

Investor Presentation

Q3FY23



BEYOND BANKING

When you bank with us, you contribute towards a better society

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GNPA ,NNPA & Gross Advances across the presentation refers to GNPA, NNPA & Gross Advances including IBPC sold



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Key Highlights



Snapshot

Operational

 18 States and UTs

 901 Banking Outlets
347 ATMs*

 287 Business
Correspondents

 20,005 employees

Asset Offerings

 **Gross Advances:**
Rs. 24,915 Cr [Rs. 19,687 Cr]
SBL- 37%, VF - 25%,
MFI- 18%, HF-10%
MSE – 5%, NBFC – 4%

 **Disbursements^ for Q3FY23:**
Rs. 4,797 Cr [Rs. 2,861 Cr]
SBL – 26%, VF - 28%,
MFI – 28%, HF- 9% ,
MSE – 2%, NBFC – 5%

 **Asset Quality:**
GNPA: 3.46% [4.39%]
NNPA: 1.73% [2.38%]
PCR: 50.84% [46.81%]

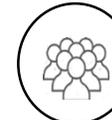
 **Yield on Advances:**
17.01% for Q3FY23 [18.13%]

Liability Profile

 **Total Deposits:**
Rs. 23,393 Cr [Rs. 17,884 Cr]
CASA – 46%, TD – 54 %

 **Third Party Products:**
Premium Collected for Q3FY23
Rs. 32 Crs [Rs 31 Cr]
Mutual Fund AUM
Rs. 211 Cr [Rs. 176 Cr]

 **Daily Average Cost of Funds for Q3FY23:**
6.41% [6.47%]
SA – 6.25%, TD – 6.61%

 **CASA Ratio:**
46.24% [50.20%]

Financials

 **PAT for Q3FY23:**
Rs. 170 Cr [Rs. 108 Cr]

 **Shareholders funds**
CRAR –24.28%
Tier I – 23.74%
Tier II – 0.54%

 **NIM for Q3FY23:**
9.01% [9.10%]

 **RoA: Q3FY23 at 2.21% [1.70%]
RoE: Q3FY23 at 14.94% [12.27%]**

Figures in [] represent Q3FY22 data | *Including 344 onsite and 3 offsite ATMs ^Disbursement excludes Rs. 226 Crs under the TReDS platform in Q3FY23



Key Highlights



Key Messages

- Q3FY23 was a strong quarter across key performance indicators delivering sustainable loan and deposit growth, stable margins, improving asset quality
 - Loan Growth – 27% YoY | Deposit Growth – 31% YoY
 - 93bps improvement in GNPA YoY
 - Highest ever PAT at Rs. 170 Crs
 - Improved return ratios with RoA at 2.20% and RoE at 14.95%
- PPop expanded to 3.62% from 3.52% YoY as productivity improved across product segments
- DPD buckets have normalized as covid impact wanes off and restructured book contracts. 1-90 DPD stands at 7.53% in Q3FY23 as compared to 10.43% in March'22 and 5.51% in March'20 (Pre-Covid'19)
- Bank has utilized Rs. 36 Crs of Covid Restructured Loan (RL) standard provisions during the quarter and continues to hold Rs. 60 Crs in Standard RL provisions which may be utilized in the following quarters
- In order to strengthen PCR, the Bank made additional provisions of Rs. ~27 Crs towards Covid Restructured retail LAP loans that have become NPA
- 90% of the employee additions in FY23 have been in business team as the Bank is investing for the future



Business Highlights



Asset Updates

Small Business Loans

- New sub product line - Merchant Overdraft continues to scale up; gross advances crossed Rs. 150 Crs. New limits set up for the quarter at Rs. 100 Crs

Vehicle Finance

- A revamped proprietary Loan origination system was launched in Q1FY23, currently 60% of disbursement are done through this platform
- Newly entered states of Kerala and Uttar Pradesh have started to contribute well

Housing Finance

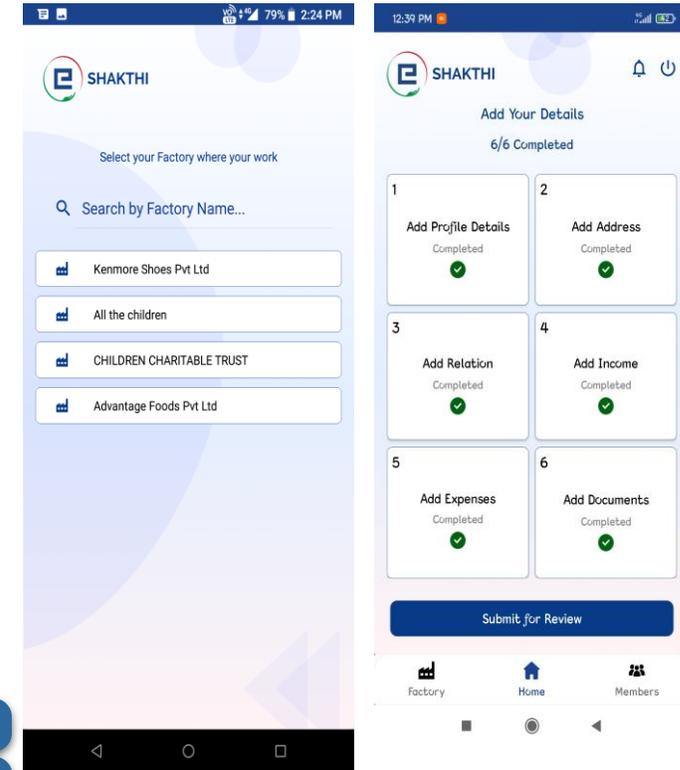
- Southern India scaling up in the Affordable Housing Segment. AHF was initially launched in Gujarat & Maharashtra

Micro Finance

- Equitas Shakthi, a 100% digital self on-boarding app to form their own JLG for factory workers went live



Equitas Shakthi



Digitizing Bottom of Pyramid



Shifting gears for sustainable asset growth



Business Highlights

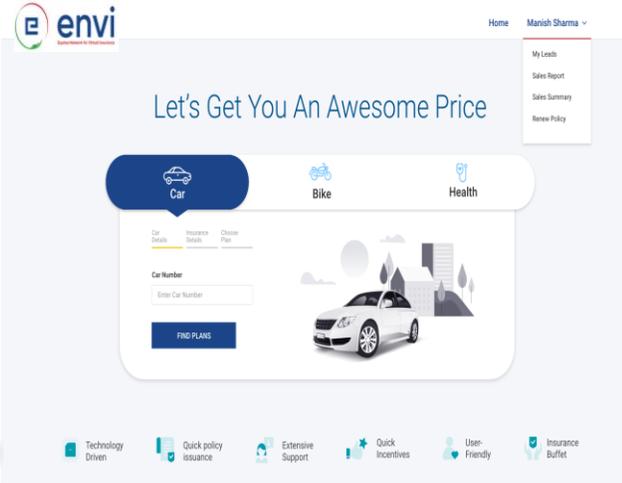


Liabilities Updates

- Savings & Term Deposits from “Elite” the mass affluent customer segment crossed Rs. 11,500 Crs. The program now services about 68,000+ Families
- Savings account balances from individuals continue to remain healthy and contribute 84% of savings balances
- NR customer acquisition has been growing steady with deposits crossing Rs. 1,200 Crs
- Current Account acquisition with focus on market specific opportunities has seen good momentum
- Launched WhatsApp Banking to help improve customer experience across multiple platforms
- 95% of Bulk Term Deposits are non callable i.e. ‘LCR Friendly’ deposits providing stability to the portfolio



