

T R Chadha & Co LLP
Chartered Accountants
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758, Anna Salai
Chennai - 600 002, Tamil Nadu

Varma & Varma
Chartered Accountants
Sreela Terrace, Level 4, Unit -D
105, 1st Main Road,
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Independent Auditors Review Report on the unaudited financial results of Equitas Small Finance Bank Limited pursuant to Regulation 33 & Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

Review Report to
The Board of Directors
Equitas Small Finance Bank Limited

1. We have reviewed the accompanying statement of unaudited financial results of Equitas Small Finance Bank Limited ("**the Bank**") for the quarter ended 30th June 2022 ('the Statement') attached herewith, being submitted by the Bank pursuant to the requirements of Regulation 33 & Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations"), except for the disclosures relating to 'Pillar 3 disclosure under Basel III Capital Regulations as at June 30, 2022, including Leverage Ratio and Liquidity Coverage Ratio under Capital Adequacy and Liquidity Standards issued by Reserve Bank of India ('RBI') as have been disclosed on the Bank's website and in respect of which a link has been provided in the aforesaid financial results and have not been reviewed by us.
2. This statement is the responsibility of the Bank's Management and has been approved by the Bank's Board of Directors. This statement has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25, (AS 25) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by Reserve Bank of India from time to time ('the RBI Guidelines') and other recognized accounting principles generally accepted in India. Our responsibility is to issue a report on the statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements ('SRE') 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the statement is free of material misstatement. A review is limited primarily to inquiries of Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results including notes thereon prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 & Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters, except for the disclosures relating to 'Pillar 3 disclosure under Basel III Capital Regulations as at June 30, 2022, including

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Leverage Ratio and Liquidity Coverage Ratio under Capital Adequacy and Liquidity Standards issued by Reserve Bank of India ('RBI') as have been disclosed on the Bank's website and in respect of which a link has been provided in the aforesaid financial results and have not been reviewed by us.

Emphasis of Matter

5. We draw attention to Note 8 to the statement regarding the assessment of the management on the impact of COVID-19 pandemic, on the Bank's operations and financial results.

Our conclusion is not modified with regard to this matter.

Other Matter

6. The review of unaudited financial results for the quarter ended 30th June 2021 included in the Statement were conducted by M/s T R Chadha & Co LLP Chartered Accountants, the statutory auditors of the bank, who had expressed an unmodified conclusion on those financial results. Accordingly, we M/s Varma & Varma, Chartered Accountants, do not express any conclusion, on these figures reported in the Statement as above.

Our conclusion is not modified in respect of above matter.

For **T R Chadha & Co LLP**
Chartered Accountants
Firm Registration No 006711N/N500028

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Sheshu Samudrala
Partner
ICAI Membership No. 235031
UDIN: 22235031ANUKRE7156

Place: Chennai
Date: 28.07.2022

For **Varma & Varma**
Chartered Accountants
Firm Registration No. 004532S

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P R Prasanna Varma
Partner
ICAI Membership No. 25854
UDIN: 22025854ANUKWI5272

Place: Chennai
Date: 28.07.2022



EQUITAS SMALL FINANCE BANK LIMITED

CIN: L65191TN1993PLC025280

[Subsidiary of Equitas Holdings Limited]

Regd. Office: 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002

Website: www.equitasbank.com

1. Statement of Unaudited Financial Results for the quarter ended June 30, 2022

(₹ in Lakh)

