 | 5,54,10,223 | 4,88,85,274 |
| Advances | 9 | 18,29,31,116 | 13,92,43,307 |
| Fixed Assets | 10 | 20,75,529 | 18,79,269 |
| Other Assets | 11 | 62,22,705 | 45,58,451 |
| **Total** | | **26,08,68,821** | **20,22,36,790** |
| Contingent Liabilities | 12 | 21,949 | 18,984 |
| 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

Sd/-
**P R Ravi Mohan**
Chairman
DIN:08534931

Sd/-
**Kadambelil Paul Thomas**
Managing Director & CEO
DIN: 00199925

Sd/-

**Abarna Bhaskar**
Partner
Membership No. : 025145

Sd/-

**Thomas Jacob Kalappila**
Director
DIN: 00812892

Place: Mannuthy
Date: 08 May 2024

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm's Registration Number: 105215W/W100057

Sd/-

**Sandeep Welling**
Partner
Membership No. : 044576

Sd/-

**Gireesh C P**
Chief Financial Officer

Sd/-

**Ranjith Raj P**
Company Secretary

Place: Mannuthy
Date: 08 May 2024

Place: Mannuthy
Date: 08 May 2024

# PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED MARCH 31, 2024**

₹ In Thousands

| | Schedule No. | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|---|
| **I. INCOME** | | | |
| Interest Earned | 13 | 3,81,84,268 | 2,85,35,980 |
| Other Income | 14 | 44,18,252 | 28,79,742 |
| **Total** | | **4,26,02,520** | **3,14,15,722** |
| **II. EXPENDITURE** | | | |
| Interest expended | 15 | 1,44,87,344 | 1,01,73,185 |
| Operating Expenses | 16 | 1,64,88,295 | 1,23,05,412 |
| Provisions and Contingencies | | 73,71,204 | 59,13,794 |
| **Total** | | **3,83,46,843** | **2,83,92,391** |
| **III. PROFIT** | | | |
| Net Profit for the year (I - II) | | **42,55,677** | **30,23,331** |
| Add: Balance in Profit and Loss account brought forward from Previous Year | | 54,20,221 | 32,14,961 |
| | | **96,75,898** | **62,38,292** |
| **IV. APPROPRIATIONS** | | | |
| Transfer to Statutory Reserve | | 10,63,919 | 7,55,833 |
| Transfer to Capital Reserve | | 10,174 | 2,763 |
| Transfer to/(from) Investment Fluctuation Reserve | | 29,031 | 59,475 |
| Balance carried over to Balance Sheet | | 85,72,774 | 54,20,221 |
| **Total** | | **96,75,898** | **62,38,292** |
| Earnings per share (face value of ₹10/- each) | | | |
| (Refer Note B.1 of schedule 18) | | | |
| Basic (₹) | | 8.96 | 6.73 |
| Diluted (₹) | | 8.94 | 6.71 |
| 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

Sd/-
**P R Ravi Mohan**
Chairman
DIN:08534931

Sd/-
**Kadambelil Paul Thomas**
Managing Director & CEO
DIN: 00199925

Sd/-

**Abarna Bhaskar**
Partner
Membership No. : 025145

Sd/-

**Thomas Jacob Kalappila**
Director
DIN: 00812892

Place: Mannuthy
Date: 08 May 2024

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm's Registration Number: 105215W/W100057

Sd/-

**Sandeep Welling**
Partner
Membership No. : 044576

Place: Mannuthy
Date: 08 May 2024

Sd/-

**Gireesh C P**
Chief Financial Officer

Place: Mannuthy
Date: 08 May 2024

Sd/-

**Ranjith Raj P**
Company Secretary

# CASH FLOW STATEMENT

**FOR THE YEAR ENDED MARCH 31, 2024**

₹ In Thousands

| Particulars | Year ended 31 March 2024 Audited | Year ended 31 March 2023 Audited |
|---|---|---|
| **Cash Flow from Operating Activities** | | |
| **Net Profit/(Loss) before tax** | 57,04,124 | 40,60,448 |
| **Adjustments for:** | | |
| Depreciation on Bank's Property | 5,09,940 | 4,17,889 |
| Amortisation of Premium on HTM Investments | 64,766 | 62,701 |
| Profit on sale of investments (net) | (2,06,516) | (1,56,351) |
| (Profit )/Loss on sale of Fixed Assets | (895) | 3,379 |
| Provision for Non Performing Advances | 58,90,179 | 61,57,908 |
| Provision for Standard Advances | 2,04,304 | (12,81,080) |
| Expense on Employee Stock Option | (1,958) | 10,694 |
| Provision for Depreciation on Investments | (2,01,654) | 9,13,883 |
| Provision/(Reversal) for Other Contingencies | (74,038) | 54,517 |
| | **1,18,88,252** | **1,02,43,988** |
| (Increase)/ Decrease in Investments (other than HTM Investments) | (10,61,495) | (39,76,139) |
| (Increase)/ Decrease in Advances | (4,95,77,989) | (2,90,31,166) |
| (Increase)/ Decrease in Fixed Deposit with Bank (Original Maturity greater than 3 months) | (23,801) | - |
| (Increase)/ Decrease in Other Assets | (16,62,918) | (16,70,513) |
| Increase/ (Decrease) in Deposits | 5,20,21,799 | 1,85,05,512 |
| Increase/ (Decrease) in Other liabilities and provisions | 28,723 | 8,34,319 |
| Direct taxes paid (net) | (16,03,293) | (6,13,045) |
| **Net Cash Flow from/(used in) Operating Activites (A)** | **1,00,09,278** | **(57,07,044)** |
| **Cash Flow from/(Used in) Investing Activities** | | |
| Purchase of Fixed Assets | (7,14,122) | (7,16,506) |
| Proceeds from Sale of Fixed Assets | 8,818 | 10,716 |
| (Increase)/ Decrease in Held to Maturity Investments | (51,20,049) | (50,26,386) |
| **Net Cash Used in Investing Activities (B)** | **(58,25,353)** | **(57,32,176)** |
| **Cash Flow from/(Used in) Financing Activities** | | |
| Proceeds from Issue of Share Capital (including Share Premium) | 39,07,000 | - |
| Share Issue Expenses | (2,39,311) | (22,960) |
| Increase/(Decrease) in Borrowings | (13,16,656) | 40,13,623 |

## CASH FLOW STATEMENT (CONTD.)

₹ In Thousands

| Particulars | Year ended 31 March 2024 Audited | Year ended 31 March 2023 Audited |
|---|---|---|
| **Cash Flow from/(Used in) Financing Activities (C )** | **23,51,033** | **39,90,663** |
| **Net Increase in Cash and Cash Equivalents (A+B+C)** | **65,34,958** | **(74,48,557)** |
| **Cash and Cash Equivalents at the beginning of period/year** | 76,64,239 | 1,51,12,796 |
| **Cash and Cash Equivalents at the end of period/year** | 1,41,99,197 | 76,64,239 |
| **Note:** | | |
| Cash in Hand | 15,04,627 | 15,44,464 |
| Balance with RBI in Current Account | 1,21,41,826 | 58,51,016 |
| Balance with Banks in India in Current Account | 5,52,744 | 2,68,759 |
| Balance with banks in India in Fixed Deposit | - | - |
| Money at Call and Short Notice (Schedule 7 I (ii) a) | - | - |
| Lending Under Reverse Repo Notice | - | - |
| Cash and cash equivalents at the end of the year | **1,41,99,197** | **76,64,239** |

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: 000003S

Sd/-
**P R Ravi Mohan**
Chairman
DIN:08534931

Sd/-
**Kadambelil Paul Thomas**
Managing Director & CEO
DIN: 00199925

Sd/-

**Abarna Bhaskar**
Partner
Membership No. : 025145

Sd/-

**Thomas Jacob Kalappila**
Director
DIN: 00812892

Place: Mannuthy
Date: 08 May 2024

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm's Registration Number: 105215W/W100057

Sd/-

**Sandeep Welling**
Partner
Membership No. : 044576

Place: Mannuthy
Date: 08 May 2024

Sd/-

**Gireesh C P**
Chief Financial Officer

Place: Mannuthy
Date: 08 May 2024

Sd/-

**Ranjith Raj P**
Company Secretary

# SCHEDULES

## FORMING PART OF THE BALANCE SHEET

### 1. CAPITAL

(in ₹ Thousands)

| Particulars | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| **Authorised Capital** | | |
| 60,00,00,000 Equity Shares of ₹10/- each | 60,00,000 | 60,00,000 |
| (60,00,00,000 Equity Shares of ₹10/- each) | | |
| **Issued, Subscribed and Paid up Capital** | | |
| 51,47,79,858 Equity Shares of ₹10/- each | 51,47,799 | 44,94,738 |
| (44,94,73,798 Equity Shares of ₹10/- each) | | |
| **Total** | **51,47,799** | **44,94,738** |

### 2. RESERVES AND SURPLUS

(in ₹ Thousands)

| | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| **I. Statutory Reserve** | | |
| Opening balance | 19,27,230 | 11,71,397 |
| Additions during the year | 10,63,919 | 7,55,833 |
| | **29,91,149** | **19,27,230** |
| **II. Capital Reserves** | | |
| (a) Revaluation Reserve | | |
| Opening balance | - | - |
| Additions during the year | - | - |
| | - | - |
| (b) Others | | |
| Opening balance | 40,056 | 37,293 |
| Additions during the year | 10,174 | 2,763 |
| | **50,230** | **40,056** |
| **III. Share premium** | | |
| Opening balance | 48,87,628 | 48,87,628 |
| Additions during the year (Refer Note 2.1) | 32,53,939 | - |
| Deductions during the year (Refer Note 2.1) | 3,92,819 | - |
| | **77,48,748** | **48,87,628** |
| **IV. Revenue and Other Reserves** | | |
| a) Revenue Reserve | | |
| Opening balance | - | - |
| Additions during the year | - | - |
| Deductions during the year | - | - |
| | **-** | **-** |
| b) Investment Fluctuation Reserve | | |
| Opening balance | 3,21,410 | 2,61,935 |
| Additions during the year | 29,031 | 59,475 |
| | **3,50,441** | **3,21,410** |
| **V. Balance in Profit and Loss Account** | **85,72,774** | **54,20,221** |
| **Total (I to V)** | **1,97,13,342** | **1,25,96,545** |

Note 2.1 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.