Insurtech Platform “ENVI”



- *In Q4, the Bank would be launching its InsurTech platform which would be an integrated platform between the Bank and its insurance partners to help Bank's staff on-board clients in a seamless manner*

Integrated System

Multi Channel capability

Instant issuance



Premium Liabilities Branches



- *Bank's savings account proposition has turned out attractive to mass affluent and NR segment. To further improve our service and experience of customers, the Bank is planning to open marquee branches in major towns which will also be part of the branding exercise of the Bank*

Superior banking experience



Potential of SBL in informal economy

Estimated number of households in India

271 Million

Estimated share of self-employed (non-agri)

56 million

Estimated number of self-employed households with self occupied residential property

46 million

Estimated self-employed with Pucca house

44 million

Average ticket size

Rs. 5 lacs (assumed)

Addressable market for residential property backed small business lending

Rs. 22 Lakh Crore

Source: National Sample Survey (NSSO) 73rd round (July 2015 – June 2016) and NSSO 76th round (July 2018 – December 2018), Crisil Research



Building moats around small business lending space

Equitas Vintage Proven business model since 2013 in SBL

Gross Advances Rs. 9,312 Crores		
Yield 16.5%	RoA* 4.5%+	GNPA 3.97%

*RoA based on internal transfer pricing policy

Institutional knowledge in credit assessment built over cycles

Sub - Segment ~15	LTV ~45%	Bureau Footprint Low
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Benefits of a Bank addressing this segment

Unique advantage of Equitas: Ability to lend like an NBFC; capability to address end to end needs unlike an NBFC. Equitas as a sole banker

**Merchant OD
(Working capital Loans)**

Over 11K borrowers

**Payment Ecosystems
(QR & UPI Solutions)**

45,800 QR issued

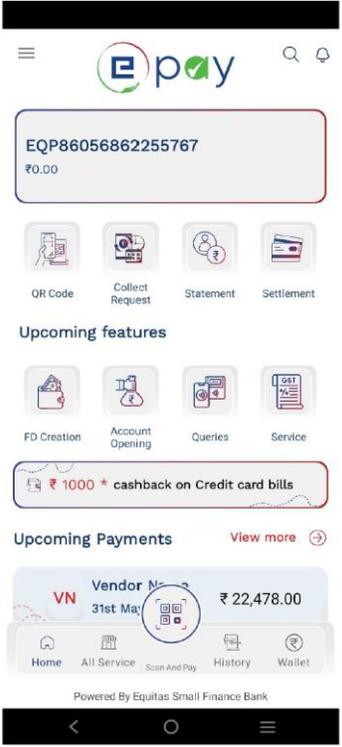
Launch in FY24

Digital Account onboarding

100% Digital Current account

Merchant App

Billing, Inventory Management



Merger Updates

Impact of Merger

Particulars

ESFB Networth (Rs. Crs)	4,640
EHL Networth (Rs. Crs)	325*
ESFB Networth Post Merger (Rs. Crs)	4,965
ESFB BVPS (Rs.)	36.98
ESFB BVPS Post Merger (Rs.)	44.72
ESFB No of Shares (# Crs)	125
ESFB No of Shares Post Merger (# Crs)	111

*basis unaudited management accounts

Merger Timeline

Particulars

Dates

Record Date	03-02-2023
ESFB Board Meeting for allotment	08-02-2023
Filing of PAS-3 form with MCA [#]	09-02-2023
Listing approval with Stock Exchanges	09-02-2023
Filing Corporate action with Depositories	Post listing approval
Trading approval with Stock Exchanges	T+3 from corporate action

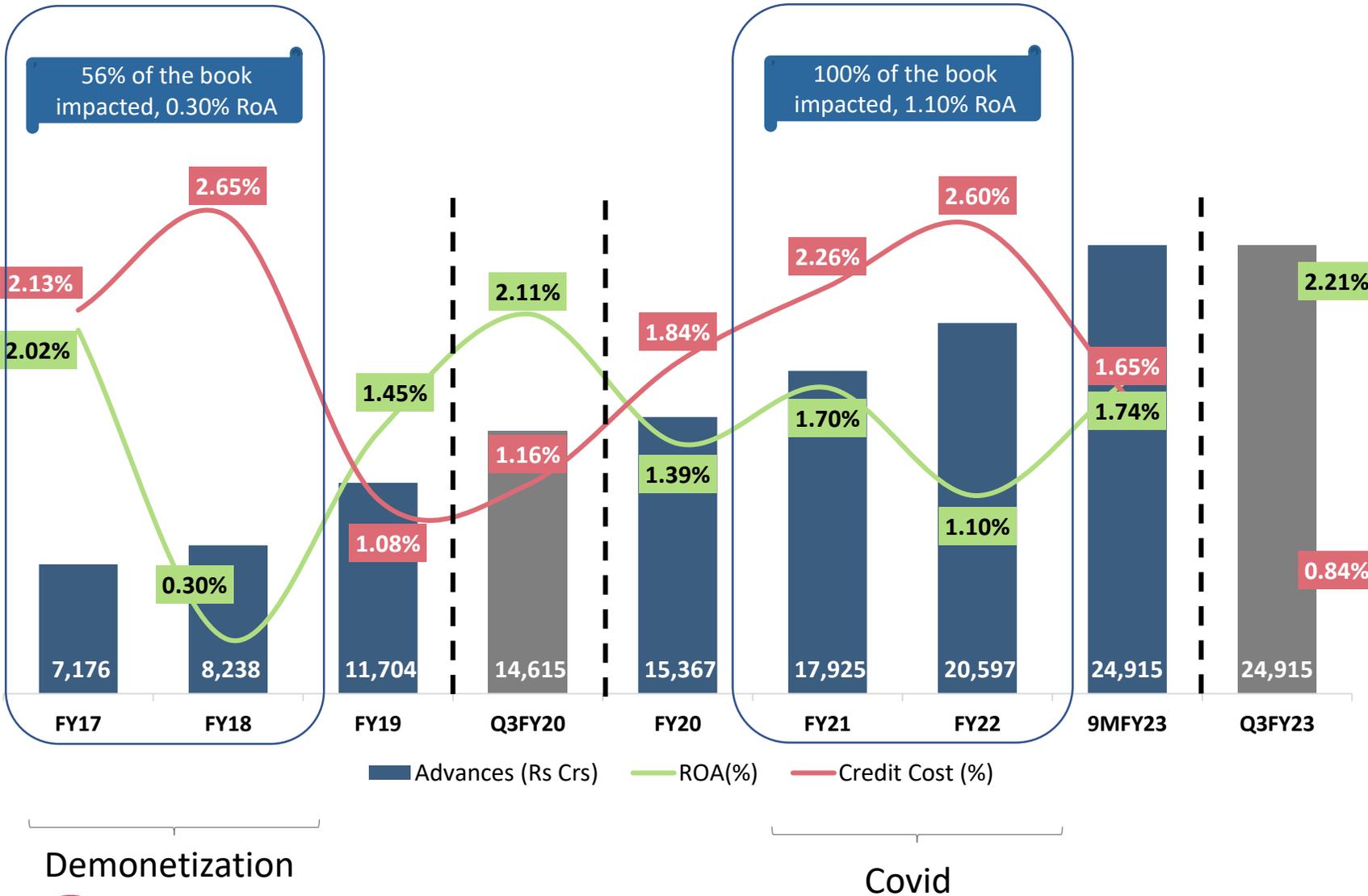
[#]subject to technical support from MCA



Journey of building a stable, scalable & sustainable Bank



Bank Performance Over the Cycles



Loan CAGR (FY18-22)	26%
Qtr. Avg PPOP	3.19%

During demonetization, 53% of our advances representing Micro Finance was impacted while the rest of the book had no impact. Our RoA went down to the lowest level of 0.30% for the year ended March 2018. During Covid-19, the entire advances was impacted and yet, the lowest level our RoA went down to, was 1.1% for the year ended March 22.

