Ladies and Gentlemen,

May I, at start, warmly welcome your all to the Seventh Annual General meeting of Equitas Small Finance Bank Ltd**.**

2. Time has added one more year to the past and FY 2023 was an eventful one. Advanced economies grappled with a plethora of challenges such as escalation in geopolitical conflict, constrained supply chains, surge in fuel prices, historically high inflation, and instability in the banking system. While there are pockets of resilience, the slowdown of momentum is apparent. The IEA has recently scaled down the earlier projected oil demand for 2023 by 220000 barrels a day citing challenging economic conditions. According to the UN, the number of countries facing high external debts has risen to fifty-nine with the share of private creditors growing. India was not insulated from inflationary and other pressures but the focus of Government of India on infrastructure-led growth, the balanced policy on import sourcing, and the Central Bank's proactive stance were bulwarks and enabled a cheering GDP growth of over 7%. As we course through FY24, the Indian economy remains stable with improved corporate balance sheets and well-capitalised banks. At the end of the first quarter, 25% of the planned Capex of Rs 10 trillion of GOI for FY 24 is reported to have been achieved. Net direct tax collections in the same period have risen by over 15%.

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3. But the skies ahead are never clear blue and apart from other ongoing global and domestic worries, we have now before us the uneven spread of monsoon in parts of many large States. The World Meteorological Organisation (WMO)'s report of July has already declared 2023 to be an El Nino year with 90% probability. The potential knock-on effect on the rural economy can be assessed only by early September. Yet, the unanticipated perturbations of the recent past have probably informed us that policies and actions of the future may work better if foresight and initiative are tempered with an understanding of the consequences of failure.

4. In my address I will attempt to summarily cover the Bank's performance in FY23, certain signal happenings in the Bank, some tentative thoughts on the future and mention before conclusion, our CSR initiatives.

5. During FY23, the environment turned favourable, largely due to the rebound in the economy as the trauma of covid receded. ESFBs disbursements, collections, asset quality indicators, deposits, traction for newer products and Brand visibility improved sharply with most of the performance metrics returning to pre-covid levels.

6. Advances rose by 36% to Rs.27,861 Crore and deposits by 35% to Rs.25,381 Crore in FY23 as compared to FY22. Small business loans (SBL) continued to grow at a rapid pace, with gross advances crossing

₹10,000 crore. Asset quality improved significantly, with GNPA on Gross Advances falling from 4.06% in FY22 to 2.60% and NNPA from 2.37% to 1.14%. Thanks to the Banks consistent conservative stance on provisions, the provision coverage ratio (PCR) stood at 56.90% at the end of FY23 and your Bank remains well capitalised to fuel the next phase of the growth journey with CRAR at 23.8%, well above the regulatory requirement of 15%. Cost of funds was contained at 6.38%, despite the series of policy rate hikes by RBI.

7. In the coming years, the Bank plans building its consumer finance portfolio by foraying into personal loans during FY ’24 and credit cards in FY ’25, which will also further lower our centre of gravity through a diversified loan portfolio. Additionally, with the obtaining of the AD-1 license the Bank will work on offerings like forex cards, FCNR deposits, remittance etc.

8. There have been two signal events in the Bank, both positive, and worthy of mention. First, the process of reverse merger of Equitas Holdings with the Bank has been completed. Apart from ending the anomaly of having two listed Companies with almost the same asset base, the merger has cleared the decks for Equitas Small Finance Bank to apply for a Universal Bank Licence once the guidelines for the same are issued by the Regulator. However, whatever be our nomenclature, our focus towards the unbanked and underbanked will remain immutable. Equitas Bank targets to remain an inclusive, profitable all-weather edifice and fully understands that creation of value is more relational than transactional.

For us real rewards have always occupied the space beyond comforting the comfortable.

9. Next, it may be recalled that Mr Vasudevan MD &CEO had earlier expressed his desire to move on to engage in philanthropic work. This would have created a discontinuity in leadership and turbulence in your young and evolving institution. The Board was able to persuade him to stay on. His tenure has been recently extended by the RBI for a further period of 3 years ending July 22nd, 2026, and I firmly believe this augurs well for ESFB.

10. Future coordinates in a VUCA environment lie in a probability cloud. Yet, as Steve Jobs once said, enterprise management is like ice hockey – you must go to not where the puck is but to where it is likely to be.

11. If asked what the attributes are we have and need to hone to be on or ahead of the curve, I would list a few. Foremost, would be prudent investments in people, processes, and technology. These investments play a pivotal role in the journey towards managing seamless and efficient customer welfare with inclusive development and last mile delivery.