## 3. DEPOSITS

(in ₹ Thousands)

| | | | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|---|---|
| A. | I. | Demand Deposits | | |
| | i. | From Banks | 1,56,457 | 78,783 |
| | ii. | From Others | 31,65,610 | 25,58,746 |
| | | | **33,22,067** | **26,37,529** |
| | II. | Savings Bank Deposits | 4,16,97,147 | 2,87,36,938 |
| | III. | Term Deposits | | |
| | i. | From Banks | 1,26,31,595 | 1,18,20,265 |
| | ii. | From Others | 14,10,27,227 | 10,34,61,505 |
| | | | **15,36,58,822** | **11,52,81,770** |
| **Total (I to III)** | | | **19,86,78,036** | **14,66,56,237** |
| B. | I. | Deposits of branches in India | 19,86,78,036 | 14,66,56,237 |
| | II. | Deposits of branches outside India | - | - |
| **Total (I to II)** | | | **19,86,78,036** | **14,66,56,237** |

## 4. BORROWINGS

(in ₹ Thousands)

| | | | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|---|---|
| I. | | Borrowings in India | | |
| | i. | Reserve Bank of India | 65,00,000 | 67,40,000 |
| | ii. | Other Banks | - | - |
| | iii. | Other institutions and agencies | 2,09,95,300 | 2,48,71,956 |
| | iv. | Subordinated Debt | 42,50,000 | 14,50,000 |
| | v. | Perpetual Debt Instrument | 4,80,000 | 4,80,000 |
| | | | **3,22,25,300** | **3,35,41,956** |
| II. | | Borrowings outside India | - | - |
| **Total (I to II)** | | | **3,22,25,300** | **3,35,41,956** |
| Secured Borrowings included in I and II above | | | **65,00,000** | **1,21,29,456** |

## 5. OTHER LIABILITIES AND PROVISIONS

(in ₹ Thousands)

| | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| I. Bills Payable | 73,975 | 49,674 |
| II. Inter - office adjustments (Net) | - | - |
| III. Interest accrued | 6,54,858 | 5,61,591 |
| IV. Provision for Standard Assets | 11,00,870 | 8,96,566 |
| V. Others (including Provisions) | 32,17,847 | 33,80,731 |
| **Total (I to V)** | **50,47,550** | **48,88,562** |

## 6. CASH AND BALANCES WITH RESERVE BANK OF INDIA

(in ₹ Thousands)

| | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| I. Cash in hand | 15,04,627 | 15,44,464 |
| II. Balance with Reserve Bank of India | | |
| i. in Current Accounts | 1,21,41,826 | 58,51,016 |
| ii. in Other Accounts | - | - |
| **Total (I to II)** | **1,36,46,453** | **73,95,480** |

## 7. BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(in ₹ Thousands)

| | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| I. In India | | |
| i. Balances with Banks | | |
| a. in Current Accounts | 5,52,744 | 2,68,759 |
| b. in Other Deposit Accounts | 30,051 | 6,250 |
| **Total** | **5,82,795** | **2,75,009** |
| ii. Money at Call and Short Notice | | |
| a. With Banks | - | - |
| b. With Other Institutions | - | - |
| c. Lending under Reverse Repo (RBI) | - | - |
| **Total** | **-** | **-** |
| **Total (I)** | **5,82,795** | **2,75,009** |
| II. Outside India | | |
| i. in Current Accounts | - | - |
| ii. in Other Deposit Accounts | - | - |
| iii. Money at call and short notice | - | - |
| **Total (II)** | **-** | **-** |
| **Total (I to II)** | **5,82,795** | **2,75,009** |

## 8. INVESTMENTS (NET OF PROVISIONS)

(in ₹ Thousands)

| | | | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|---|---|
| I. | Investments in India in : | | | |
| | i. | Government Securities | 5,40,98,658 | 4,74,21,020 |
| | ii. | Other approved Securities | - | - |
| | iii. | Shares | 1,17,142 | 1,16,613 |
| | iv. | Debentures and Bonds | - | - |
| | v. | Subsidiaries/ Joint Ventures | - | - |
| | vi. | Others [Certificate of Deposits (CDs), Mutual Funds, Security Receipts(SRs) etc.] | 11,94,423 | 13,47,641 |
| **Total (I)** | | | **5,54,10,223** | **4,88,85,274** |
| II. | Investments outside India | | - | - |
| **Total (II)** | | | - | - |
| **Total (I to II)** | | | **5,54,10,223** | **4,88,85,274** |
| | Gross Investments | | 5,62,28,562 | 4,99,05,267 |
| | Less: Depreciation/ Provision for Investments | | 8,18,339 | 10,19,993 |
| | **Net Investments** | | **5,54,10,223** | **4,88,85,274** |

## 9. ADVANCES (NET OF PROVISIONS)

(in ₹ Thousands)

| | | | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|---|---|
| A. | i. | Bills purchased and discounted | 3,18,403 | 4,27,181 |
| | ii. | Cash credits, overdrafts and loans repayable on demand | 31,76,872 | 20,51,139 |
| | iii. | Term loans | 17,94,35,841 | 13,67,64,987 |
| **Total** | | | **18,29,31,116** | **13,92,43,307** |
| B. | i. | Secured by tangible assets | 4,85,92,231 | 3,43,16,693 |
| | ii. | Covered by Bank/Government guarantees | - | - |
| | iii. | Unsecured | 13,43,38,885 | 10,49,26,614 |
| **Total (Net of Provisions)** | | | **18,29,31,116** | **13,92,43,307** |
| C. | I. | Advances in India | | |
| | i. | Priority Sectors | 12,16,99,215 | 11,15,00,635 |
| | ii. | Public Sector | - | - |
| | iii. | Banks | - | - |
| | iv. | Others | 6,12,31,901 | 2,77,42,672 |
| **Total (I)** | | | **18,29,31,116** | **13,92,43,307** |

(in ₹ Thousands)

| | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| 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)** | **18,29,31,116** | **13,92,43,307** |

## 10. FIXED ASSETS

(in ₹ Thousands)

| | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| **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 | 33,50,082 | 26,72,878 |
| Additions during the year | 6,90,411 | 7,14,866 |
| Deductions during the year | 22,065 | 37,662 |
| Closing Balance | **40,18,428** | **33,50,082** |
| **Depreciation** | | |
| As at the beginning of the year | 14,73,181 | 10,78,859 |
| Charge for the year | 5,09,940 | 4,17,889 |
| Deductions during the year | 14,142 | 23,567 |
| Depreciation to date | 19,68,979 | 14,73,181 |
| **Net Block** | **20,49,449** | **18,76,901** |

(in ₹ Thousands)

| | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| **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)** | 26,080 | 2,368 |
| **Total (I & II)** | **20,75,529** | **18,79,269** |

## 11. OTHER ASSETS

(in ₹ Thousands)

| | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| I. Inter - office adjustments (net) | - | - |
| II. Interest accrued | 35,43,321 | 21,40,800 |
| III. Tax paid in advance/Tax Deducted at source (Net of provision) | 1,91,105 | 1,17,812 |
| IV. Stationery and Stamps | 426 | 450 |
| V. Non-banking assets acquired in satisfaction of claims | - | - |
| VI. Deferred tax asset (net) | 4,65,732 | 3,84,180 |
| VII. Others | 20,22,121 | 19,15,209 |
| **Total (I to VII)** | **62,22,705** | **45,58,451** |

## 12. CONTINGENT LIABILITIES

(in ₹ Thousands)

| | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| I. Claims against the Bank not acknowledged as debts | 1,176 | - |
| II. Liability on account of outstanding forward exchange contracts | - | - |
| III. Guarantees given on behalf of constituents - in India | 15,173 | 13,984 |
| IV. Acceptances, endorsements and other obligations | - | - |
| V. Other items for which the Bank is contingently liable | 5,600 | 5,000 |
| **Total (I to V)** | **21,949** | **18,984** |

## 13. INTEREST EARNED

(in ₹ Thousands)

| | | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|---|
| I. | Interest/discount on advances/bills | 3,46,13,229 | 2,53,19,833 |
| II. | Income on investments | 35,29,475 | 31,20,441 |
| III. | Interest on balances with Reserve Bank of India and other inter-bank funds | 41,564 | 95,706 |
| IV. | Others | - | - |
| **Total (I to IV)** | | **3,81,84,268** | **2,85,35,980** |

## 14. OTHER INCOME

(in ₹ Thousands)

| | | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|---|
| I. | Commission, exchange and brokerage | 29,15,044 | 19,94,828 |
| II. | Profit on sale of investments (Net) | 2,06,516 | 1,56,351 |
| III. | Profit on revaluation of investments (Net) | 2,01,654 | (9,13,883) |
| IV. | Profit on sale of land, buildings and other assets (Net) | 895 | (3,379) |
| V. | Profit on foreign exchange transactions (Net) | 10,273 | 11,117 |
| VI. | Income earned by way of dividends etc. from companies | 1,163 | 2,041 |
| VII. | Miscellaneous income | 10,82,707 | 16,32,667 |
| **Total (I to VII)** | | **44,18,252** | **28,79,742** |
| ** includes Income from :* | | | |
| *Recovery of written off Accounts* | | 2,15,920 | 6,91,972 |
| *Cash received on sale of technical written of portfolio (Refer Note A. 4.6 (i) of Schedule 18)* | | - | 3,80,900 |

## 15. INTEREST EXPENDED

(in ₹ Thousands)

| | | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|---|
| I. | Interest on deposits | 1,23,98,060 | 83,77,179 |
| II. | Interest on Reserve Bank of India/Inter bank borrowings | 2,89,967 | 3,30,068 |
| III. | Others | 17,99,317 | 14,65,938 |
| **Total (I to III)** | | **1,44,87,344** | **1,01,73,185** |

## 16. OPERATING EXPENSES

(in ₹ Thousands)

| | | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|---|
| I. | Payments to and provisions for employees | 36,29,738 | 27,79,981 |
| II. | Rent, taxes and lighting | 8,43,178 | 7,48,007 |

(in ₹ Thousands)

| | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|
| III. Printing and stationery | 70,721 | 73,800 |
| IV. Advertisement and publicity | 2,73,425 | 1,54,680 |
| V. Depreciation on Bank's property | 5,09,940 | 4,17,889 |
| VI. Directors' fees, allowances and expenses | 24,594 | 16,280 |
| VII. Auditors' fees and expenses | 7,997 | 14,213 |
| VIII. Law charges | 14,999 | 10,414 |
| IX. Postage, Telegrams, Telephones etc | 1,94,970 | 1,89,499 |
| X. Repairs and maintenance | 79,913 | 46,978 |
| XI. Insurance | 1,99,484 | 1,50,897 |
| XII. Other expenditure * | 1,06,39,336 | 77,02,774 |
| **Total (I to XII)** | **1,64,88,295** | **1,23,05,412** |

** includes expenditure towards*

(in ₹ Lakhs)

| | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|
| CBS Managmenet fees & Technology Related expenses | 9,91,773 | 7,86,104 |
| Business Correspondent expenses | 76,77,723 | 54,42,357 |

## 17. SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1 Background

ESAF Small Finance Bank Ltd. ("the Bank") is a public Ltd. 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 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 Ltd. ("BSE") and National Stock Exchange of India Ltd. ("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.

### 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.

i. Interest Income is recognised in the Profit and Loss Account on accrual basis, except in the case of non-performing assets. Interest on non-performing assets 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.

ii. 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'.

iii. 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.

iv. Dividend on Investments in shares and units of Mutual Funds are accounted when the Bank's right to receive the dividend is established.

v. 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.

vi. 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.

vii. 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.

viii. Guarantee commission is recognised on a straight line basis over the period of contract.

ix. Locker rent is recognised on realisation basis.

x. For a securitisation or direct assignment transaction, the Bank recognises profit upon receipt of the 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.

xi. 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

**i. Classification:**

Investments are classified into three categories, viz Held to Maturity ("HTM"), Available for Sale ("AFS") and Held for Trading ("HFT") at the time of purchase as per the guidelines issued by RBI.