After demonetization impact, it took us 7 quarters to get to the over 2% annualised RoA for the quarter. After Covid-19 impact, it has taken us just 3 quarters to get over 2% annualised RoA for the quarter.

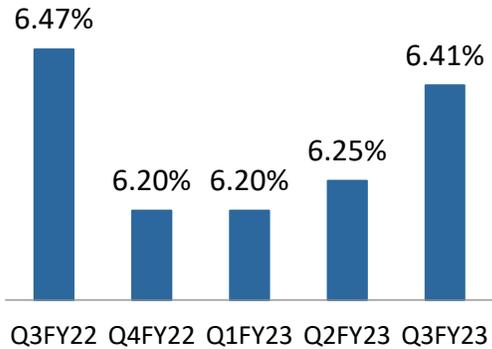


Financial Performance – Quarterly Trends

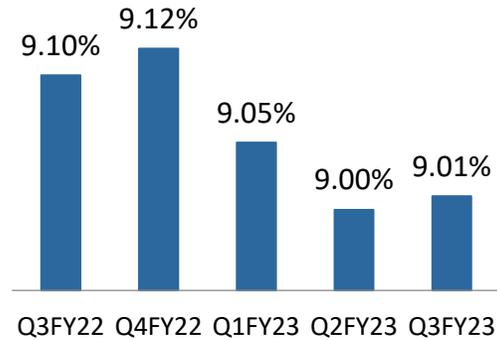


Key Ratios

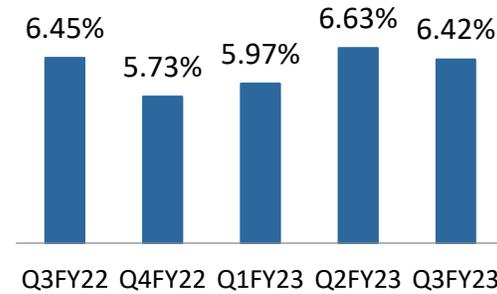
Daily Avg Cost of Funds



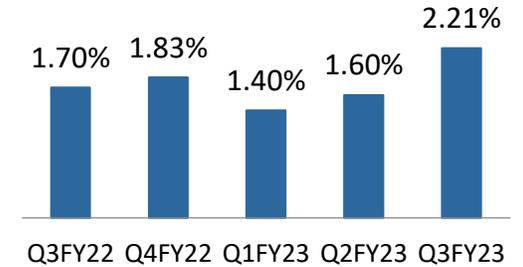
Net Interest Margin (NIM)