Particulars	Quarter ended			Year ended
	30-Jun-22	31-Mar-22	30-Jun-21	31-Mar-22
	Unaudited	Audited (Refer Note 15)	Unaudited	Audited
1 Interest Earned (a)+(b)+(c)	94,039.83	89,582.66	81,896.91	3,45,966.93
(a) Interest / discount on advances / bills	85,448.89	81,127.76	74,215.37	3,13,912.24
(b) Income on Investments	6,166.33	6,568.43	5,677.62	24,614.47
(c) Interest on balances with Reserve Bank of India and other inter bank funds	2,424.61	1,886.47	2,003.92	7,440.22
2 Other Income	13,322.07	14,814.85	10,357.82	53,755.65
3 Total Income (1)+(2)	1,07,361.90	1,04,397.51	92,254.73	3,99,722.58
4 Interest Expended	35,982.17	34,337.27	35,793.12	1,42,113.36
5 Operating Expenses (i)+(ii)	44,561.17	41,669.65	40,022.00	1,70,414.53
(i) Employees Cost	22,565.16	20,858.01	22,165.39	89,820.84
(ii) Other Operating Expenses	21,996.01	20,811.64	17,856.61	80,593.69
6 Total Expenditure (4)+(5) (excluding provisions & contingencies)	80,543.34	76,006.92	75,815.12	3,12,527.89
7 Operating Profit before Provisions & Contingencies (3)-(6)	26,818.56	28,390.59	16,439.61	87,194.69
8 Provisions (other than tax) and Contingencies	14,159.60	12,317.37	15,014.85	49,383.69
9 Exceptional Items	-	-	-	-
10 Profit from Ordinary Activities before tax (7)-(8)-(9)	12,658.96	16,073.22	1,424.76	37,811.00
11 Tax Expense	2,958.44	4,122.33	232.17	9,737.82
12 Net Profit from Ordinary Activities after tax (10)-(11)	9,700.52	11,950.89	1,192.59	28,073.18
13 Extraordinary Items (net of Tax Expense)	-	-	-	-
14 Net Profit for the Period / Year (12)-(13)	9,700.52	11,950.89	1,192.59	28,073.18
15 Paid-up Equity Share Capital (Face Value of ₹ 10/- each)	1,25,322.82	1,25,202.77	1,14,244.85	1,25,202.77
16 Reserves excluding Revaluation Reserves	-	-	-	2,99,414.09
17 Analytical Ratios and other disclosures:				
(i) Percentage of Shares held by Government of India	Nil	Nil	Nil	Nil
(ii) Capital Adequacy Ratio (%) - Basel-II (Refer note 6)	24.62%	25.15%	24.07%	25.16%
(iii) Earnings Per Share (EPS) - (Face Value of ₹ 10/- each)				
- Basic EPS (₹) before & after extraordinary items (net of tax expense) - not annualised	0.77	1.00	0.10	2.43
- Diluted EPS (₹) before & after extraordinary items (net of tax expense) - not annualised	0.77	0.99	0.10	2.40
(iv) NPA Ratio				
(a) Gross NPAs	85,593.92	83,718.36	81,617.05	83,718.36
(b) Net NPAs	44,121.77	47,947.51	39,822.37	47,947.51
(c) % of Gross NPA to Gross Advances	4.10%	4.24%	4.76%	4.24%
(d) % of Net NPA to Net Advances	2.15%	2.47%	2.38%	2.47%
(v) Return on Assets (average)- not annualised for the quarter	0.33%	0.43%	0.05%	1.07%
(vi) Net worth (excluding Revaluation Reserve & Intangibles)	4,08,549.42	3,97,281.76	3,17,219.34	3,97,281.76
(vii) Outstanding redeemable preference shares	-	-	-	-
(viii) Capital redemption reserve	-	-	-	-
(ix) Debt-equity ratio \$	0.25	0.29	0.69	0.29
(x) Total debts to total assets @	8.63%	9.71%	14.72%	9.71%
\$ Debt represents borrowings with residual maturity of more than one year.				
@ Total debts represents total borrowings of the Bank.				



2. Segment information in accordance with the Accounting standard on Segment Reporting (AS-17) of the operating segments of the Bank is as under:

(₹ in Lakh)					
SI No	Particulars	Quarter ended			Year ended
		30-Jun-22	31-Mar-22	30-Jun-21	31-Mar-22
		Unaudited	Audited (Refer Note 15)	Unaudited	Audited
1	Segment revenue				
a)	Treasury	9,279.51	8,410.04	9,112.56	37,155.90
b)	Retail Banking	94,159.51	90,524.76	79,666.24	3,45,225.11
c)	Wholesale Banking	2,349.42	3,230.33	2,779.25	10,990.65
d)	Other Banking operations	1,573.46	2,232.38	696.68	6,350.92
e)	Unallocated	-	-	-	-
	Less: Inter segment revenue	-	-	-	-
	Income from operations	1,07,361.90	1,04,397.51	92,254.73	3,99,722.58
2	Segment results				
a)	Treasury	2,782.22	3,061.09	2,991.70	13,699.76
b)	Retail Banking	9,362.23	10,989.78	(1,579.61)	21,344.30
c)	Wholesale Banking	629.93	1,540.86	251.38	2,966.55
d)	Other Banking operations	1,268.52	1,916.65	657.74	5,348.91
e)	Unallocated	(1,383.94)	(1,435.16)	(896.45)	(5,548.52)
	Total Profit before Tax	12,658.96	16,073.22	1,424.76	37,811.00
3	Segment assets				
a)	Treasury	6,62,873.24	6,36,573.43	7,28,201.43	6,36,573.43
b)	Retail Banking	20,54,711.00	19,27,196.53	16,26,562.33	19,27,196.53
c)	Wholesale Banking	98,738.45	1,10,059.39	1,25,478.93	1,10,059.39
d)	Other Banking operations	-	-	-	-
e)	Unallocated	20,404.99	21,360.59	18,484.29	21,360.59
	Total	28,36,727.68	26,95,189.94	24,98,726.98	26,95,189.94
4	Segment liabilities				
a)	Treasury	5,60,590.40	5,34,382.59	6,27,810.45	5,34,382.59
b)	Retail Banking	17,55,865.58	16,40,629.19	14,23,166.76	16,40,629.19
c)	Wholesale Banking	84,157.37	93,086.33	1,08,677.13	93,086.33
d)	Other Banking operations	-	-	-	-
e)	Unallocated	1,340.82	2,474.97	1,298.00	2,474.97
	Total	24,01,954.17	22,70,573.08	21,60,952.34	22,70,573.08
5	Capital Employed [Segment Assets-Segment Liabilities]				
a)	Treasury	1,02,282.84	1,02,190.84	1,00,390.98	1,02,190.84
b)	Retail Banking	2,98,845.42	2,86,567.34	2,03,395.57	2,86,567.34
c)	Wholesale Banking	14,581.08	16,973.06	16,801.80	16,973.06
d)	Other Banking operations	-	-	-	-
e)	Unallocated	19,064.17	18,885.62	17,186.29	18,885.62
	Total	4,34,773.51	4,24,616.86	3,37,774.64	4,24,616.86

Business Segments have been identified and reported taking into account the target customer profile, the nature of products and services, the differing risks and returns, and guidelines prescribed by RBI and in compliance with the Accounting Standard 17 - "Segment Reporting". The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.