However for disclosure in the Balance Sheet, Investments in India are classified under six groups - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Others.

Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting.

**ii. Basis of classification**

Investments that the Bank intends to hold till maturity are classified as HTM category.

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which are not classified in either of the above two categories are classified under AFS category.

**iii. Acquisition Cost :**

The cost of investments is determined on weighted average basis. Broken period interest in debt instruments and government securities is treated as a revenue item. The transaction cost including brokerage commission etc. paid at the time of acquisition of investments is charged to the Profit and Loss account.

**iv. Disposal of investments:**

Investments classified as HFT or AFS - Profit or loss on sale or redemption is recognised in the Profit and Loss Account. Investments classified as HTM - Profit on sale or redemption of investments is recognised in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale or redemption is recognised in the Profit and Loss Account.

**v. Valuation:**

HTM securities are carried at their acquisition cost. Any premium on acquisition of government securities are amortised over the remaining maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.

AFS and HFT securities are valued periodically as per RBI guidelines.

The market/ fair value for the purpose of periodical valuation of quoted investments included in the AFS and HFT categories is measured with respect to the market price of the scrip as available from the trades/ quotes on the stock exchanges, SGL account transactions, price list of RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. [FBIL], based on relevant RBI circular.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the YTM rates, shall be with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FBIL. Securities are valued scrip wise and depreciation/ appreciation aggregated for each category. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.

Treasury bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.

Non Performing investments are identified and valued based on RBI guidelines.

**vi. Repo Reverse Repo transactions**

In accordance with the RBI guidelines repo and reverse repo transactions in government securities are reflected as borrowings and lending transactions respectively. Borrowing cost on repo transaction is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

**vii. Investment Fluctuation Reserve ("IFR")**

With a view to building up of adequate reserves to protect against increase in yields in accordance with RBI guideline bank started to create an IFR with effect from the Financial Year 2018-19.

Amount appropriated from Net Profit to IFR is not less than 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 percent of the HFT and AFS portfolio, on a continuing basis.

The amount held in the IFR shall be utilised by way of draw down, in accordance with the provisions of the Reserve Bank of India guidelines

**viii. Short Sales**

The short sale transactions in Central Government dated securities undertaken by the Bank shall be accounted in the following manner in accordance with RBI guidelines.

- The short position is categorised under HFT category and netted off from investments in the Balance Sheet.
- The short position is marked to market at periodical intervals and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored.
- Profit / Loss on settlement of the short position is recognised in the Profit and Loss Account

**ix. Transfer of Securities between Categories:**

The transfer/shifting of securities between categories of investments is accounted in accordance with the RBI guidelines.

## 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 restructure 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 percent 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 fixed 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 Equipments | 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 prorata 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 are 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 asset 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 asset 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:

a) 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.

b) Whole sale Banking: Whole sale 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.

c) Retail banking: The Retail Banking segment provides loans to non-corporate customers identified on the basis of RBI guidelines and also include 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.

d) Other Banking Operations: This segment includes income from para banking 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 un allocable assets and liabilities such as fixed assets, deferred tax, tax paid in advance and income tax provision etc.

**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 lease. 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.

### 4.15 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, 2024

### 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, 2024 is 23.27% (Previous year: 19.83%) 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

(₹ in crore)

| Particulars | | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|---|
| i) | Common Equity Tier I Capital (CET1) | 2,451.07 | 1,661.64 |
| ii) | Additional Tier 1 Capital | 48.00 | 48.00 |
| iii) | Tier I Capital - A | 2,499.07 | 1,709.64 |
| iv) | Tier II Capital - B | 453.13 | 161.72 |
| v) | Total Capital (A)+(B) | 2,952.20 | 1,871.36 |
| vi) | Total Risk Weighted Assets (RWAs) | 12,683.50 | 9,437.25 |
| **Capital Ratios:** | | | |
| vii) | CET I Capital (%) [CET 1 as a percentage of RWAs] | 19.32% | 17.61% |
| vii) | Tier I Capital (%) [Tier I Capital as a percentage of RWAs] | 19.70% | 18.12% |
| ix) | Tier II Capital (%) [Tier II Capital as a percentage of RWAs] | 3.57% | 1.71% |
| x) | Total CRAR % [Total Capital as a percentage of RWAs] | 23.27% | 19.83% |
| xi) | Leverage Ratio | 9.58% | 8.45% |
| (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) * | 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 crore 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 ₹ 10 each at a premium of ₹ 45 per equity share to its employees. The total Share premium collected is ₹ 325.39 crore. The issue expenses of ₹ 39.28 crore 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, 2024:**

(₹ in crore)

| 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 | - | - | - | - | - | - | - | - | - | - | - | - |

**b. As at March 31, 2023:**

| 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 | 6.81 | 40.88 | 47.69 | 109.01 | 500.43 | 500.43 | 1,592.62 | 5,548.24 | 4,230.36 | 752.88 | 594.98 | 13,924.33 |
| Investments | 2,046.47 | - | - | 74.84 | 68.97 | 84.59 | 191.38 | 443.53 | 1,966.08 | 3.01 | 9.66 | 4,888.53 |
| Deposits | 139.88 | 477.94 | 265.43 | 380.80 | 350.94 | 245.44 | 603.21 | 2,134.09 | 10,003.45 | 15.29 | 49.15 | 14,665.62 |
| Borrowings | - | 662.95 | - | - | 38.67 | 116.45 | 292.87 | 465.74 | 1,709.52 | - | 68.00 | 3,354.20 |
| 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, 2024

(₹ in crore)

| Particulars | Q1 2023-24 | | Q2 2023-24 | | Q3 2023-24 | | Q4 2023-24 | |
|---|---|---|---|---|---|---|---|---|
| | Total Unweighted Value (average) | Total weighted Value (average) | Total Unweighted Value (average) | Total weighted Value (average) | Total Unweighted Value (average) | Total weighted Value (average) | Total Unweighted Value (average) | Total weighted 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.

**b. Year ended March 31, 2023**

(₹ in crore)

| Particulars | Q1 2022-23 | | Q2 2022-23 | | Q3 2022-23 | | Q4 2022-23 | |
|---|---|---|---|---|---|---|---|---|
| | Total Unweighted Value (average) | Total weighted Value (average) | Total Unweighted Value (average) | Total weighted Value (average) | Total Unweighted Value (average) | Total weighted Value (average) | Total Unweighted Value (average) | Total weighted Value (average) |
| **High Quality Liquid Assets (HQLA)** | | | | | | | | |
| 1 Total High Quality Liquid Assets (HQLA) | | 3,532.97 | | 4,542.95 | | 3,967.94 | | 3,156.56 |
| **Cash Outflows** | | | | | | | | |
| 2 Retail deposits and deposits from small business customers, of which: | | | | | | | | |
| i Stable deposits | 8,305.39 | 415.27 | 9,044.26 | 452.21 | 9,637.01 | 481.85 | 10,070.89 | 503.54 |
| ii Less stable deposits | 1,059.70 | 105.97 | 543.00 | 54.30 | 960.84 | 96.08 | 1,054.59 | 105.46 |
| 3 Unsecured wholesale funding, of which | | | | | | | | |
| i Operational deposits (all counterparties) | - | - | | | | | - | - |
| ii Non-operational deposits (all counterparties) | - | - | | | | | - | - |
| iii Unsecured debt | 2,646.14 | 2,448.42 | 3,102.67 | 2,424.00 | 2,356.57 | 2,138.02 | 1,860.07 | 1,673.09 |
| 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 | 45.56 | 8.35 | 65.13 | 11.39 | 94.80 | 24.47 | 101.07 | 17.36 |
| 6 Other Contractual funding obligations | 176.78 | 176.78 | 302.06 | 302.06 | 444.76 | 444.76 | 366.16 | 366.16 |
| 7 Other contingent funding obligations | 1.55 | 0.05 | 1.40 | 0.04 | 1.40 | 0.04 | 1.40 | 0.04 |
| **Total Cash Outflows** | | **3,154.84** | | **3,244.00** | | **3,185.22** | | **2,665.65** |
| **Cash Inflows** | | | | | | | | |
| 8 Secured lending (e.g. reverse repos) | - | - | - | - | - | - | - | - |
| 9 Inflows from fully performing exposures | 515.02 | 257.51 | 551.97 | 275.99 | 534.81 | 267.41 | 583.42 | 291.71 |
| 10 Other cash inflows | 23.70 | 23.70 | 50.75 | 50.75 | 58.87 | 58.87 | - | - |
| **Total Cash Inflows** | **538.72** | **281.21** | **602.72** | **326.74** | **593.68** | **326.28** | **583.42** | **291.71** |
| 11 Total HQLA (a) | - | 3,532.97 | - | 4,542.95 | - | 3,967.94 | - | 3,156.56 |
| 12 Total Net Cash outflows (b) | | 2,873.63 | | 2,917.26 | | 2,858.94 | | 2,373.94 |
| **Liquidity Coverage Ratio (%) (a/b)** | | **122.94%** | | **155.73%** | | **138.79%** | | **132.97%** |

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 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 of 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, 2024 is 139.12% (Previous Year: 132.97%).

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. 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, 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) | 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 |

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| 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* | - | - | - | - | - |
| 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 |
| 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* | - | - | - | - | - |

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| 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 |
| 10 | Other liabilities: (11+12) | 451.95 | 429.33 | 92.46 | 179.97 | - |

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| 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* | | | | | |

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| 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 |

(₹ 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:* | - | 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* | | | | | |
| 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 October 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 Bank's management which have been relied upon by the auditors.