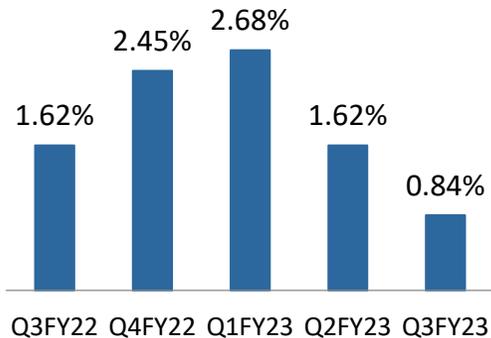
Cost to Assets



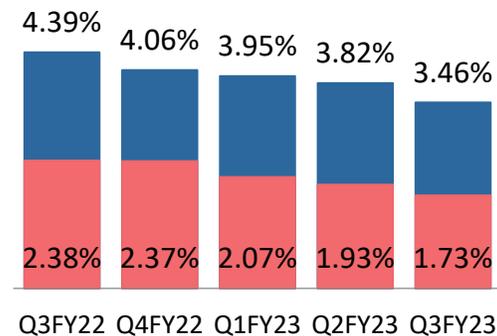
RoA



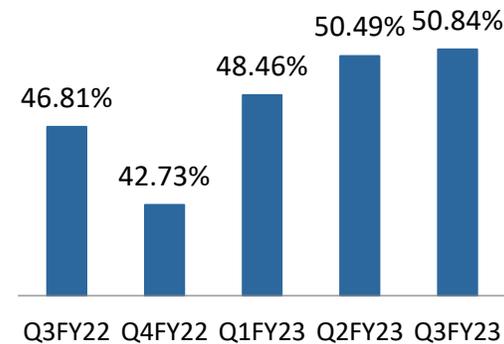
Credit Cost



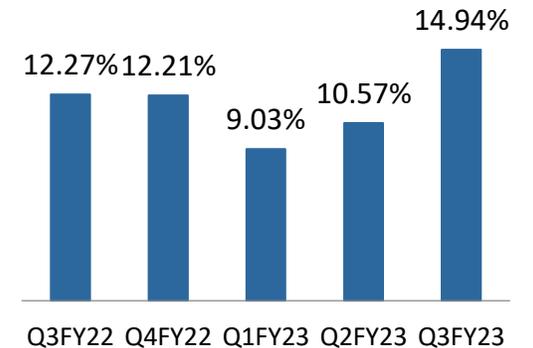
GNPA & NNPA



Provision Coverage Ratio

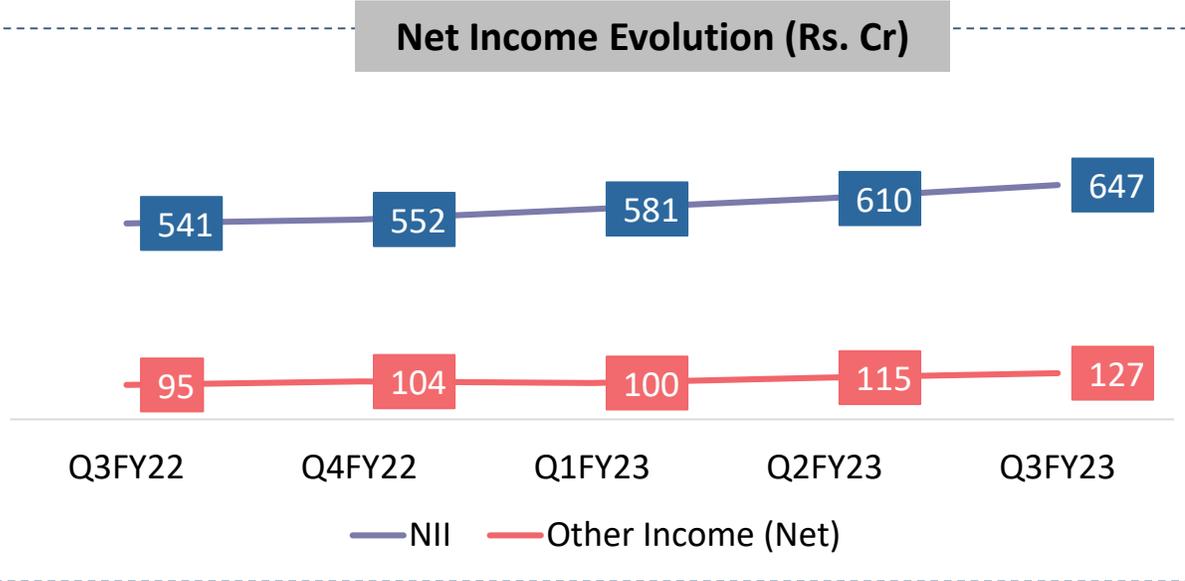


RoE

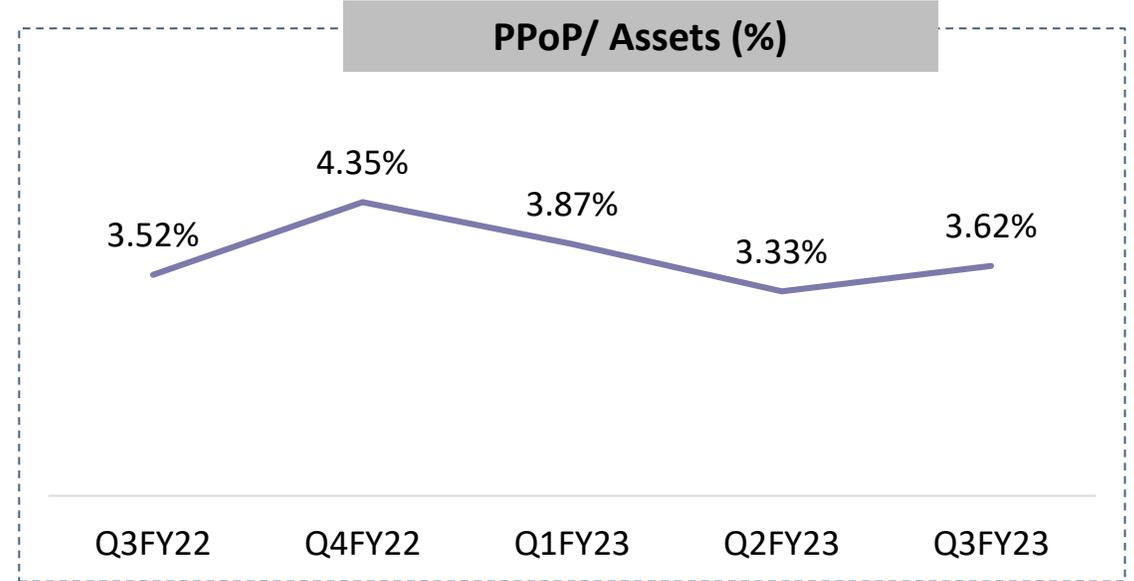


Income Evolution

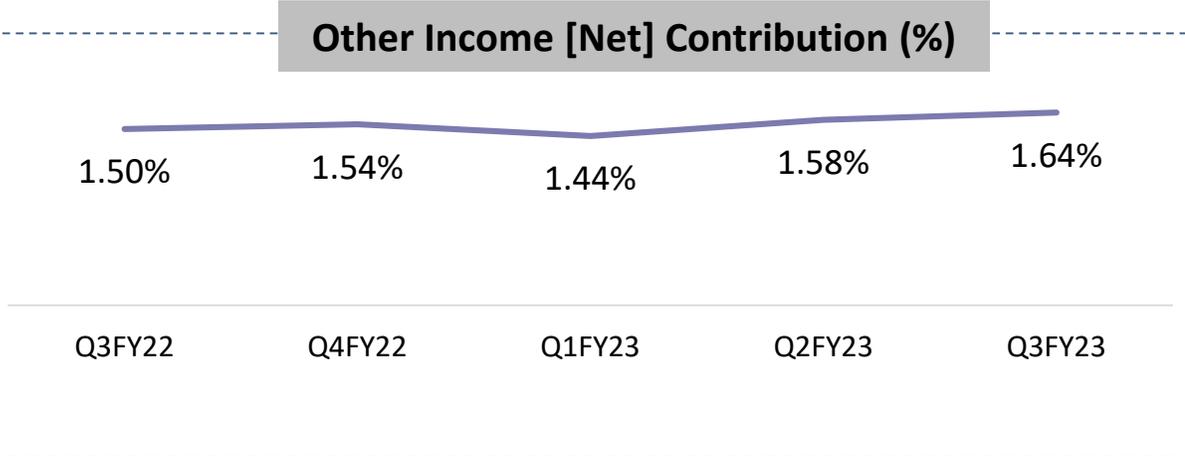
Net Income Evolution (Rs. Cr)



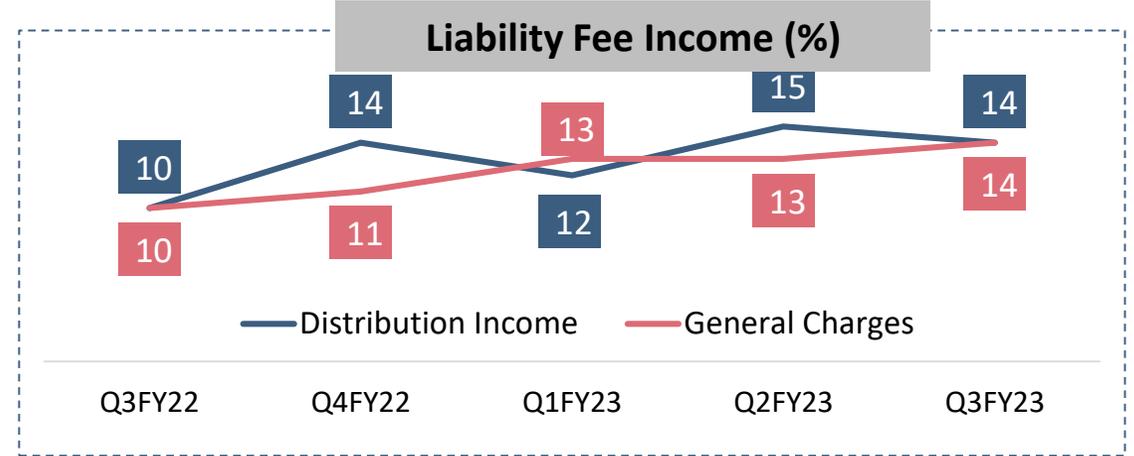
PPoP/ Assets (%)



Other Income [Net] Contribution (%)