Notes

- 3 The above unaudited financial results (along with the notes given below) hereinafter referred as "Statement" of Equitas Small Finance Bank Limited ("Bank" or "ESFBL") for the quarter ended June 30, 2022 were reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on July 28, 2022 and have been subjected to a limited review by the statutory auditors of the Bank (T R Chadha & Co LLP, Chartered Accountants and Varma & Varma, Chartered Accountants). The report thereon is unmodified.
- 4 The above financial results of the Bank have been prepared in accordance with the Banking Regulation Act, 1949, generally accepted accounting principles in India, including Accounting Standards as prescribed under section 133 of the Companies Act, 2013, Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and the guidelines issued by the Reserve Bank of India (RBI).
- 5 The Bank has applied its significant accounting policies in the preparation of these financial results that are consistent with those followed in the annual financial statements for the year ended March 31, 2022.
- 6 The Capital adequacy ratio ("CAR") of the Bank has been computed as per applicable Basel II Standardized approach in accordance with RBI Master Circular No. DBR.No.BP.BC.4/21.06.001/2015-16 dated July 1, 2015 on Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF). The Bank make Pillar III disclosures as part of Market Discipline as per the said circular. In addition to this, the Bank provides disclosures including leverage ratio and liquidity coverage ratio as per the Basel III Framework (vide Circular DBOD.No.BP.BC.1/21.06.201/2015-16 dated 1st July, 2015 on 'Basel III Capital Regulations' read together with the RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31st March, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards-Amendments'). These disclosures are available on the Bank's website at the following link: <https://ir.equitasbank.com/reports-and-presentations/html>. These disclosures have not been subjected to audit or limited review.
- 7 The Board of Directors of Equitas Small Finance Bank Limited (ESFBL) and Equitas Holdings Limited (EHL) at their respective Meetings held on March 21, 2021 approved the revised Scheme of Amalgamation (Scheme) between EHL, ESFBL and their respective shareholders, after complying with the Minimum Public Shareholding (MPS) requirements through Qualified Institutions Placement (QIP) of its equity shares in February 2022. The Scheme was then filed with the Stock Exchanges and RBI for necessary approvals/ sanctions.
Upon coming into effect of this Scheme and in consideration of the amalgamation of EHL with ESFBL, ESFBL, without any further application, act or deed, shall issue and allot to each of the equity shareholders of EHL as on the Record Date defined in the Scheme, 231 equity Shares of ₹ 10/- each credited as fully paid up of ESFBL, in respect of every 100 Equity Shares of ₹ 10/- each fully paid up held by them in EHL."
During the quarter, RBI vide its letter dated May 6, 2022 has conveyed its 'no-objection' to our proposal for voluntary amalgamation of EHL with ESFBL. Observation letters with "No adverse observations" from the stock exchanges were received on June 10, 2022 including the observations of SEBI. Consequently, Joint application by EHL and ESFBL for the Scheme has been filed under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 with the Hon'ble National Company Law Tribunal, Chennai Bench (NCLT) on June 18, 2022 seeking directions on convening Meeting of shareholders and creditors of EHL and ESFBL.
Subsequently, NCLT has passed an order dated July 22, 2022 directing EHL and ESFBL to convene meetings of their respective Equity shareholders and Unsecured Creditors on September 06, 2022 and Depositors holding deposits above Rs.3 lakhs in ESFBL on September 07, 2022. Necessary steps are being taken to convene the meetings as directed by NCLT.
- 8 India is emerging out of the COVID 19 pandemic and the operations have returned to normalcy during the quarter. The bank continues to monitor and assess the impact of the Pandemic on its operations and financials, including the possibility of higher defaults by customer, which however largely depends on external factors including new information on severity of the new and evolving virus variants, if any. All information available upto the date of these results have been considered and adequately dealt with in preparation and presentation of these Financial results.
- 9 Details of loans transferred / acquired during the quarter ended June 30, 2022 under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021 are given below:
(i) The Bank has not transferred any non-performing assets (NPAs).
(ii) The Bank has not transferred any Special Mention Accounts (SMA) and loans not in default.
(iii) The Bank has not acquired any loans not in default through assignment.
(iv) The Bank has not acquired any stressed loan.
- 10 The Bank has granted 1,78,01,704 options under the ESFB Employees Stock Option Scheme 2019 (ESFB ESOP Scheme) to eligible employees of the Bank as defined during the quarter ended June 30, 2022. Out of total 7,70,67,094 options granted till June 30, 2022, 2,59,80,307 options were vested, 1,13,64,693 options were lapsed and 2,73,75,068 options are yet to be vested.
- 11 During the quarter ended June 30, 2022, the Bank has allotted 12,00,544 equity shares of ₹ 10/- each, fully paid up, on exercise of options by its employees and employees of the Holding company (Equitas Holdings Limited) in accordance with the ESFB ESOP Scheme
- 12 During the quarter ended June 30, 2022, The Bank has realised ₹ 2.00 Crore from sale of Priority Sector Lending Certificates ('PSLC'). The same is amortised on a straight-line basis over the tenor of the certificate. The Bank has recognised ₹ 0.50 Crore as income during the period ended June 30, 2022 and has deferred ₹ 1.50 Crore of PSLC fee income.
- 13 Other Income includes fees earned from providing services to customers, Interchange fee income, selling of third-party products, profit on sale of investments (net), profit on sale of Priority Sector Lending Certificates, and recoveries from accounts previously written off.
- 14 As per RBI Circular DOR.AUT.REC.12/22.01.001/2022-23 dated April 07, 2022, for the purpose of disclosure under Accounting Standard 17, Segment reporting, 'Digital Banking' has been identified as a sub-segment under Retail Banking by Reserve Bank of India (RBI). However, as the proposed Digital Banking Unit (DBU) of the Bank has not yet commenced operations and having regard to the discussions of the DBU Working Group formed by Indian Banks' Association (IBA) (which included representatives of banks and RBI), held on July 14, 2022, reporting of Digital Banking as a separate sub-segment of Retail Banking Segment will be implemented by the Bank based on the decision of the DBU Working Group.
- 15 The figures of the last quarter of the previous year are the balancing figures between audited figures in respect of the full financial year and the published/ unaudited year to date figures upto the end of the third quarter of the previous year.
- 16 Previous period / year figures have been reclassified/regrouped, wherever necessary, to conform to the current period classification/ grouping.

For Equitas Small Finance Bank Limited



P N Vasudevan

Managing Director and Chief Executive Officer

Place: Chennai
Date: July 28, 2022