## 2.3 Net Stable Funding Ratio

**As at June 30, 2022**

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| **ASF Item** | | | | | | |
| 1 | Capital: (2+3) | 1,794.34 | - | - | 145.00 | 1,939.34 |
| 2 | *Regulatory capital* | 1,794.34 | - | - | 145.00 | 1,939.34 |
| 3 | *Other capital instruments* | - | - | - | - | - |
| 4 | Retail deposits and deposits from small business customers: (5+6) | - | 2,539.97 | 2,267.55 | 5,181.70 | 9,445.19 |
| 5 | *Stable deposits* | - | 1,827.89 | 2,149.57 | 2,630.22 | 6,401.81 |
| 6 | *Less stable deposits* | - | 712.08 | 117.98 | 2,551.48 | 3,043.38 |
| 7 | Wholesale funding: (8+9) | - | 616.54 | 1,626.11 | 1,476.50 | 2,597.82 |
| 8 | *Operational deposits* | - | - | - | - | - |
| 9 | *Other wholesale funding* | - | 616.54 | 1,626.11 | 1,476.50 | 2,597.82 |
| 10 | Other liabilities: (11+12) | 344.52 | 2,111.88 | - | - | - |
| 11 | *NSFR derivative liabilities* | | - | - | - | |
| 12 | *All other liabilities and equity not included in the above categories* | 344.52 | 2,111.88 | - | - | - |
| **13** | **Total ASF (1+4+7+10)** | 2,138.86 | 5,268.39 | 3,893.66 | 6,803.20 | 13,982.35 |
| **RSF Item** | | | | | | |
| 14 | Total NSFR high-quality liquid assets (HQLA) | 694.50 | 263.00 | 0.00 | 4,793.41 | 994.65 |
| 15 | Deposits held at other financial institutions for operational purposes | 49.71 | - | - | - | 24.86 |
| 16 | Performing loans and securities: (17+18+19+21+23) | 13.50 | 3,627.87 | 3,474.58 | 3,438.05 | 6,427.04 |
| 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* | - | 120.12 | 10.21 | - | 23.12 |
| 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:* | - | 3,507.75 | 3,464.36 | 3,358.33 | 6,340.63 |
| 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 | 79.72 | 51.82 |

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| 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* | 13.50 | - | - | - | 11.47 |
| 24 | *Other assets: (sum of rows 25 to 29)* | 978.37 | - | - | 771.10 | 1,749.48 |
| 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* | 978.37 | - | - | 771.10 | 1,749.48 |
| 30 | Off-balance sheet items | - | - | - | - | - |
| **31** | **Total RSF (14+15+16+24+30)** | 1,736.08 | 3,890.87 | 3,474.58 | 9,002.56 | 9,196.03 |
| **32** | **Net Stable Funding Ratio (%)** | | | | | **152.05%** |

**As at September 30, 2022**

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| **ASF Item** | | | | | | |
| 1 | Capital: (2+3) | 1,817.19 | - | - | 145.00 | 1,962.19 |
| 2 | *Regulatory capital* | 1,817.19 | - | - | 145.00 | 1,962.19 |
| 3 | *Other capital instruments* | - | - | - | - | - |
| 4 | Retail deposits and deposits from small business customers: (5+6) | - | 2,484.24 | 1,374.25 | 6,945.37 | 10,305.88 |
| 5 | *Stable deposits* | - | 1,960.06 | 1,317.02 | 4,258.86 | 7,364.75 |
| 6 | *Less stable deposits* | - | 524.18 | 57.23 | 2,686.51 | 2,941.13 |
| 7 | Wholesale funding: (8+9) | - | 537.05 | 868.62 | 1,267.00 | 1,969.83 |
| 8 | *Operational deposits* | - | - | - | - | - |
| 9 | *Other wholesale funding* | - | 537.05 | 868.62 | 1,267.00 | 1,969.83 |
| 10 | Other liabilities: (11+12) | 350.06 | 2,459.35 | - | - | - |
| 11 | *NSFR derivative liabilities* | | - | - | - | |

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| 12 | *All other liabilities and equity not included in the above categories* | 350.06 | 2,459.35 | - | - | - |
| **13** | **Total ASF (1+4+7+10)** | 2,167.25 | 5,480.64 | 2,242.87 | 8,357.37 | 14,237.90 |
| **RSF Item** | | | | | | |
| 14 | Total NSFR high-quality liquid assets (HQLA) | 683.00 | 125.00 | - | 5,263.27 | 1,309.20 |
| 15 | Deposits held at other financial institutions for operational purposes | 57.95 | - | - | - | 28.98 |
| 16 | Performing loans and securities: (17+18+19+21+23) | 11.73 | 3,921.27 | 3,283.33 | 3,103.11 | 6,222.71 |
| 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* | - | 21.78 | 81.87 | - | 44.20 |
| 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:* | - | 3,899.49 | 3,201.46 | 3,005.22 | 6,104.91 |
| 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:* | - | - | - | 97.89 | 63.63 |
| 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* | 11.73 | - | - | - | 9.97 |
| 24 | *Other assets: (sum of rows 25 to 29)* | 1,121.16 | - | - | 678.32 | 1,799.49 |
| 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* | | | | | |

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| 29 | *All other assets not included in the above categories* | 1,121.16 | - | - | 678.32 | 1,799.49 |
| 30 | Off-balance sheet items | | | | | |
| **31** | **Total RSF (14+15+16+24+30)** | 1,873.84 | 4,046.27 | 3,283.33 | 9,044.70 | 9,360.38 |
| **32** | **Net Stable Funding Ratio (%)** | | | | | **152.11%** |

**As at December 31, 2022**

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| **ASF Item** | | | | | | |
| 1 | Capital: (2+3) | 1,820.04 | - | - | 145.00 | 1,965.04 |
| 2 | *Regulatory capital* | 1,820.04 | - | - | 145.00 | 1,965.04 |
| 3 | *Other capital instruments* | - | - | - | - | - |
| 4 | Retail deposits and deposits from small business customers: (5+6) | - | 2,083.92 | 916.53 | 8,547.79 | 11,129.63 |
| 5 | *Stable deposits* | - | 1,556.21 | 871.04 | 6,316.05 | 8,605.18 |
| 6 | *Less stable deposits* | - | 527.71 | 45.49 | 2,231.74 | 2,524.45 |
| 7 | Wholesale funding: (8+9) | - | 432.74 | 607.17 | 1,155.00 | 1,674.96 |
| 8 | *Operational deposits* | - | - | - | - | - |
| 9 | *Other wholesale funding* | - | 432.74 | 607.17 | 1,155.00 | 1,674.96 |
| 10 | Other liabilities: (11+12) | 312.65 | 2,324.07 | - | - | - |
| 11 | *NSFR derivative liabilities* | | - | - | - | |
| 12 | *All other liabilities and equity not included in the above categories* | 312.65 | 2,324.07 | - | - | - |
| **13** | **Total ASF (1+4+7+10)** | 2,132.69 | 4,840.73 | 1,523.70 | 9,847.79 | 14,769.63 |
| **RSF Item** | | | | | | |
| 14 | Total NSFR high-quality liquid assets (HQLA) | 669.75 | - | - | 4,759.91 | 1,254.14 |
| 15 | Deposits held at other financial institutions for operational purposes | 41.04 | - | - | - | 20.52 |
| 16 | Performing loans and securities: (17+18+19+21+23) | 11.56 | 3,863.88 | 3,769.00 | 3,567.51 | 6,826.99 |
| 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* | - | 27.12 | 121.36 | - | 64.75 |

(₹ 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:* | - | 3,836.76 | 3,647.64 | 3,456.61 | 6,680.32 |
| 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:* | - | - | - | 110.90 | 72.09 |
| 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* | 11.56 | - | - | - | 9.83 |
| 24 | *Other assets: (sum of rows 25 to 29)* | 1,106.54 | - | - | 555.73 | 1,662.28 |
| 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* | | | | | |
| 28 | *NSFR derivative liabilities before deduction of variation margin posted* | | | | | |
| 29 | *All other assets not included in the above categories* | 1,106.54 | - | - | 555.73 | 1,662.28 |
| 30 | Off-balance sheet items | | | | | |
| **31** | **Total RSF (14+15+16+24+30)** | 1,828.89 | 3,863.88 | 3,769.00 | 8,883.15 | 9,763.93 |
| **32** | **Net Stable Funding Ratio (%)** | | | | | **151.27%** |

**As at March 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) | 1,846.78 | - | - | 145.00 | 1,991.78 |
| 2 | *Regulatory capital* | 1,846.78 | - | - | 145.00 | 1,991.78 |
| 3 | *Other capital instruments* | - | - | - | - | - |
| 4 | Retail deposits and deposits from small business customers: (5+6) | - | 1,598.04 | 1,123.59 | 8,961.81 | 12,459.22 |

(₹ in crore)

| | | Unweighted value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No Maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| 5 | *Stable deposits* | - | 790.21 | 1,123.59 | 6,555.34 | 11,643.61 |
| 6 | *Less stable deposits* | - | 807.83 | - | 2,406.47 | 815.61 |
| 7 | Wholesale funding: (8+9) | - | 574.31 | 1,310.17 | 2,662.04 | 2,526.76 |
| 8 | *Operational deposits* | - | - | - | - | - |
| 9 | *Other wholesale funding* | - | 574.31 | 1,310.17 | 2,662.04 | 2,526.76 |
| 10 | Other liabilities: (11+12) | 405.05 | 1,402.24 | 72.97 | 121.66 | - |
| 11 | *NSFR derivative liabilities* | | - | - | - | |
| 12 | *All other liabilities and equity not included in the above categories* | 405.05 | 1,402.24 | 72.97 | 121.66 | - |
| **13** | **Total ASF (1+4+7+10)** | 2,251.83 | 3,574.58 | 2,506.73 | 11,890.51 | 16,977.76 |
| **RSF Item** | | | | | | |
| 14 | Total NSFR high-quality liquid assets (HQLA) | 739.55 | - | - | 4,742.10 | 1,477.56 |
| 15 | Deposits held at other financial institutions for operational purposes | 26.88 | - | - | - | 13.44 |
| 16 | Performing loans and securities: (17+18+19+21+23) | 10.39 | 2,895.60 | 5,572.33 | 4,806.43 | 8,258.82 |
| 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* | - | 101.32 | 109.32 | - | 69.86 |
| 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:* | - | 2,794.21 | 5,462.97 | 4,636.55 | 8,069.66 |
| 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:* | - | 0.07 | 0.04 | 169.88 | 110.47 |
| 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* | 10.39 | - | - | - | 8.83 |
| 24 | *Other assets: (sum of rows 25 to 29)* | 816.07 | - | - | 614.32 | 1,430.40 |
| 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* | 816.07 | - | - | 614.32 | 1,430.40 |
| 30 | Off-balance sheet items | | | | | |
| **31** | **Total RSF (14+15+16+24+30)** | 1,592.89 | 2,895.60 | 5,572.33 | 10,162.85 | 11,180.22 |
| **32** | **Net Stable Funding Ratio (%)** | | | | | **151.86%** |

### 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 October 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 Bank's management which have been relied upon by the auditors.

## 3. Investments

### 3.1 Composition of Investment Portfolio

**a) 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 | Total Investments in India |
| **I.** | **Held to Maturity** | | | | | | | |
| | Gross | 3,788.82 | - | - | - | - | - | 3,788.82 |
| | Less: Provision for non performing investments (NPI) | - | - | - | - | - | - | - |
| | Net | 3,788.82 | - | - | - | - | - | 3,788.82 |
| **II** | **Available for sale** | | | | | | | |
| | Gross | 1,439.99 | - | 11.71 | - | - | 185.36 | 1,637.06 |
| | Less: Provision for non performing investments (NPI) | - | - | - | - | - | - | - |

(₹ in crore)

| Sl. No. | Particulars | Investments in India | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Government securities | Other approved securities | Shares | Debentures and bonds | Subsidiaries and/or joint ventures | Others | Total Investments in India |
| | Less: Provision for depreciation | 15.68 | - | - | - | - | 65.92 | 81.60 |
| | Net | 1,424.31 | - | 11.71 | - | - | 119.44 | 1,555.46 |
| **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** | **-** | **-** | **185.36** | **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** | **-** | **-** | **119.44** | **5,541.02** |

As on March 31, 2024, the Bank does not have Investments outside India. Hence corresponding disclosures are not made.