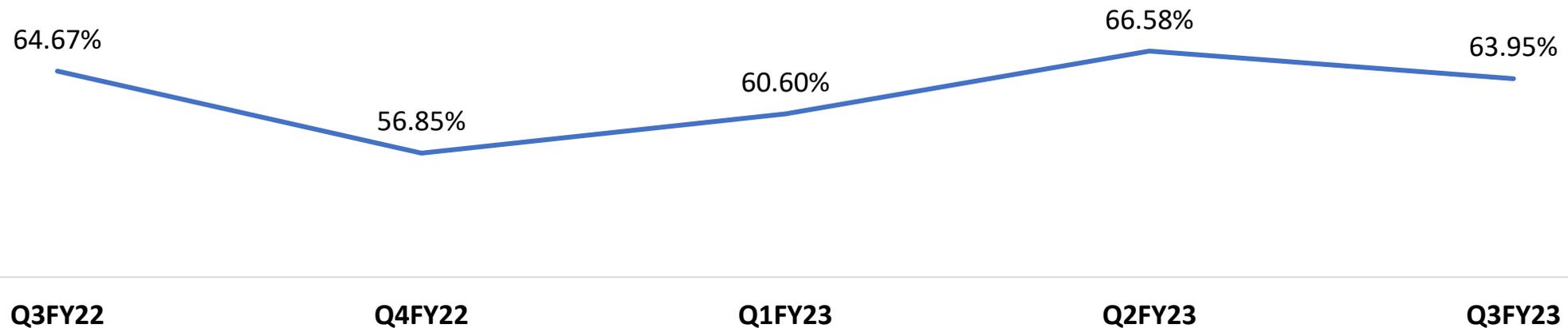
Liability Fee Income (%)



Opex evolution

Rs. Cr	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Employee expenses	240	209*	225 [#]	275	292
Other expenses (net of digital expenses)	152	148	169	187	182
Depreciation	19	17	18	21	21
Total Operating expenses	411	374	412	483	495
No. of employees	17,509	17,607	17,936	18,962	20,005

Cost to Income(%)



*Reversal of excess provision for gratuity and leave salary of Rs 30.63 Cr. during the quarter

[#]Reversal of employee provision of Rs. 31 Crs created on account of Covid policy and performance incentives



Advances



Advances evolution

Rs Cr	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY %	Contribution %
Micro Finance	3,695	3,907	4,007	4,144	4,600	24%	18%
Small Business Loans (SBL)	7,609	7,881	8,234	8,725	9,312	22%	37%
Housing Finance	1,310	1,641	1,821	2,121	2,463	88%	10%
Vehicle Finance	4,845	5,047	5,279	5,641	6,203	28%	25%
Used CV	2,865	2,861	2,905	3,015	3,226	13%	13%
New CV	1,719	1,854	1,975	2,150	2,404	40%	10%
Used Car	261	332	399	476	573	120%	2%
MSE Finance	1,194	1,164	1,122	1,157	1,172	-10%	5%
NBFC	817	758	692	709	872	7%	4%
Others [†]	217	199	533	282	293	35%	1%
Gross Advances	19,687	20,597	21,688	22,779	24,915	27%	100%

[†] Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits, staff loans and reverse repo of more than 14 days



Disbursements evolution

Rs Cr	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY %
Micro Finance	1,010	972	939	971	1,340	33%
Small Business Loans (SBL)	728	940	978	1,096	1,260	73%
Housing Finance	177	267	266	388	427	141%
Vehicle Finance	778	940	889	1,098	1,334	72%
Used CV	425	514	474	589	699	65%
New CV	266	323	310	381	477	79%
Used Car	87	102	105	128	158	82%
MSE Finance	54	72	73	77	92	70%
NBFC	50	28	30	135	261	422%
Others [†]	64	60	63	80	83	30%
Total Disbursements	2,861	3,279	3,238	3,845	4,797	68%

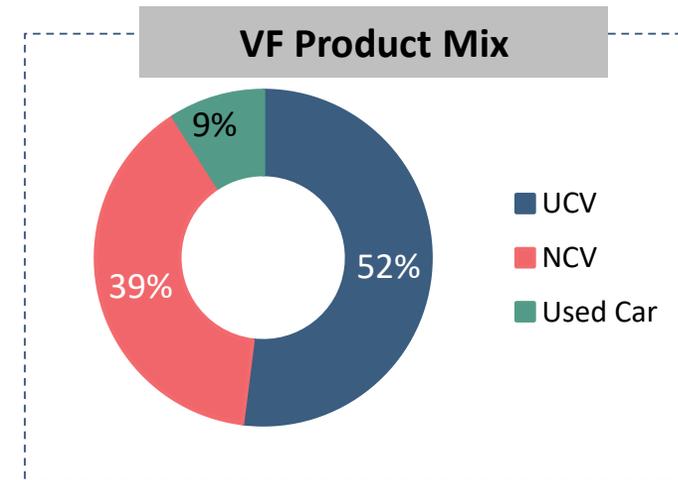
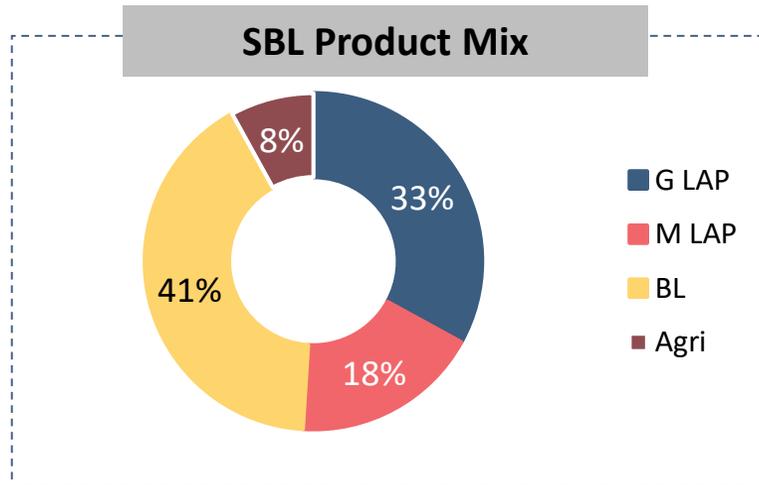
[†] Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans

* Disbursement excludes Rs 185 Crs , Rs 183 Crs & Rs 226 Crs under the TReDS platform in Q1FY23 , Q2FY23 & Q3FY23 respectively



Segmental Details

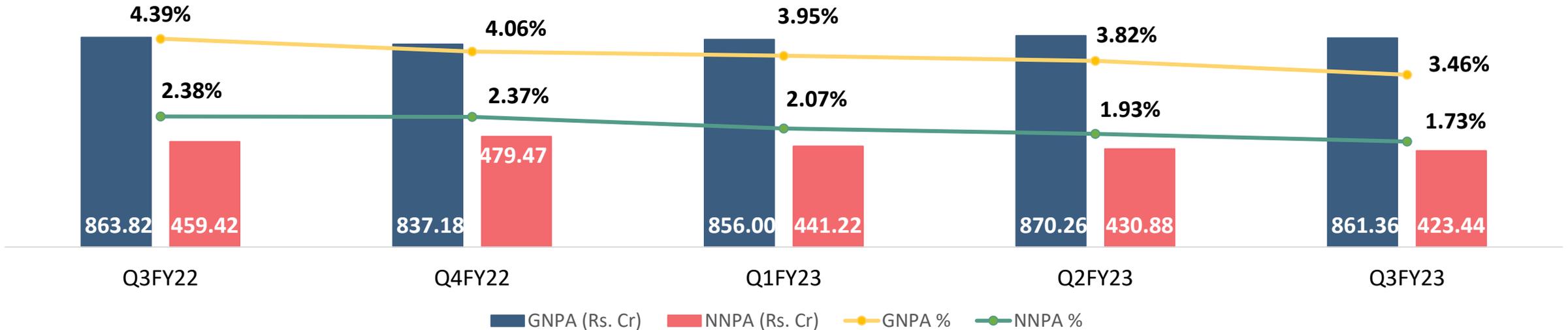
Product Segment	Number of Live Loans	ATS @ Disbursement (Lacs)	ATS @ Portfolio (Lacs)	GNPA (%)	PCR (%)
Micro Finance	19,30,803	0.43	0.24	4.15%	56.88%
Small Business Loans (SBL)	2,37,811	6.45	3.92	3.97%	42.00%
Housing Finance	27,842	11.95	8.85	1.13%	32.30%
Vehicle Finance	1,87,760	5.45	3.30	3.04%	67.92%
MSE Finance	2,912	56.82*	40.24	6.34%	38.74%
NBFC	49	2,610	1,779	0.55%	100%