11.1 I would rank next, the Banks management of its portfolio. In 2016 when ESFB came into being, our unsecured loan portfolio was 53%. Today it stands at 19%. Our skills in appraising small business loan applications are among the best in Industry and as of now against the RBI mandate to

SFBs to ensure that at least 50% of the advances given by the Bank are of value less than Rs 25 lakhs, Equitas stands at about 83%. Except in the immediate wake of demonetisation and Covid, Equitas loan portfolio over the last 15 years (both as NBFC and Bank), has never been under stress, despite multiple economic slowdowns during these years. We also have an unbroken record of declaring a positive bottom line despite conservative provisions.

11.2 Next, the Bank remains fairly insulated from global headwinds, rising inflation, currency depreciation etc as its customers are from the informal economy. With the present perking up of the Indian economy the demand for credit from underbanked sectors is witnessing a sharp acceleration and the large untapped potential at the base of the pyramid remains before us, providing niche space for growth. Optimisation in the use of funds lies in moving money as opportunities arise, from areas where it is overpriced to where it is underpriced.

12. While these are the areas where strengths exist and need enhancement, one cannot be oblivious to the low-pressure areas where challenges best not understated, lie before us. In my view these are three in number.

12.1 The first is competition. We are now witnessing, how to meet the credit appetite, every Bank is competing for all cohorts of depositors. This is catching on in assets and feeders at every level are entering all ponds.

12.2 The next is that technology has be where the puck will be or estimated to be. It means it must be perpetually on the stretch, that resources for creating the same must be up to speed and intelligence should not be invested in areas where illusions beckon.

12.3 The third is the turnover one is seeing across the sector particularly at the front office levels. This implies the Bank has to price the cost of the same over a benchmark and evolve systems to contain it with innovations in incentives and evolving process and technological solutions to mitigate the same.

13. We are aware that unless an organisation is mindful of lurking challenges and responds effectively on time, it risks the hazard of going into a slow crumble. Over 23 centuries ago Chanakya is said to have written –time alone perfects and time alone kills –it alone is awake when everyone is asleep. A sobering thought, indeed.

14. Let me now turn to the CSR activities of the Bank. Staying true to the founding vision of Equitas, our focused interventions across chosen areas of health care, education, training, rehabilitation have made a meaningful difference cumulatively to the lives and livelihoods of over six million persons by end FY23. In FY23 alone, (Equitas Development Initiatives Trust) EDIT covered 1.5 lakh beneficiaries in eye camps and screened over 2.4 Lakhs persons in health camps. This apart over six lakh women received skill training for supplementing their income and over one

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thousand pavement dwellers were rehabilitated. Under the Equitas Healthcare Trust, the project to set up a one hundred bed and muliti speciality cancer hospital is well under way and is targeted to be fully functional this year.

14.1 Our eight Equitas Gurukul schools with a current strength of over 7000 students have mostly pupils from indigent families and there are systems in place to ensure no child's education suffers due to a fee payment gap. The achievements of our boys and girls in the Board examinations and extracurricular activities have been a source of great pride for us, next only to their parents. This year Rohit Khanna of Sivakasi, son of a laboratory technician and homemaker has qualified for admission to an IIT/NIT based on his performance in the JEE Advanced. Not to be outdone, T Sarathy of Salem Gurukul, son of a daily wage earner and tailor has qualified for admission in a Government Medical College by creditably clearing NEET. These are happenings which nourish our souls and bolster our sense of purpose.

15. Our committed CSR annual contribution of 5% of eligible profits translates into spends which rival and outpace the actuals of many well- known midcap Companies. In FY 23 Equitas commissioned an independent study by Social Audit Network India to understand how our CSR activities impact those we try to help and what we need to do to improve. This can be found on our website – www.equitasbank.com under the Corporate Social Responsibility section.

16. Before I conclude, I must compliment Mr Vasudevan MD and CEO of Equitas and all the officers and staff of the Bank for handling the challenges and opportunities that came by and delivered the best possible outcomes. I thank my fellow Directors for their focussed guidance and unstinted dedication. I am grateful to all stakeholders for support, and encouragement. Thank you all for the trust you repose in us: the Bank will try its utmost to continue to merit the same in future.

17. Finally I need mention that my tenure as the Chairman of the Bank ends in April next year. It has been a pleasant and educative experience for me right from 2012, when I came in as the Chairman of the Equitas Microfinance Company and stayed on to bask in the warmth of my relationship with Vasu and all in the Bank to name whom will be to read a formidable list.

18. I am grateful to all of you and wish you all every happiness in life and every satisfaction in work as the future unravels.

Jai Hind

Arun Ramanathan
Chairman