**b) As at March 31, 2023**

(₹ in crore)

| Sl. No. | Particulars | Investments in India | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Government securities | Other approved securities | Shares | Debentures and bonds | Subsidiaries and/or joint ventures | Others | Total Investments in India |
| **I.** | **Held to Maturity** | | | | | | | |
| | Gross | 3,281.48 | - | - | - | - | - | 3,281.48 |
| | Less: Provision for non performing investments (NPI) | - | - | - | - | - | - | - |
| | Net | 3,281.48 | - | - | - | - | - | 3,281.48 |
| **II** | **Available for sale** | | | | | | | |
| | Gross | 1,454.50 | - | 13.12 | - | - | 206.23* | 1,673.85 |
| | Less: Provision for non performing investments (NPI) | - | - | - | - | - | - | - |

(₹ in crore)

| Sl. No. | Particulars | Investments in India | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Government securities | Other approved securities | Shares | Debentures and bonds | Subsidiaries and/or joint ventures | Others | Total Investments in India |
| | Less: Provision for depreciation | 29.05 | - | 1.46 | - | - | 71.46* | 101.97 |
| | Net | 1,425.45 | - | 11.66 | - | - | 134.77 | 1,571.88 |
| **III** | **Held for Trading** | | | | | | | |
| | Gross | 35.20 | - | - | - | - | - | 35.20 |
| | Less: Provision for non performing investments (NPI) | - | - | - | - | - | - | - |
| | Less: Provision for depreciation | 0.03 | - | - | - | - | - | 0.03 |
| | Net | 35.17 | - | - | - | - | - | 35.17 |
| **IV** | **Total Investments** | **4,771.18** | **-** | **13.12** | **-** | **-** | **206.23** | **4,990.53** |
| | Less: Provision for non-performing investments | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | Less: Provision for depreciation | **29.08** | **-** | **1.46** | **-** | **-** | **71.46** | **102.00** |
| | Net | **4,742.10** | **-** | **11.66** | **-** | **-** | **134.77** | **4,888.53** |

As on March 31, 2023, the Bank does not have Investments outside India. Hence corresponding disclosures are not made.

* This includes Security Receipts issued by ARC on account of transfer of NPA and technical write off pool. Investments in SRs are valued at Nil/ fully provided for in the books of account on a prudent basis (Refer Note A.4.6 (i) of Schedule 18).

### 3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve :

(₹ in crore)

| Particulars | | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|---|
| **1** | **Movement of provisions held towards depreciation on investments** | | |
| i. | Opening Balance | 102.00 | 23.99 |
| ii. | Add : Provisions made during the year | 16.29 | 103.74 |
| iii. | Less : Write off/ Write back of excess provisions made during the year | 36.46 | 25.73 |
| iv. | Closing Balance | 81.83 | 102.00 |
| **2** | **Movement of Investment Fluctuation Reserve** | | |
| i. | Opening Balance | 32.14 | 26.19 |
| ii. | Add : Amount transferred during the year | 2.90 | 5.95 |

(₹ in crore)

| Particulars | | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|---|
| iii. | Less : Drawdown | - | - |
| iv. | Closing Balance | 35.04 | 32.14 |
| **3** | **Closing balance in IFR as a percentage of closing balance of Investments in AFS and HFT Category** | 2.00% | 2.00% |

**3.3 Sale/ transfer of securities to/from HTM category**

**During the years ended March 31, 2024 and March 31, 2023 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

a) 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;

b) sales to the RBI under pre-announced open market operation auctions and the Government securities acquisition Programme;

c) additional shifting of securities explicitly permitted by the RBI from time to time;

d) direct sales from HTM for bringing down SLR holdings in the HTM category consequent to a downward revision in SLR investments by RBI.

e) 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, 2024 and March 31, 2023.

**b) i. 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.

**ii. Issuer Composition of Non SLR Investments as at March 31, 2023**

(₹ 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 | 2.52 | - | - | - | - |
| 2 | FIs | 0.50 | - | - | - | - |
| 3 | Banks | 122.93 | 72.52 | - | - | - |
| 4 | Private Corporates | 8.78 | 0.77 | - | - | 0.77 |
| 5 | Subsidiaries / Joint ventures | - | - | - | - | - |
| 6 | Others | 84.62 | 71.46 | - | - | 12.50 |
| 7 | Provision held towards depreciation | (72.92) | | | | |
| | **Total** | **146.43** | **144.75** | **-** | **-** | **13.27** |

[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 including Liquidity Adjustment Facility (LAF) Transactions in (face value terms)**

**As at March 31, 2024**

(₹ in crore)

| Particulars | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year* | Outstanding as on 31 March 2024 |
|---|---|---|---|---|
| Securities sold under repos | | | | |
| i. Government securities | 550.00 | 1,614.89 | 775.70 | 650.00 |
| ii. Corporate debt securities | - | - | - | - |
| iii. Any other securities | - | - | - | - |
| Securities purchased under reverse repos | | | | |
| i. Government securities | - | 548.00 | 37.07 | - |
| 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, 2023**

(₹ in crore)

| Particulars | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year * | Outstanding as on March 31, 2021 |
|---|---|---|---|---|
| Securities sold under repos | | | | |
| i. Government securities | 696.00 | 1,799.15 | 1,019.56 | 1,088.95 |
| ii. Corporate debt securities | - | - | - | - |

(₹ in crore)

| Particulars | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year * | Outstanding as on March 31, 2021 |
|---|---|---|---|---|
| iii. Any other securities | - | - | - | - |
| Securities purchased under reverse repos | | | | |
| i. Government securities | - | 988.00 | 205.78 | - |
| ii. Corporate debt securities | - | - | - | - |
| iii. Any other securities | - | - | - | - |

* Daily average is considered for entire year including the days when outstanding were nil

## 4. Asset Quality

### 4.1. Classification of Advances and Provision held

**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 |
| 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 | |

(₹ in crore)

| Particulars | Standard | Non-performing | | | | Total |
|---|---|---|---|---|---|---|
| | Total Standard Advances | Sub-Standard | Doubtful | Loss | Total NPA | |
| 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 |

**As at March 31, 2023**

(₹ in crore)

| Particulars | Standard | Non-performing | | | | Total |
|---|---|---|---|---|---|---|
| | Total Standard Advances | Sub-Standard | Doubtful | Loss | Total NPA | |
| **Gross Standard Advances and NPAs** | | | | | | |
| Opening Balance | 11,181.04 | 641.93 | 307.67 | - | 949.60 | 12,130.64 |
| Add: Additions during the year | | | | | 719.05 | |
| Less: Reductions during the year * | | | | | 1,316.96 | |
| Closing balance | 13,766.44 | 333.43 | 14.51 | 3.75 | 351.69 | 14,118.13 |
| * Reductions in Gross NPAs due to: | | | | | | |
| i) Recoveries (excluding recoveries made from upgraded accounts) | | | | | 29.46 | |
| ii) Upgradations | | | | | 202.62 | |
| iii) Technical / Prudential Write-offs | | | | | 494.75 | |

(₹ in crore)

| Particulars | Standard | Non-performing | | | | Total |
|---|---|---|---|---|---|---|
| | Total Standard Advances | Sub-Standard | Doubtful | Loss | Total NPA | |
| iv) Write-offs other than those under (iii) above | | | | | 1.85 | |
| v) Sale of NPA to Asset Reconstruction company (ARC) | | | | | 588.28 | |
| **Provisions(excluding floating provisions)** | | | | | | |
| Opening balance of provision held | 217.76 | 185.97 | 307.67 | - | 493.64 | 711.40 |
| Add: Fresh provisions made during the year | | | | | 735.60 | |
| Less: Excess provision reversed/ written of loans # | | | | | 1,035.44 | |
| Closing balance of provisions held | 89.66 | 175.54 | 14.51 | 3.75 | 193.80 | 283.46 |
| **#** includes provision utilised towards technical write off ₹263.95 crore. | | | | | | |
| **Net NPAs** | | | | | | |
| Opening Balance | | 455.96 | - | - | 455.96 | |
| Add: Fresh Additions during the year | | | | | 288.65 | |
| Less: Reductions during the year | | | | | 586.72 | |
| Closing balance | | 157.89 | - | - | 157.89 | |
| **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 | | | | | | 172.80 |
| Add: Technical/ prudential write off accounts during the year | | | | | | 494.75 |
| Less: Recoveries made from previously technical/ prudential written off accounts during the year | | | | | | 69.20 |
| Less:Sacrifice made from previously technical/prudential written off accounts during the year | | | | | | 98.96 |
| Less: Sale of Technical/ prudential written off accounts to Asset Reconstruction company (ARC) | | | | | | 486.68 |
| Closing Balance | | | | | | 12.71 |

**Asset Quality Ratios**

| Particulars | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| Gross NPA to Gross Advances (%) | 4.76% | 2.49% |
| Net NPA to Net advances (%) | 2.26% | 1.13% |
| Provision Coverage ratio (%) | 65.15% | 56.67% |

**4.2 Sector-wise Advances and Gross NPAs**

(₹ in crore)

| Sl. No | Sector | 31 March 2024 | | |
|---|---|---|---|---|
| | | 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 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% |
| | Industry | 187.04 | 13.21 | 7.06% |
| 3 | Services | 1,287.71 | 26.26 | 2.04% |
| 4 | Personal 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%** |

(₹ in crore)

| Sl. No | Sector | 31 March 2023 | | |
|---|---|---|---|---|
| | | Gross Advances | Gross NPAs | Percentage of Gross NPAs to Gross Advances in that Sector |
| **A** | **Priority Sector** | | | |
| 1 | Agricultural and Allied Activities | 7,995.52 | 173.54 | 2.17% |
| 2 | Advances to Industries Sector eligible as Priority sector lending | 682.77 | 35.12 | 5.14% |
| 3 | Services | 1,861.01 | 92.72 | 4.98% |
| 4 | Personal Loans | 794.21 | 37.74 | 4.75% |
| | **Sub-Total (A)** | **11,333.51** | **339.12** | **2.99%** |
| **B** | **Non Priority Sector** | | | |
| 1 | Agricultural and Allied Activities | 1,650.06 | - | - |
| 2 | Industry | - | - | - |
| 3 | Services | 591.50 | 3.94 | - |

(₹ in crore)

| Sl. No | Sector | 31 March 2023 | | |
|---|---|---|---|---|
| | | Gross Advances | Gross NPAs | Percentage of Gross NPAs to Gross Advances in that Sector |
| 4 | Personal loans | 543.06 | 8.63 | 1.59% |
| | **Sub-Total (B)** | **2,784.62** | **12.57** | **0.45%** |
| | **Total (A+B)** | **14,118.13** | **351.69** | **2.49%** |

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 overseas assets during the years ended March 31, 2024 and March 31, 2023

### 4.4 Resolution of stressed assets- Revised frame work

The Bank is having Nil loan account for resolution of stressed asset (revised framework) as on March 31, 2024 (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 percent of the reported profit before provisions and contingencies for the reference period, or (b) the additional Gross NPA identified by RBI exceeds 5 percent 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, 2023 and March 31, 2024.