* Excludes disbursement under the TReDS platform



Asset Quality Trend



■ GNPA (Rs. Cr) ■ NNPA (Rs. Cr) — GNPA % — NNPA %

GNPA Movement (Rs. Cr)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Opening GNPA Balance	880.82	863.82	837.18	856.00	870.26
Add: Additions during the period	266.82	408.56	296.03	314.01	286.46
Less:					
i. Upgradations	68.64	109.88	51.75	136.67	144.81
ii. Recoveries (excluding recoveries made from upgraded accounts)	80.28	133.62	95.64	81.73	69.37
iii. Technical or Prudential write-offs	102.46	105.62	95.95	22.76	27.71
Write-offs other than those under (iii) above	32.45	86.08	33.87	58.58	53.47
Closing GNPA Balance	863.82	837.18	856.00	870.26	861.36

On daily recognition basis, no netting of during the quarter

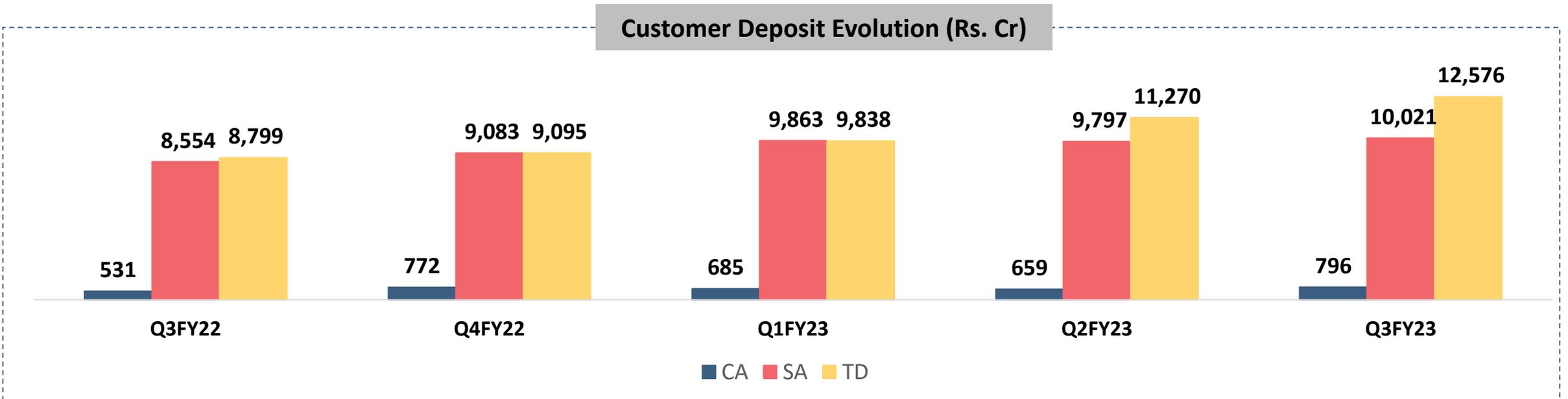


Liabilities & Branch Banking



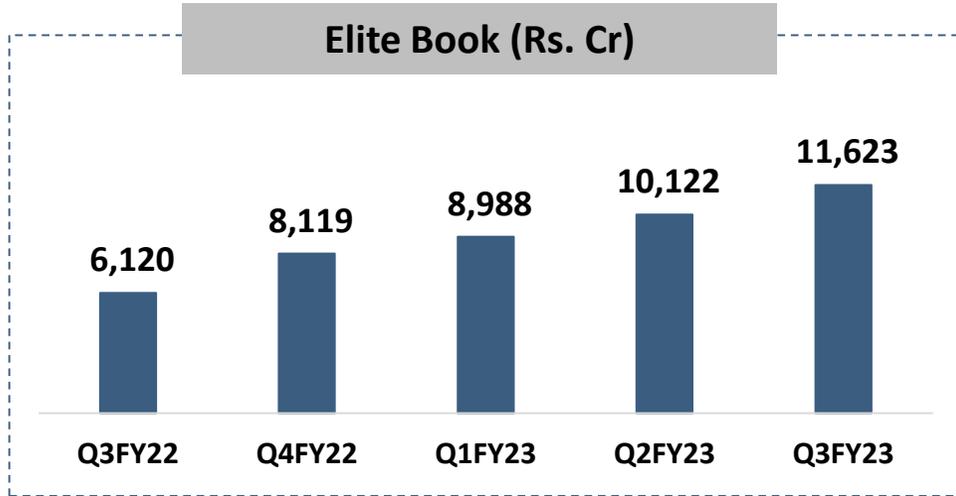
Deposits Evolution

as on 31 Dec 2022	CA [Current Account]	SA [Savings Account]	CASA [Low cost deposits]	TD [Term Deposits]	CASA+TD [Customer Deposits]
Balance (Cr)	796	10,021	10,817	12,576	23,393
as a % of total borrowings (Rs. 27,333 Cr)	3%	37%	40%	46%	86%
as a % of total deposits (Rs. 23,393 Cr)	3%	43%	46%	54%	100%

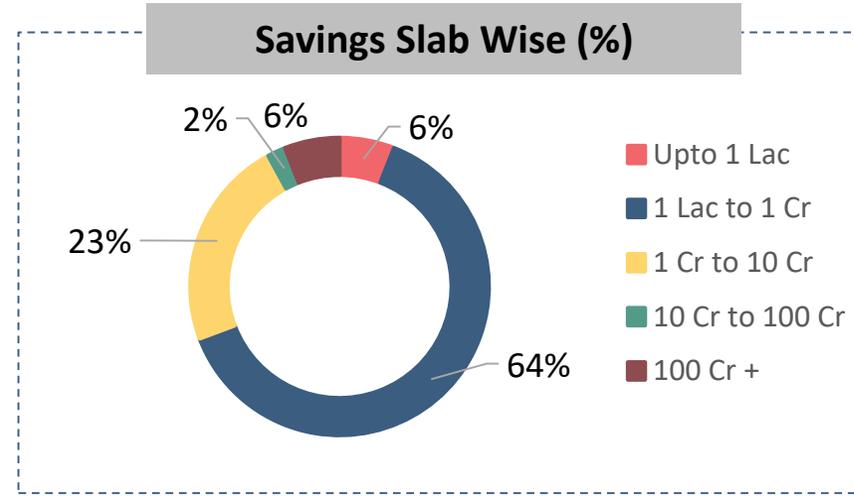


Customer Deposit Profile

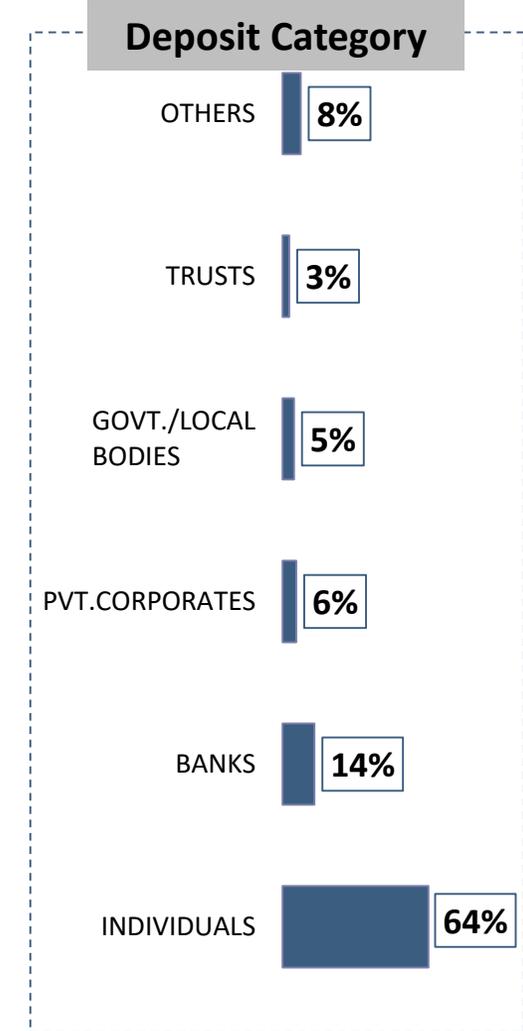
Elite Book (Rs. Cr)



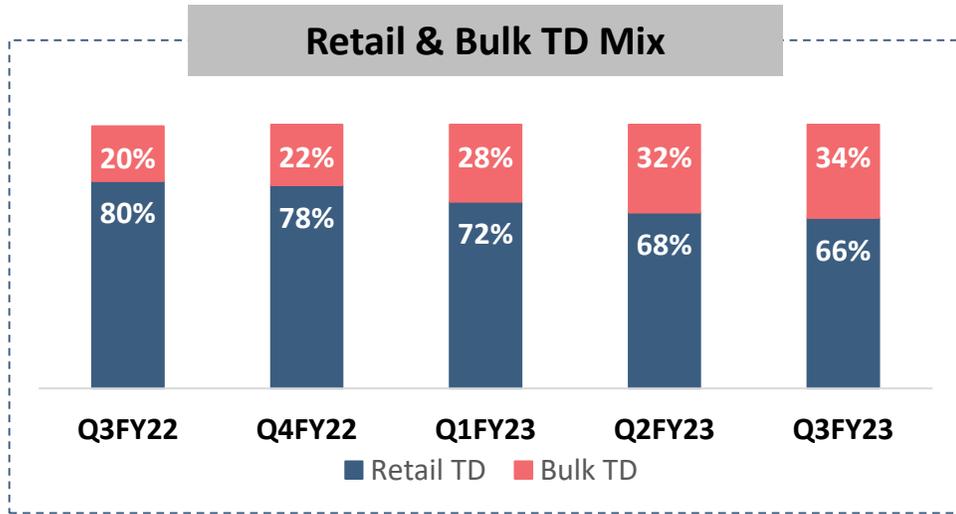
Savings Slab Wise (%)



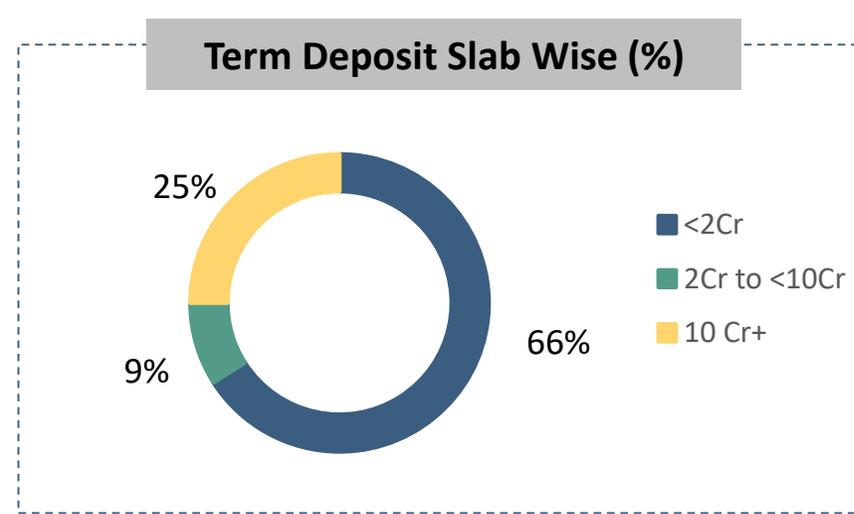
Deposit Category



Retail & Bulk TD Mix

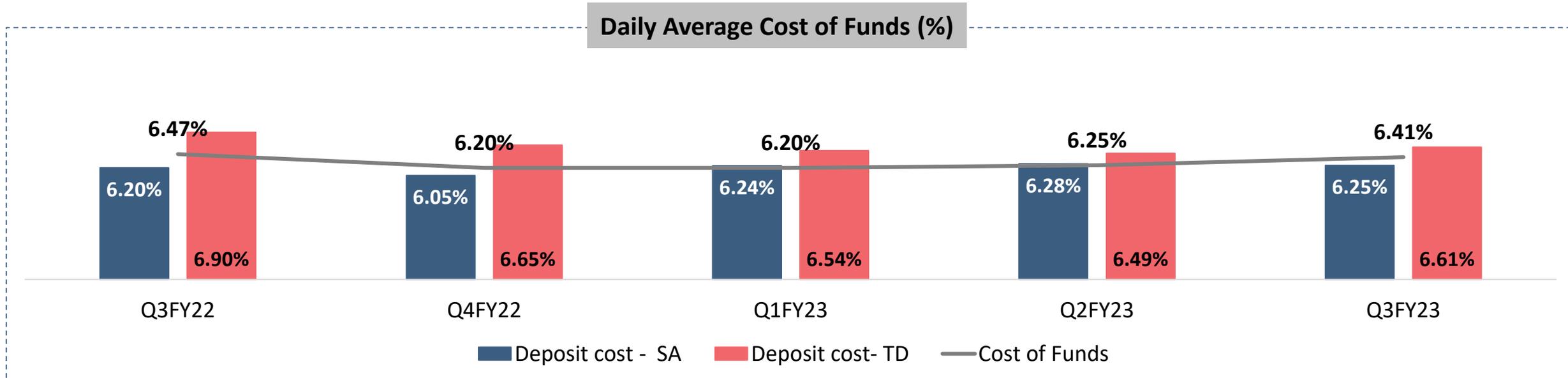
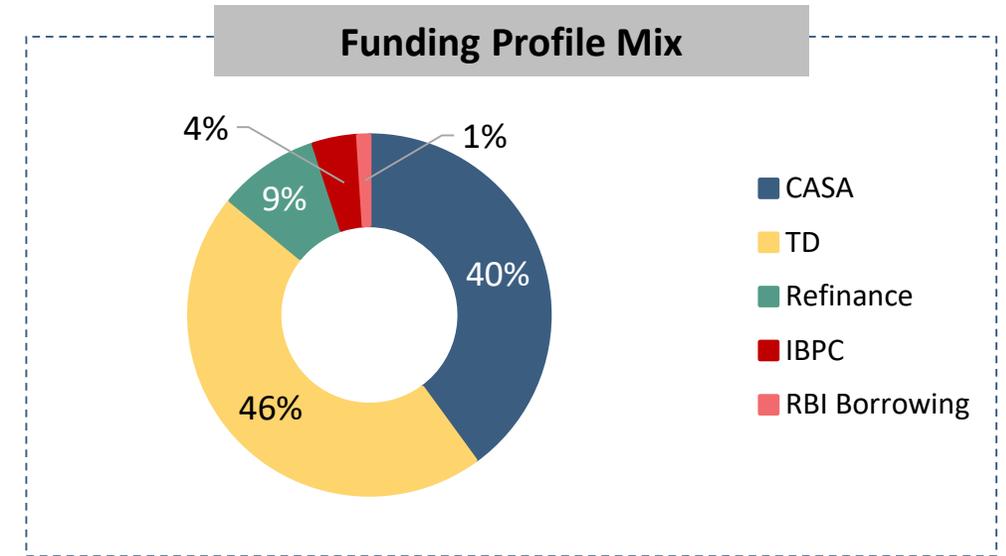