### 4.6 Disclosure of transfer of loan exposures

Details of loans transferred / acquired during the year ended March 31, 2024 under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021 is given below:

i) Details of Stressed loans transfers are given below:

The Bank has not transferred any stressed assets duriing year ended March 31, 2024.

Details of Stressed loans transfers for the year ended March 31, 2023 are given below:

₹ In crore

| Sl no. | Particulars | To Asset Reconstruction Company (ARC) | To Permitted Transferees | To other transferees |
|---|---|---|---|---|
| 1 | No. of Accounts | 4,17,648 | - | - |
| 2 | Aggregate principal outstanding of loans transferred * | 1,074.95 | - | - |
| 3 | Weighted average residual tenure of loans transferred (in Years) # | 0.83 | - | - |
| 4 | Net Book Value of Loans transferred (at the time of transfer) | 135.12 | - | - |
| 5 | Aggregate Consideration | 205.48 | - | - |
| 6 | Additional Consideration realised in respect of accounts transferred in earlier years | - | - | - |

* includes advances which had been technicaly 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. CRISIL Ratings has, after due consideration, reaffirmed a recovery rating of "RR2" (pronounced as "Double R Two Rating"), to the captioned SRs, indicating expected recovery in present value terms, in the range More than 75% and upto 100% recovery of outstanding face value, during the life of the captioned SRs.. 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 ₹ 38.09 crore during the year ended March 31, 2023.

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 defualt from other entities through assignment (Previous Year: Nil).

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

### 4.7 Fraud Accounts

(₹ in crore)

| Particulars | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| Number of frauds reported | 524 | 86 |
| Amount involved in fraud (₹ crore) | 3.43 | 1.44 |
| Amount of provision made for such frauds * | 1.48 | 0.79 |
| Amount of unmortised provision debited from 'other reserves' as at the end of the year | - | - |

*The above table represents frauds reported during the year*

**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 May 05, 2021 (Resolution framework 2.0) are given below.

| 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, 2023 (A) | of (A) aggregate debt that slipped into NPA during the half year ended March 31, 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 March 31, 2024 |
|---|---|---|---|---|---|
| Personal Loans | 11.56 | 1.59 | - | 5.07 | 4.91 |
| Corporate Persons | - | - | - | - | - |
| *Of Which MSMEs* | - | - | - | - | - |
| Others | 16.42 | 2.00 | - | 8.08 | 6.33 |
| **Total** | **27.98** | **3.59** | - | **13.15** | **11.24** |

## 5. Exposures

### 5.1 Exposure to Real Estate Sector:

(₹ in crore)

| | Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| | **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; | 372.79 | 270.40 |
| | *of which individual Housing loans eligible for inclusion in priority sector advances* | 216.85 | 179.72 |
| 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). | 77.34 | 49.32 |
| | **Total Exposure to Real Estate Sector** | **450.13** | **319.72** |

### 5.2 Exposure to Capital Market

(₹ in crore)

| | Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| 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; | 10.70 | 11.29 |
| 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; | - | - |

(₹ in crore)

| Particulars | | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| 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** | **10.70** | **11.29** |

**5.3. Risk category wise country exposure**

The Bank does not have any country exposure other than "home country" exposures and accordingly, no provision is maintained with regard to country risk exposure.

**5.4. Unsecured Advances**

During the years ended March 31, 2024 and March 31, 2023, the Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc.

**5.5. Details of factoring exposure:**

The factoring exposure of the Bank as at March 31, 2024 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, 2024 and March 31, 2023. 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, 2024 (Previous Year: ₹ 0.12 crore). The bank held no incremental capital on advances to borrowers with unhedged foreign currency as on March 31, 2024 (Previous Year: Nil).

## 6. Concentration of deposits, advances, exposures and NPAs

**6.1. Concentration of deposits:**

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Total deposits of twenty largest depositors | 1,443.97 | 1,432.80 |
| Percentage of deposits of twenty largest depositors to total deposits of the Bank | 7.27% | 9.77% |

### 6.2. Concentration of advances:

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Total advances to twenty largest borrowers | 560.94 | 481.74 |
| Percentage of advances to twenty largest borrowers to total advances of the Bank | 3.00% | 3.44% |

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:

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Total exposure to twenty largest borrowers/customers | 592.36 | 481.74 |
| Percentage of exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers | 3.16% | 3.44% |

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:

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Total Exposure to top twenty NPA Accounts | 4.93 | 7.02 |
| Total Exposure to top twenty NPA accounts to Gross NPA | 0.55% | 2.00% |

## 7. Derivatives

The Bank did not have any transactions in derivative instruments. Hence the disclosure is not applicable with respect to Forward rate agreement / interest rate swap, exchange traded interest rate derivatives, risk exposure in derivatives and credit default swaps for the years ended March 31, 2024 and March 31, 2023.

## 8. Disclosures relating to Securitisation

The Bank has not undertaken any Securitised transaction during the years ended March 31, 2024 and March 31, 2023 and no outstanding as on March 31, 2024. 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, 2024 and March 31, 2023.

## 10. Transfer to Depositor Education and Awareness Fund (DEAF)

During the years ended 31st March 2024 and 31st March 2023, the Bank was not required to transfer any amount to Depositor Education and Awareness Fund.

## 11. Disclosure of Complaints

### a. Customer Complaints

| Sl. no. | Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| (a) | No. of complaints pending at the beginning of the Year | 220 | 84 |
| (b) | No. of complaints received during the Year | 10,344 | 7,658 |
| (c) | No. of complaints disposed during the Year | 10,261 | 7,522 |
| | *Of which, number of complaints rejected by the Bank* | 9 | 2 |
| (d) | No. of complaints pending at the end of the Year | 303 | 220 |

Customer Compaints above includes:

i. ATM transaction disputes relating to Banks customers on Banks ATM

| Sl. no. | Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| (a) | No. of complaints pending at the beginning of the Year | 2 | 1 |
| (b) | No. of complaints received during the Year | 458 | 362 |
| (c) | No. of complaints disposed during the Year | 455 | 361 |
| | *Of which, number of complaints rejected by the Bank* | - | - |
| (d) | No. of complaints pending at the end of the Year | 5 | 2 |

ii. ATM transaction disputes relating to Banks customers on other Banks ATM

| Sl. no. | Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| (a) | No. of complaints pending at the beginning of the Year | 38 | 38 |
| (b) | No. of complaints received during the Year | 2,831 | 2,692 |
| (c) | No. of complaints disposed during the Year | 2,842 | 2,692 |
| | *Of which, number of complaints rejected by the Bank* | - | - |
| (d) | No. of complaints pending at the end of the Year | 27 | 38 |

### b. Maintainable complaints received by the Bank from Office of Ombudsman

| Sl. no. | Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| (a) | Number of maintainable complaints received by the Bank from Office of Ombudsman | 74 | 51 |
| | *Of (a) , number of complaints resolved in favour of the Bank by Office of Ombudsman* | | |
| | *Of (a) , number of complaints resolved through conciliation/ mediation/advisories issued by Office of Ombudsman* | | |
| | *Of (a) , number of complaints resolved after passing of Awards by Office of Ombudsman against* | - | - |
| (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, 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** | **-** |

**Year ended March 31, 2023**

| 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 | 43 | 3,475 | (51.06%) | 42 | - |
| Internet banking/ Mobile Banking/ Electronic banking | 40 | 4,122 | (28.25%) | 178 | - |
| Account opening/difficulty in operation of accounts | 1 | 28 | 21.74% | - | - |
| Loans and advances | - | 14 | 7.69% | - | - |
| Levy of charges without prior notice/excessive charges/ foreclosure charges | - | 8 | 100.00% | - | - |
| Others | - | 11 | 10.00% | - | - |
| Total | **84** | **7,658** | **(40.61%)** | **220** | **-** |

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, 2024, the Reserve Bank of India had imposed a penalty under Banking Regulation Act, 1949 for failure to adhere to

i) RBI Directions on " Customer Services in Bank" ₹ 0.30 crore (Previous Year: ₹ Nil).

ii) 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 ₹ 0.006 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, Securites & 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 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 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 be 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 lakhs, 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**

| sl No. | Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| 1 | Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members. | 5<br>Remuneration paid: ₹ 0.11 crore | 5<br>Remuneration paid: ₹ 0.09 crore |
| 2 | (i) Number of employees having received a variable remuneration awards during the financial year | Five (MD& CEO and one level below MD & CEO.) | 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 March 31, 2024 - ₹ 1.15 crore | Remuneration Payable in cash to MD & CEO as on March 31, 2023 - ₹ 0.69 crore |
| | ii) Total amount of deferred remuneration paid out in the financial year | ₹ 0.27 crore | ₹ 0.11 crore |
| 4 | Breakdown of amount of remuneration awards for the financial year to show fixed, variable, deferred and non deferred | Fixed Salary : ₹ 4.50 crore<br>Variable pay :₹ 0.93 crore<br>Deferred Variable Pay : ₹ 0.27 crore | Fixed Salary : ₹ 3.13 crore<br>Variable pay :₹0.47 crore<br>Deferred Variable Pay : ₹ 0.11 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 | 1 | 1 |
| 7 | (i) Number of cases where malus has been exercised<br>(ii) number of cases where clawback has been exercised<br>(iii) Number of cases where both malus and clawback have been exercised | Nil | Nil |
| 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 ₹ 0.06 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 puspose of mean Calculation CTC of the employees are considered | The mean of the Pay of the Bank as a whole is ₹ 0.05 crore as on March 31, 2023. The Ratio of the Remuneration of the Managing Director to the mean pay of the Bank as a whole is 52:1 as on March 31, 2023. For the puspose of mean Calculation CTC of the employees are considered |

## 14. Other Disclosures

### 14.1. Business ratios / information:

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Interest income as a percentage to working funds * | 16.73% | 15.42% |
| Non interest income as a percentage of Working Funds* | 1.94% | 1.56% |
| Cost of deposits & | 7.23% | 6.24% |
| Net interest margin@@ | 11.12% | 10.44% |
| Operating profit # as a percentage of Working Funds* | 5.09% | 4.83% |
| Return on assets ## * | 1.86% | 1.63% |
| Business ^ (deposit plus advance) per employee (₹ in crore)$ | 6.16 | 5.44 |
| Profit per employee $ (₹ in crore) | 0.07 | 0.06 |

* 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. Interbank deposits are excluded for the purposes of computation of this ratio.

### 14.2. Bancassurance Business

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Fees/remuneration received from Bancassurance business: | | |
| - For selling life insurance policies | 76.23 | 18.05 |
| - For selling non-life insurance policies | 1.77 | 1.23 |
| - For selling pension products | 0.33 | 0.28 |
| - Others | 0.02 | * |
| **Total** | **78.35** | **19.56** |

** Amount is below ₹50,000*

### 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, 2024 amounting to ₹ 7.96 crore (Previous year: Nil).

### 14.4. Priority sector lending certificates

The amount of PSLCs (Category wise) sold/ purchased

(₹ in crore)

| Sl No. | Type of PSLCs | 31 March 2024 | | 31 March 2023 | |
|---|---|---|---|---|---|
| | | Purchase | Sale | Purchase | Sale |
| 1 | Agriculture | - | - | - | - |
| 2 | Micro enterprises | | - | | - |
| 3 | General | - | - | - | - |
| 4 | Small and Marginal Farmer | - | 3,850.00 | - | 1,650.00 |

### 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:

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Provision towards NPA / Write offs | 579.25 | 610.81 |
| Provision towards Standard Assets | 20.43 | (128.11) |
| **Provision made towards income tax** | | |
| - Current Tax expense | 153.00 | 77.12 |
| - Deferred Tax | (8.15) | 26.59 |
| Other Provision and Contingencies | (7.41) | 4.97 |
| **Total Provisions and Contingencies** | **737.12** | **591.38** |

### 14.6. Implementation of IFRS converged Indian Accounting Standards (INDAS)

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 (IndAS 109 and 116) and hiring skilled resources to implement Ind-AS accounting.

### 14.7. Payment of DICGC Insurance Premium

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| i) Payment of DICGC Insurance Premium (Including taxes) | 20.84 | 16.15 |
| 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, 2024 and March 31, 2023.

### 14.9 Letter of Comforts

The Bank has not issued any Letter of Comforts during years ended March 31, 2024 and March 31, 2023. Hence corresponding disclosures are not made.

### 14.10 Green Deposits

The Bank has not raised any green deposits during years ended March 31, 2024 and March 31, 2023. Hence corresponding disclosures are not made.

## 15. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Bank

During the years ended March 31, 2024 and March 31, 2023, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

**16. The Bank was carrying an additional contingency provision on standard assets of ₹ 13.24 crore as on March 31, 2023 and further made a provision of ₹ 22.70 crore during the year ended and consequently the contingency provision on standard assets as at March 31, 2024 stands at ₹ 35.94 crore.**

## 18. NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024

### B. OTHER DISCLOSURES:

### 1. Earnings per Equity Share:

(₹ in crore)

| Particulars | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| Net Profit attributable to equity Share holders(A) | 425.57 | 302.33 |
| Weighted average number of equity shares used in computation of basic earnings per share (B) (In crore) | 47.52 | 44.95 |
| Add: Effect of dilution - Stock options granted to employees | 0.08 | 0.08 |
| Weighted average number of equity shares used in computation of basic earnings per share (C)(In crore) | 47.59 | 45.03 |
| Basic (₹)[A/B] | 8.96 | 6.73 |
| Diluted (₹)[A/C] | 8.94 | 6.71 |
| 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 RBI guidelines : Treasury, Wholesale Banking, Retail Banking and Other Banking Operations:

(₹ in crore)

| Segment Revenue | 31 March 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** |
| **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** |

(₹ in crore)

| Segment Revenue | 31 March 2023 | | | | |
|---|---|---|---|---|---|
| | Treasury | Wholesale Banking | Retail Banking | Other Banking Operations | Total |
| Segment Revenue | 247.19 | 57.67 | 2,787.06 | 49.65 | 3,141.57 |
| Segment Results (Operating Profit) | (27.65) | 28.31 | 359.16 | 46.22 | **406.04** |
| Income Tax Expenses | | | | | 103.71 |
| Net Profit | | | | | 302.33 |
| **Segment Assets** | 5,578.36 | 660.87 | 13,746.33 | - | 19,985.56 |
| Unallocated Assets | | | | | 238.12 |
| Total Assets | | | | - | **20,223.68** |
| **Segment Liabilities** | 3,810.87 | 520.77 | 13,838.45 | - | 18,170.09 |
| Unallocated Liabilities | | | | | 344.46 |
| Share Capital and Reserves and Surplus | | | | | 1,709.13 |
| Total Liabilities | | | | | **20,223.68** |

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 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 seperate 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 ₹ 62.78 crore (year ended March 31, 2023 - ₹ 60.13 crore).

The future minimum lease payments under non cancellable operating leases is given below

(₹ in crore)

| Particulars | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| not later than one year | 72.75 | 57.67 |
| later than one year but not later than five years | 321.74 | 286.17 |
| later than five years | 70.11 | 85.93 |

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 | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| **Deferred Tax Asset** | | |
| Provision for Employee Benefits | 3.62 | 2.14 |
| Provision for Standard assets | 27.71 | 22.57 |
| Fixed Assets : on differences between book balances and tax balance of fixed asset | 7.55 | 4.77 |
| Other Provisions | 7.69 | 8.94 |
| **Deferred Tax Asset** | **46.57** | **38.42** |

## 5. Credit card reward points:

The Bank does not have credit card products. Hence reward points are not applicable.

## 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 | As at 31 March 2024 | As at 31 March 2023 |
|---|---|---|
| **Gross Block** | | |
| At cost on March 31 of the preceding year | 42.42 | 29.54 |
| Additions during the year | 9.29 | 12.88 |
| Deductions during the year | - | - |
| **Total** | **51.71** | **42.42** |
| **Depreciation / Amortisation** | | |
| As at March 31 of the preceding year | 21.59 | 15.97 |
| Charge for the year | 9.75 | 5.62 |
| Deductions during the year | - | - |
| **Depreciation to date** | **31.34** | **21.59** |
| **Net Block** | **20.37** | **20.83** |

## 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 managarial 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) |
| K. Paul Thomas | Key Managerial Person (MD and CEO) |
| Mereena Paul | Relative of KMP |
| Emy Acha Paul | Relative of KMP |

| Related Party # | Nature of Relationship |
|---|---|
| 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 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 52.94% (Previous Year: 62.46%) 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 RBI guidelines, EFHL has been considered as Significant Investor.

**Transactions during the year with the Related Party**

**(Rupees in Crore)**

| Nature of Transaction | Related Party | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| **Liabilities** | | | |
| Term Deposit placed | | | |
| | ESAF Foundation | - | 3.15 |
| | Emy Acha Paul | 0.03 | 0.05 |
| | Beena George | 0.17 | 0.11 |
| | Lahanti Homes | 0.17 | - |
| | K. Paul Thomas | 0.06 | - |
| | Alok Paul Thomas | 0.03 | - |
| | Prachodhan | 0.02 | - |
| | EFHL | 42.88 | - |
| Term Deposit Matured | EFHL | 41.28 | - |
| | Cedar Retail | - | 0.50 |
| | Beena George | 0.18 | 0.01 |
| | ESAF Foundation | 0.15 | 1.30 |
| | Prachodhan | 0.02 | |
| | Emy Acha Paul | - | 0.05 |
| Transactions in Demand Deposit (net) | | | |
| | Cedar Retail | 0.77 | 0.94 |
| | ESAF Foundation | (0.02) | * |
| | EFHL | 9.73 | 0.99 |
| | Lahanti Homes | - | - |
| | Prachodhan | 0.25 | 0.01 |
| | ESAF Producer Company | 0.04 | * |
| Transactions in Savings Deposit(net) | K. Paul Thomas | 0.75 | 0.14 |
| | Mereena Paul | 0.57 | 0.08 |
| | Emy Acha Paul | * | 0.09 |

(Rupees in Crore)

| Nature of Transaction | Related Party | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| | Alok Paul Thomas | (0.01) | 0.01 |
| | ESAF Foundation | 8.71 | 1.38 |
| | Prachodhan | 0.27 | (0.16) |
| | Abhishek Joe Paul | - | * |
| | Ashish Krish Paul | - | * |
| | Beena George | (0.04) | * |
| Interest accrued and due on Deposits | | | |
| | Cedar Retail | - | * |
| | EFHL | 0.77 | 0.23 |
| | ESAF Foundation | 1.16 | 0.63 |
| | K. Paul Thomas | 0.07 | 0.07 |
| | Mareena Paul | 0.05 | 0.01 |
| | Emy Acha Paul | 0.01 | 0.01 |
| | Alok Paul Thomas | * | * |
| | Abhishek Joe Paul | - | * |
| | Ashish Krish Paul | - | * |
| | Beena George | 0.01 | 0.01 |
| | Lahanti Homes | 0.01 | - |
| | Prachodhan | 0.04 | 0.03 |
| Interest expenses on Sub Debt | EFHL | 2.25 | 2.25 |
| **Contingent Liability** | | | |
| Bank Guarantee Given/ renewed/(Closed) | | (0.14) | (0.15) |
| **Assets** | | | |
| **Expenses** | | | |
| Rent paid | Lahanti Homes | 2.41 | 2.41 |
| | ESAF Foundation | 0.02 | 0.02 |
| Interest paid on deposits | | | |
| | Cedar Retail | - | * |
| | EFHL | 0.77 | 0.23 |
| | ESAF Foundation | 1.16 | 0.63 |
| | K. Paul Thomas | 0.07 | 0.07 |
| | Mareena Paul | 0.05 | 0.01 |
| | Emy Acha Paul | 0.01 | 0.01 |
| | Alok Paul Thomas | * | * |
| | Abhishek Joe Paul | - | * |
| | Ashish Krish Paul | - | * |
| | Beena George | 0.01 | 0.01 |
| | Lahanti Homes | 0.01 | - |
| | Prachodhan | 0.04 | 0.03 |
| Interest paid on Sub Debt | EFHL | 2.25 | 2.25 |
| Remuneration | K. Paul Thomas | 3.30 | 3.13 |

(Rupees in Crore)

| Nature of Transaction | Related Party | 31 March 2024 | 31 March 2023 |
|---|---|---|---|
| Reimbursement of expenses | K. Paul Thomas | 0.38 | 0.23 |
| Contribution towards Corporate Responsibility expense | ESAF Foundation | 6.05 | 4.25 |
| | Prachodhan | 6.20 | 3.01 |
| Royalty | ESAF Foundation | 11.84 | 8.50 |

*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 :**

(Rupees in crore)

| Items/Related Party | Significant Investor | | KMP and Enterprises over which KMP/Relative of KMP have control / significant influence | |
|---|---|---|---|---|
| | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 |
| **Liabilities** | | | | |
| Term Deposits | 5.11 | 3.50 | 4.38 | 4.03 |
| Demand Deposit (Including Savings Deposits) | 11.20 | 1.47 | 24.96 | 13.68 |
| Equity Shares | 272.55 | 280.76 | 31.30 | 31.29 |
| Borrowings | 20.00 | 20.00 | - | - |
| Other Liabilities | - | - | 11.84 | 7.72 |
| **Contingent Liability** | | | | |
| Bank Guarantee | - | - | 1.10 | 1.24 |
| **Assets** | | | | |
| Advances | - | - | - | - |
| Others | - | - | - | - |

**Maximum Balance outstanding during the year**

(Rupees in crore)

| Items/Related Party | Significant Investor | | KMP and Enterprises over which KMP/Relative of KMP have control / significant influence | |
|---|---|---|---|---|
| | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 |
| **Liabilities** | | | | |
| Term Deposits | 46.00 | 3.59 | 4.58 | 4.58 |
| Demand Deposit (Including Savings Deposits) | 46.56 | 1.47 | 29.24 | 17.33 |
| Equity Shares | 280.76 | 280.76 | 31.30 | 31.29 |
| 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 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:

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Outstanding at the beginning of the year | 10,44,483 | 11,25,590 |
| Surrendered during the year | - | - |
| Granted during the year | - | - |
| Exercised during the year | - | - |
| Forfeited/ lapsed during the year | 34,816 | 81,107 |
| Outstanding at the end of the year | 10,09,667 | 10,44,483 |
| Options exercisable | 10,09,667 | 10,44,483 |

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 'Intrinsic value method' 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, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

ii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ Nil (Previous Year: ₹ 1.24 crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 8.96 and ₹ 8.94 (Previous Year: ₹ 6.72 and ₹ 6.71) respectively.

iii) 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 identifed as material risk taker. During the years ended March 31, 2024 and March 31 2023 no ESOP has been granted to the aforesaid eligible personnel, hence there is no impact on the results for the year ended March 31, 2024 and March 31, 2023 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:

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Provident Fund | 11.84 | 9.79 |

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)**

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| **Present value of DBO at start of Year** | 13.49 | 11.05 |
| Current Service Cost | 4.17 | 3.42 |
| Interest Cost | 0.96 | 0.65 |
| Benefits Paid | (0.80) | (0.83) |
| Past Service Cost | - | - |
| Actuarial (Gain)/Loss | 0.82 | (0.80) |
| **Present value of DBO at end of Year** | **18.64** | **13.49** |

**Reconciliation of Fair Value of Plan Assets**

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| **Fair value of Plan assets at start of Year** | **12.92** | **10.56** |
| Contributions by employer | 4.67 | 2.47 |
| Benefits Paid | (0.80) | (0.83) |
| Expected return on plan assets | 1.01 | 0.59 |
| Actuarial Gain/(Loss) | 0.04 | 0.13 |
| **Fair value of Plan assets at end of year** | **17.84** | **12.92** |
| Actual Return on plan assets | 1.05 | 0.72 |
| Expected Employer Contributions for the coming year | 0.90 | 0.60 |

**Expense recognised in the Profit and Loss account**

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Current Service Cost | 4.17 | 3.42 |
| Interest Cost | 0.96 | 0.65 |
| Past Service Cost | - | - |
| Expected return on plan assets | (1.01) | (0.59) |
| Actuarial (Gain)/Loss | 0.78 | (0.93) |
| **Employer Expense/( Income)** | **4.90** | **2.55** |

**Net Liability/(Asset) recognised in the Balance Sheet**

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Present value of DBO | 18.64 | 13.49 |
| Fair value of plan assets | 17.84 | 12.92 |
| **Net liability/(Asset)** | **0.80** | **0.57** |
| Less: Unrecognised Past Service Cost | - | - |
| **Liability/(Asset) recognised in the Balance sheet** | **0.80** | **0.57** |

**Category of Plan Assets**

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Insurer managed fund | 99.70% | 99.90% |
| Bank Balance | 0.30% | 0.10% |

**Actuarial assumptions used**

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Salary Growth Rate | 7.5% p.a | 7.5% p.a |
| Discount Rate | 7% p.a | 7.10% p.a |
| Withdrawal/Attrition Rate | 20% p.a | 20% p.a |
| Expected return on plan assets | 7.10% | 5.90% |
| Mortality Rate | IALM 2012-14 (Ult) | IALM 2012-14 (Ult) |
| **Expected average remaining working lives of employees** | **4 Years** | **4 Years** |

**Experience adjustments**

**(Rupees in crore)**

| Particulars | As at 31 March 2024 | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|---|---|
| Defined benefit obligation | 18.64 | 13.49 | 11.05 | 8.42 | 5.69 |
| Fair value of Plan assets | 17.84 | 12.92 | 10.56 | 5.83 | 4.19 |
| Surplus / (Deficit) | (0.80) | (0.57) | (0.49) | (2.59) | (1.50) |
| Experience adjustment on plan liabilities : (gain)/loss | 0.73 | 0.07 | (0.19) | 0.68 | (0.42) |
| Experience adjustment on plan assets : gain/(loss) | 0.27 | 0.08 | 0.02 | (0.03) | (0.11) |

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 leave of the employees of the Bank is given below:

**Assumptions**

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Privilege leave | 90 days | 30 days |
| Sick leave | 30 days | 30 days |
| Discount rate (Privilege/ Sick leave) | 7.00% | 7.10% |
| Salary escalation rate (Privilege/ Sick leave) | 7.50% | 7.50% |
| Attrition Rate (Privilege/ Sick leave) | 20% | 20% |
| **Actuarial liability - Privilege leave** | 6.6 | 4.75 |
| Charged in Profit and Loss account- Privilege Leave | 1.85 | 0.60 |
| **Actuarial liability - Sick Leave** | 4.59 | 3.2 |
| Charged in Profit and Loss account- Sick leave | 1.39 | 0.41 |

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 | 31 March 2024 | 31 March 2023 |
|---|---|---|
| a) Gross amount required to be spend including deficit of previous year | 18.32# | 12.99# |
| b) Amount spent during the year | | |
| i) Construction / acquisition of any asset | 3.03## | 2.97## |
| ii) any other projects | 8.36### | 3.95### |
| Total | 11.39 | 6.92 |
| c) short fall at the year end | 6.93 | 6.07 |
| 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 include RS 6.07 crore being the unspent amount for the Financial year ended March 31, 2023 . (March 2023 - ₹ 4.73 crore relating to March 2022)

As per Bank's CSR Policy upto 5% of the average net profit of the last 3 preceeding years is allocated for CSR activities. During the year the Bank has set aside 5% as CSR funds. (Previous year : 5%)

##amount spend/ incurred during the year include ₹ 0.64 Crore out of the unspend amount during the year ended March 31, 2023 (Previous Year :2.67 Crore out of the unspend amount duing the year ended March 31, 2022).

###amount spend/ incurred during the year include ₹ 5.43 Crore out of the unspend amount during the year ended March 31, 2023 and during previous year include for ₹ 2.95 crore related to Financial year ended March 31, 2022 out of the unspend amount during the said year.

Pursuant to Section135(5) & 135 (6) of Companies Act,2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014(Amended), Bank has transferred ₹ 5.13 crore (Previous Year : ₹ 5.80 Crore) to the "Unspent CSR Account" as on March 31, 2024 towards the Ongoing projects approved by the CSR Committee to be spent over the next 3 years. The advance with the Implementing Agencies is Rs 1.81 crore as at March 2024 (March 2023 : Rs 1.82 crore)

**Nature of CSR activities :-**

Children education, Substainable village development, waste management, liveable city projects, community school infrastucture, Krushak mitra for farmer and farmer collectives, Garshom projects for migrant labourers, Skill training for rural artisans and rural youth, flood rehabilitation, covid 19 response program, substainable development initiatives, Agroya Mithra - 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

a. The Bank has an outstanding subordinated debt of ₹ 425 crore (As at March 31, 2023 : ₹ 145 crore). This has been considered as part of Tier 2 Capital for capital adequacy computation after subjecting to discounting in accordance with RBI guidelines.

During the year ended March 31, 2024, the Bank raised a Subordinated debt of ₹ 280 crore by way of private placement (Previous Year: ₹ Nil).

The Bank has an outstanding Perpetual Debt Instrument of ₹ 48 crore ( As at March 31, 2023: ₹ 48 crore)

b. Interest Expended-Others includes interest of ₹ 22.83 Crore (Previous year : ₹ 18.29 Crore) on Subordinated Debt and includes interest of ₹ 6.26 Crore (Previous Year: ₹ 6.24 Crore) on perpetual Debt instrument.

## 12. Details of payments of audit fees (Exclusive of Goods and Service Tax)

(₹ in crore)

| Particulars | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Statutory Audit fees | 0.45 | 0.55 |
| Other Attestation work | 0.15 | 0.55 |
| Other Certification | 0.20 | 0.15 |
| Out of pocket expenses (Including IPO related services) | 0.05 | 0.02 |
| **Total** | **0.85** | **1.27** |

## 13. Description of Contingent Liabilities:

The Bank has contingent liability of ₹ 0.11 crore (Previous Year : ₹ Nil) for claims against customer disputes , ₹ 0.56 crore (Previous year ₹ 0.50 crore) for properietory transactions and other Court matters and ₹ 1.51 crore (Previous Year: 1.39 crore) towards guarantees given on behalf of constituents in India.

**14.** The Bank has a process whereby periodically all long term contracts are assessed for material foreseeable losses. As on March 31, 2024 and March 31, 2023, 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.

**15.** 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, 2023 and March 31, 2022. Further, there are no outstanding against those suppliers as on March 31, 2024 and March 31, 2023. The above is based on information available with the Bank and relied upon by the Auditors.

**16.** As a part of the normal banking business, the Bank grants loan 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 customer" 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

The Board of Directors at its meeting held on May 08, 2024 , has proposed a dividend of ₹ 0.70 per share ( Previous Year: Nil per share) for the year ended March 31, 2024, subject to approval of the shareholders at the ensuing Annual General Meeting. Effect of the proposed dividend has not been reckoned in determining capital funds in the computation of capital adequacy as on March 31, 2024.

## 18. IPO Expenses

The Bank has incurred expenses towards the Initial Public offer amounting to ₹ 39.28 crore which has been charged-off to securities premium account as on March 31, 2024 in accordance with Section 52 of the Companies Act, 2013.

As on March 31, 2023, the Bank has incurred expenses in connection with ongoing Initial Public Offer (IPO), which include payments made to Merchant Bankers, Legal Counsel, Statutory Auditors and other incidental expenses amounting to ₹15.35 crore (Previous Year :₹ 13.05 crore). In accordance with the accounting policy approved by the Board, the provisions of the Companies Act, 2013 and Banking Regulation Act, 1949 the Share Issue Expenses are eligible to be drawn from share premium account. As the process of IPO is still in progress the said expenses are included under "others" in other assets (Schedule 11 [vii])of the balance sheet.

## 19. Previous Year's figures

Previous year figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.The comparitive financial information of the Bank for the previous year has been audited by one of the joint auditor.

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

Sd/-
**P R Ravi Mohan**
Chairman
DIN:08534931

Sd/-
**Kadambelil Paul Thomas**
Managing Director & CEO
DIN: 00199925

Sd/-

**Abarna Bhaskar**
Partner
Membership No. : 025145

Sd/-

**Thomas Jacob Kalappila**
Director
DIN: 00812892

Place: Mannuthy
Date: 08 May 2024

For **Kirtane & Pandit LLP**
Chartered Accountants
Firm's Registration Number: 105215W/W100057

Sd/-

**Sandeep Welling**
Partner
Membership No. : 044576

Sd/-

**Gireesh C P**
Chief Financial Officer

Sd/-

**Ranjith Raj P**
Company Secretary

Place: Mannuthy
Date: 08 May 2024

Place: Mannuthy
Date: 08 May 2024

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