Term Deposit Slab Wise (%)



Funding Profile

In Rs Cr	Dec 2021	Sept 2022	Dec 2022
TD	8,799	11,270	12,576
Refinance	2,635	2,023	2,410
CASA	9,085	10,456	10,817
Sub Debt	150	-	-
IBPC	968	500	1200
RBI Borrowing	-	316	330
Total Borrowings	21,637	24,565	27,333



Treasury Update



The Bank's total investment portfolio of Rs. 6,181 Crore comprises of SLR and Non-SLR securities

Category (Rs. Cr)	Book Value
SLR	6,160
Non SLR	21
Total	6,181



Borrowings & Liquidity

- The Bank's Certificate of Deposit (CD) programme has highest rating at A1+ from CRISIL and India Ratings (CRISIL A1+ for Rs. 500 Crore & IND A1+ for Rs. 100 Crore)
- The Bank has adequate eligible advances available to raise funds through refinance or IBPC whenever required which provides strong cushion to ALM position of the Bank
- The Bank currently maintains 'surplus' liquidity in the form of High Quality Liquid Assets (HQLA). Liquidity Coverage Ratio (LCR) as on 31.12.2022 is 216%



Profit on Sale of Investments for the quarter is Rs. 7.01 Crore; there is no MTM depreciation on Investments for the quarter



Digital Banking



Digital Banking – Key Highlights

Neo Banking



Equitas Selfe
Own digital platform

 **Rs. 592 Crs**
Total Deposits



 **Rs. 520 Crs**
Total Deposits



 **Rs. 5.5 Crs**
Total Deposits

Digital Products overview for Q3

WhatsApp Banking

+91 81224 83766



Equitas
~Equitas Small Finance Bank

FAQ Bot + Live agent chat during Banking hours for assistance



Prepaid Cards

- 2.1 Lacs Cards issued
- 58 Lacs+ Transactions
- 442 Crs+ Txn value processed

Micro ATM

- 270 Lacs+ Transactions
- 9108 Crs + Txn value processed

NETC - FASTag

- 73 K+ new Fastags issued
- 397 Crs+ issuer Txn value processed

UPI

- 37 Crs+ Transactions Processed



Financials



Balance Sheet

Particulars (in Rs Cr)	Dec-22	Dec-21	YoY %	Sept-22	QoQ%
Capital & Liabilities					
Capital	1,254	1,148	9%	1,254	-
Reserves & Surplus	3,386	2,435	39%	3,213	5%
Networth	4,640	3,583	30%	4,467	4%
Deposits	23,393	17,884	31%	21,726	8%
Borrowings	2,740	2,785	-2%	2,339	17%
Other Liabilities & Provision	1,032	1,010	2%	1,327	-22%
Total	31,805	25,261	26%	29,859	7%
Assets					
Cash and Balances With Reserve Bank of India	1,303	1,068	22%	976	33%
Balances With Banks and Money At Call and Short Notice	28	70	-60%	288	-90%
Investments	6,181	4,923	26%	5,746	8%
Advances	23,277	18,315	27%	21,840	7%
Fixed Assets	232	185	25%	221	5%
Other Assets	784	700	12%	788	-
Total	31,805	25,261	26%	29,859	7%
Gross Advances	24,915	19,687	27%	22,779	9%

Profit & Loss Account

Particulars (in Rs Cr)	Q3FY23	Q3FY22	YoY%	Q2FY23	QoQ%	9MFY23	9MFY22	YoY%
Interest Income from Loans	959	819	17%	904	6%	2,718	2,328	17%
Income on Investments	81	64	26%	73	11%	215	180	19%
Interest on balances with Reserve Bank of India and other inter bank funds	23	18	30%	25	-8%	73	56	30%
Total Interest Income	1,063	901	18%	1,002	6%	3,006	2,564	17%
Finance Cost								
Interest on deposits	357	291	23%	326	10%	979	859	14%
Interest on RBI / inter-bank borrowings	11	6	69%	18	-41%	41	8	413%
Other interest	48	62	-23%	49	-1%	149	211	-29%
Total Finance Cost	416	360	15%	393	6%	1,168	1,078	8%
Net Interest Income	647	541	20%	610	6%	1,838	1,486	24%
Other Income								
Asset Fee Income	95	56	70%	84	13%	246	148	66%
Treasury & PSLC Fee Income	8	19	-59%	7	14%	21	51	-59%
Liability & Distribution Income	24	20	20%	24	-4%	75	61	23%
Total Other Income[^]	127	95	34%	115	10%	342	260	32%

*Opex is exclusive of digital expenses | [^]Other income is net of digital expenses

Profit & Loss Account

Particulars (in Rs Cr)	Q3FY23	Q3FY22	YoY%	Q2FY23	QoQ%	9MFY23	9MFY22	YoY%
Net Income	774	636	22%	725	7%	2,180	1,746	25%
Employee Cost	292	240	21%	275	6%	793	670	15%
Opex*	203	171	19%	208	-2%	597	468	28%
Total Operating Expenditure	495	411	20%	483	2%	1,390	1,158	20%
PBT before provision & Write-off	279	225	24%	242	15%	790	588	34%
Credit Cost	50	79	-36%	90	-44%	282	371	-24%
PBT	229	146	57%	152	51%	508	217	134%
Taxes	59	38	55%	36	65%	124	56	123%
PAT	170	108	57%	116	46%	384	161	138%

*Opex is exclusive of digital expenses ^Other income is net of digital expenses



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